PEA RIDGE PUBLIC SERVICE DISTRICT
SEWER REVENUE BONDS, SERIES 2007 A
(WEST VIRGINIA SRF PROGRAM)

DATE OF CLOSING: AUGUST 28, 2007

BONDS TRANSCRIPT

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PEA RIDGE PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds, Series 2007 A
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PEA RIDGE PUBLIC SERVICE DISTRICT

SEWER REVENUE BONDS, SERIES 2007 A
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PEA RIDGE PUBLIC SERVICE DISTRICT

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC SEWERAGE SYSTEM OF PEA RIDGE PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF $1,043,821 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 2007 A (WEST VIRGINIA SRF PROGRAM), PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING BOND PURCHASE AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF PEA RIDGE PUBLIC SERVICE DISTRICT:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

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

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

A. Pea Ridge Public Service District (the "Issuer") is a public service district and a public corporation and political subdivision of the State of West Virginia in Cabell County of said State.

B. The Issuer presently owns and operates a public sewerage system. However, it is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer that there be acquired and constructed improvements and extensions to the existing public sewerage system of the Issuer, consisting of replacement and upgrade of an existing lift station and construction of a service building, together with all appurtenant facilities (collectively, the "Project"), which constitute properties for the collection, treatment, purification or disposal of liquid or solid wastes, sewage or industrial wastes (the existing public sewer facilities of the Issuer, the Project and any further improvements or extensions thereto are herein called the "System"), in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications have heretofore been filed with the Issuer.

C. The Issuer intends to permanently finance a portion of the costs of acquisition and construction of the Project through the issuance of its revenue bonds to the West Virginia Water Development Authority (the "Authority"), in connection with the West Virginia Water Pollution Control Revolving Fund and the West Virginia Infrastructure Fund pursuant to the Act.

D. It is deemed necessary for the Issuer to issue its Sewer Revenue Bonds in the total aggregate principal amount of $1,043,821, in a single series being the Sewer Revenue Bonds, Series 2007 A (West Virginia SRF Program),(the "Series 2007 A Bonds"), to permanently finance a portion of the costs of acquisition and construction of the Project. The remaining costs of the Project shall be funded from the sources set forth in Section 2.01 hereof. Said costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest, if any, upon the Series 2007 A Bonds prior to and during acquisition and construction of the Project and for a period not exceeding 6 months after completion of acquisition and construction of the Project; amounts which may be deposited in the Reserve Accounts (as hereinafter defined); engineering and legal expenses; expenses for estimates of costs and revenues, expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise, administrative expense, commitment fees, fees and expenses of the Authority, discount, initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Series 2007 A Bonds and such other expenses as may be necessary or incidental to the financing herein authorized, the acquisition or construction of the Project and the placing of same in operation, and the performance of the things herein required or permitted, in connection with any thereof; provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Series 2007 A Bonds or the repayment of indebtedness incurred by the Issuer for such purposes shall be deemed Costs of the Project, as hereinafter defined.

E. The period of usefulness of the System after completion of the Project is not less than 32 years.

F. It is in the best interests of the Issuer that its Series 2007 A Bonds be sold to the Authority pursuant to the terms and provisions of a bond purchase agreement by and among the Issuer, the Authority and the West Virginia Department of Environmental Protection (the "DEP") approved hereby if not previously approved by resolution of the Issuer.

G. There are outstanding obligations of the Issuer which will rank on a parity with the Series 2007 A Bonds as to liens, pledge and source of and security for payment, being the Issuer's (i) Sewer Refunding Revenue Bonds, Series 2004, dated March 1, 2004, issued in the original aggregate principal amount of $2,620,000; (ii) Sewer Revenue Bonds, Series 2003 B (West Virginia Water Development Authority), dated August 19, 2003, issued in the original aggregate principal amount of $100,000 (the "Series 2003 B Bonds"); (iii) Sewer Revenue Bonds, Series 2003 A (West Virginia SRF Program), dated August 19, 2003, issued in the original aggregate principal amount of $12,429,500 (the "Series 2003 A Bonds"); (vi) Sewerage System Design Revenue Bonds, Series 2000 (West Virginia SRF Program), dated March 7, 2000, issued in the original aggregate principal amount of $477,000 (the "Series 2000 Bonds"); and (v) Sewer Revenue Bonds, Series 1992 (West Virginia SRF Program), dated December 28, 1992, issued in the original aggregate principal amount of $1,250,000 (the "Series 1992 Bonds")(hereinafter collectively, the "Prior Bonds").

The Series 2007 A Bonds shall be issued on a parity with the Prior Bonds with respect to liens, pledge and source of and security for payment and in all other respects. Prior to the issuance of the Series 2007 A Bonds, the Issuer will obtain a certificate of an Independent Certified Public Accountant stating that the coverage and parity tests of the Prior Bonds are met and the written consent of the Holders of the Prior Bonds to the issuance of the Series 2007 A Bonds on a parity with the Prior Bonds. Other than the Prior Bonds, there are no Outstanding bonds or obligations of the Issuer which are secured by revenues or assets of the System. The Issuer is in compliance with all the covenants of the Prior Bonds and the Prior Resolutions.

H. The estimated revenues to be derived in each year following completion of the Project from the operation of the System will be sufficient to pay all costs of operation and maintenance of the System and the principal of and interest, if any, on the Series 2007 A Bonds and the Prior Bonds, and to make payments into all funds and accounts and other payments provided for herein.

I. The Issuer has complied with all requirements of West Virginia law and the Bond Purchase Agreement relating to authorization of the acquisition, construction and operation of the Project and the System and issuance of the Series 2007 A Bonds, or will have so complied prior to issuance of any thereof, including, among other things and without limitation, the approval of the Project and the financing thereof by the Infrastructure and Jobs Development Council and the obtaining of a certificate of public convenience and necessity and approval of this financing and necessary user rates and charges described herein from the Public Service Commission of West Virginia by final order, the time for rehearing and

appeal of which will either have expired prior to the issuance of the Series 2007 A Bonds or such final order will not be subject to appeal or rehearing.

J. The Project has been reviewed and determined to be technically and financially feasible by the Infrastructure and Jobs Development Council as required under Chapter 31, Article 15A of the West Virginia Code of 1931, as amended.

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Series 2007 A Bonds by those who shall be the Registered Owners of the same from time to time, this Bond Legislation shall be deemed to be and shall constitute a contract between the Issuer and such Registered Owners, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the Registered Owners of any and all of such Series 2007 A Bonds, all which shall be of equal rank and without preference, priority or distinction between any one Bond of a series and any other Bonds of the same series, by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

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

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

"Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser and Registered Owner of the Series 2007 A Bonds, or any other agency, board or department of the State of West Virginia that succeeds to the functions of the Authority, acting in its administrative capacity and upon authorization from the DEP under the Act.

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

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

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

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

"Bonds" means, collectively, the Series 2007 A Bonds, the Prior Bonds and any bonds on a parity therewith subsequently authorized to be issued hereunder or by another resolution of the Issuer.

"Bond Purchase Agreement" means, the Bond Purchase Agreement heretofore entered, or to be entered, into by and among the Issuer, the Authority and the DEP, providing for the purchase of the Series 2007 A Bonds from the Issuer by the Authority, the form of which shall be approved, and the execution and delivery by the Issuer authorized and directed or ratified, by the Supplemental Resolution.

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

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

"Closing Date" means the date upon which there is an exchange of the Series 2007 A Bonds for all or a portion of the proceeds of the Series 2007 A Bonds from the Authority.

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

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

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

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

"DEP" means the West Virginia Department of Environmental Protection or any other agency, board or department of the State that succeeds to the functions of the DEP.

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

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

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

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

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

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

"Net Proceeds" means the face amount of the Series 2007 A Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds, if any, deposited in the Reserve Accounts. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Series 2007 A Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

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

"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, the SRF Administrative Fee, 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, if any, on the Bonds, charges for depreciation, losses from the sale or other disposition of, or from any decrease in the value of, capital assets, amortization of debt discount or such miscellaneous deductions as are applicable to prior accounting periods.

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

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

"Paying Agent" means the Commission or other entity designated as such for the Series 2007 A Bonds in the Supplemental Resolution.

"Prior Bonds" means, collectively, the Series 2004 Bonds, the Series 2003 A Bonds, the Series 2003 B Bonds, the Series 2000 Bonds, and the Series 1992 Bonds.

"Prior Resolutions" means, collectively, the Resolutions authorizing the Prior Bonds.

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

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

(a) Government Obligations;

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

Government Obligations or interest coupons stripped from Government Obligations;

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

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

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

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

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

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

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

"Registrar" means the Bond Registrar.

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

"Renewal and Replacement Fund" means the Renewal and Replacement Fund continued by the Section 5.01 hereof.

"Reserve Accounts" means, collectively, the respective reserve accounts established for the Series 2007 A Bonds and the Prior Bonds.

"Reserve Requirement" means, collectively, the respective amounts required to be on deposit in the Reserve Accounts of the Series 2007 A Bonds and the Prior Bonds.

"Revenue Fund" means the Revenue Fund established by Section 5.01 hereof.

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

"Series 2004 Bonds" means the Issuer's Sewer Refunding Revenue Bonds, Series 2004, dated March 1, 2004, issued in the original aggregate principal amount of $2,620,000.

"Series 2003 B Bonds" means the Issuer's Sewer Revenue Bonds, Series 2003 B (West Virginia Water Development Authority), dated August 19, 2003, issued in the original aggregate principal amount of $100,000.

"Series 2003 A Bonds" means the Issuer's Sewer Revenue Bonds, Series 2003 A (West Virginia SRF Program), dated August 19, 2003, issued in the original aggregate principal amount of $12,429,500.

"Series 2000 Bonds" means the Issuer's Sewerage System Design Revenue Bonds, Series 2000 (West Virginia SRF Program), dated March 7, 2000, issued in the original aggregate principal amount of $477,000.

"Series 1992 Bonds" means the Issuer's Sewer Revenue Bonds, Series 1992 (West Virginia SRF Program), dated December 28, 1992, issued in the original aggregate principal amount of $1,250,000.

"Series 2007 Bonds" means the Series 2007 A Bonds.

"Series 2007 A Bonds" means the Sewer Revenue Bonds, Series 2007 A (West Virginia SRF Program), of the Issuer, authorized by this Resolution.

"Series 2007 A Bonds Construction Trust Fund" means the Series 2007 A Bonds Construction Trust Fund established by Section 5.01 hereof.

"Series 2007 A Bonds Reserve Account" means the Series 2007 A Bonds Reserve Account established in the Series 2007 A Bonds Sinking Fund pursuant to Section 5.02 hereof.

"Series 2007 A Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest, if any, which will become due on the Series 2007 A Bonds in the then current or any succeeding year.

"Series 2007 A Bonds Sinking Fund" means the Series 2007 A Bonds Sinking Fund established by Section 5.02 hereof.

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

"SRF Administrative Fee" means any administrative fee required to be paid under the Bond Purchase Agreement for the Series 2007 A Bonds.

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

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

"State" means the State of West Virginia.

"Supplemental Resolution" means any resolution or order of the Issuer supplementing or amending this Resolution and, when preceded by the article "the," refers specifically to the supplemental resolution or resolutions authorizing the sale of the Series 2007 A Bonds; provided, that any matter intended by this Resolution to be included in the Supplemental Resolution with respect to the Series 2007 A Bonds, and not so included, may be included in another Supplemental Resolution.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND SALE OF BONDS; AUTHORIZATION AND EXECUTION OF BOND PURCHASE AGREEMENT

Section 3.01. Authorization of Bonds. For the purposes of capitalizing interest, if any, on the Series 2007 A Bonds, funding the respective Reserve Accounts for the Series 2007 A Bonds, paying Costs of the Project not otherwise provided for and paying certain costs of issuance of the Series 2007 A Bonds and related costs, or any or all of such purposes, as determined by the Supplemental Resolution, there shall be and hereby are authorized to be issued negotiable Series 2007 A Bonds of the Issuer. The Series 2007 A Bonds shall be issued in as a single bond, designated as "Sewer Revenue Bonds, Series 2007 A (West Virginia SRF Program)," in the principal amount of $1,043,821, and shall have such terms as set forth hereinafter and in the Supplemental Resolution. The proceeds of the Series 2007 A Bonds remaining after funding of the Reserve Accounts (if funded from Bond proceeds) and capitalizing interest, if any, on the Series 2007 A Bonds, if any, shall be deposited in or credited to the Bond Construction Trust Fund established by Section 5.01 hereof and applied as set forth in Article VI hereof.

Section 3.02. Terms of Bonds. The Series 2007 A Bonds shall be issued in such principal amounts; shall bear interest, if any, at such rate or rates, not exceeding the then legal maximum rate, payable quarterly on such dates; shall mature on such dates and in such amounts; and shall be redeemable, in whole or in part, all as the Issuer shall prescribe in a Supplemental Resolution or as specifically provided in the Bond Purchase Agreement. The Series 2007 A Bonds shall be payable as to principal at the office of the Paying Agent, in any coin or currency which, on the dates of payment of principal is legal tender for the payment of public or private debts under the laws of the United States of America. Interest, if any, on the Series 2007 A Bonds, if any, shall be paid by check or draft of the Paying Agent mailed to the Registered Owner thereof at the address as it appears on the books of the Bond Registrar, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner thereof.

Unless otherwise provided by the Supplemental Resolution, the Series 2007 A Bonds shall be issued in the form of a single bond, fully registered to the Authority, with a record of advances and a debt service schedule attached, representing the aggregate principal amount of the Series 2007 A Bonds. The Series 2007 A Bonds shall be exchangeable at the option and expense of the Registered Owner for another fully registered Bond or Bonds of the same series in aggregate principal amount equal to the amount of said Bonds then Outstanding and being exchanged, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of said Bonds; provided, that the Authority shall not be obligated to pay any expenses of such exchange.

Subsequent series of Bonds, if any, shall be issued in fully registered form and in denominations as determined by a Supplemental Resolution. Such Bonds shall bear interest, if any, and shall be dated as set forth in a Supplemental Resolution.

Section 3.03. Execution of Bonds. The Series 2007 A Bonds shall be executed in the name of the Issuer by the Chairman, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the Secretary. In case any one or more of the officers who shall have signed or sealed the Series 2007 A Bonds shall cease to be such officer of the Issuer before the Series 2007 A Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Series 2007 A Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.04. Authentication and Registration. The Bond Registrar for the Series 2007 A Bonds shall be the bank or other entity to be designated as such in the Supplemental Resolution and its successors and assigns. No Series 2007 A Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Bond Legislation unless and until the Certificate of Authentication and Registration on such Bond, substantially in the forms set forth in Section 3.10 hereof shall have been manually executed by the Bond Registrar. Any such executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Bond Legislation. The Certificate of Authentication and Registration on any Series 2007 A Bond shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

Section 3.05. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Series 2007 A Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder, in accepting the Series 2007 A Bonds shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder shall further be conclusively deemed to have agreed that such Bonds shall be incontestable in the hands of a bona fide holder for value.

So long as the Series 2007 A Bonds remain outstanding, the Issuer, through the Bond Registrar as its agent, shall keep and maintain books for the registration and transfer of the Bonds.

The registered Series 2007 A Bonds shall be transferable only upon the books of the Bond Registrar, by the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender thereto together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or his duly authorized attorney.

In all cases in which the privilege of exchanging Series 2007 A Bonds or transferring the registered Series 2007 A Bonds are exercised, all Series 2007 A Bonds shall be delivered in accordance with the provisions of this Bond Legislation. All Series 2007 A Bonds surrendered in any such exchanges or transfers shall forthwith be canceled by the Bond Registrar. For every such exchange or transfer of Series 2007 A Bonds, the Bond Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer and the cost of preparing each new Bond upon each exchange or transfer, and any other expenses of the Bond Registrar incurred in connection therewith, which sum or sums shall be paid by the Issuer. The Bond Registrar shall not be obliged to make any such exchange or transfer of Bonds during the period commencing on the 15th day of the month next preceding an interest payment date on the Series 2007 A Bonds or, in the case of any proposed redemption of Series 2007 A Bonds, next preceding the date of the selection of Bonds to be redeemed, and ending on such interest payment date or redemption date.

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Series 2007 A Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Bond Registrar shall, if so advised by the Issuer, authenticate and deliver, a new Bond of the same series and of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer and the Bond Registrar may incur. All Bonds so surrendered shall be cancelled by the Bond Registrar and held for the account of the Issuer. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Section 3.07. Bonds not to be Indebtedness of the Issuer. The Series 2007 A Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Net Revenues derived from the operation of the System as herein provided. No holder or holders of the Series 2007 A Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer, if any, to pay the Series 2007 A Bonds or the interest, if any, thereon.

Section 3.08. Bonds Secured by Pledge of Net Revenues; Lien Positions with Respect to Prior Bonds. The payment of the debt service of the Series 2007 A Bonds shall be secured forthwith by a first lien on the Net Revenues derived from the System on a parity with the lien on such Net Revenues in favor of the Holders of the Prior Bonds. Such Net Revenues in an amount sufficient to pay the principal of and interest, if any, on and other payments for the Series 2007 A Bonds and the Prior Bonds and to make all other payments provided for in the Bond Legislation, are hereby irrevocably pledged to such payments as they become due.

Section 3.09. Delivery of Bonds. The Issuer shall execute and deliver the Series 2007 A Bonds to the Bond Registrar, and the Bond Registrar shall authenticate, register and deliver the Series 2007 A Bonds to the original purchasers upon receipt of the documents set forth below:

A. If other than the Authority, a list of the names in which the Series 2007 A Bonds are to be registered upon original issuance, together with such taxpayer identification and other information as the Bond Registrar may reasonably require;

B. A request and authorization to the Bond Registrar on behalf of the Issuer, signed by an Authorized Officer, to authenticate and deliver the Series 2007 A Bonds to the original purchasers;

C. An executed and certified copy of the Bond Legislation;

D. An executed copy of the Bond Purchase Agreement; and

E. The unqualified approving opinion of bond counsel on the Series 2007 A Bonds.

Section 3.10. Form of Bonds. The text of the Series 2007 A Bonds shall be in substantially the following form, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted hereby, or by any Supplemental Resolution adopted prior to the issuance thereof:

(FORM OF SERIES 2007 A BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
PEA RIDGE PUBLIC SERVICE DISTRICT
SEWER REVENUE BONDS, SERIES 2007 A
(WEST VIRGINIA SRF PROGRAM)

No. AR-____ $_____

KNOW ALL MEN BY THESE PRESENTS: That PEA RIDGE PUBLIC SERVICE DISTRICT, a public service district, public corporation and political subdivision of the State of West Virginia in Cabell County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the West Virginia Water Development Authority (the "Authority") or registered assigns the sum of _____ DOLLARS ($_____), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as EXHIBIT A hereto and incorporated herein by reference, in quarterly installments on March 1, June 1, September 1 and December 1 of each year, commencing _____ 1, _____, as set forth on the "Debt Service Schedule" attached as EXHIBIT B hereto and incorporated herein by reference. The SRF Administrative Fee (as defined in the hereinafter described Bond Legislation) shall also be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing _____ 1, _____, as set forth on said EXHIBIT B.

This Bond shall bear no interest. Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent").

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and the West Virginia Department of Environmental Protection (the "DEP"), and upon the terms and conditions prescribed by, and otherwise in compliance with, the Bond Purchase Agreement by and among the Issuer, the Authority and the DEP, dated _____, 2007.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of improvements and extensions to the existing public sewerage system of the Issuer (the "Project"); and (ii) to pay certain costs of issuance of the Bonds of this Series (the

"Bonds") and related costs. The existing public sewerage system of the Issuer, the Project and any further improvements or extensions thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A and Chapter 22C, Article 2 of the West Virginia Code of 1931, as amended (collectively, the "Act"), and a Bond Resolution duly adopted by the Issuer on _____, 2007, and a Supplemental Resolution duly adopted by the Issuer on _____, 2007 (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL OTHER RESPECTS, WITH THE ISSUER'S (1) SEWER REFUNDING REVENUE BONDS, SERIES 2004, DATED MARCH 1, 2004, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $2,620,000 (THE "SERIES 2004 BONDS"); (2) SEWER REVENUE BONDS, SERIES 2003 B (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), DATED AUGUST 19, 2003, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $100,000 (THE "SERIES 2003 B BONDS"); (3) SEWER REVENUE BONDS, SERIES 2003 A (WEST VIRGINIA SRF PROGRAM), DATED AUGUST 19, 2003, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $12,429,500 (THE "SERIES 2003 A BONDS"); (4) SEWERAGE SYSTEM DESIGN REVENUE BONDS, SERIES 2000 (WEST VIRGINIA SRF PROGRAM), DATED MARCH 7, 2000, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $477,000 (THE "SERIES 2000 BONDS"); AND (5) SEWER REVENUE BONDS, SERIES 1992 (WEST VIRGINIA SRF PROGRAM), DATED DECEMBER 28, 1992, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,250,000 (THE "SERIES 1992 BONDS") (COLLECTIVELY, THE "PRIOR BONDS").

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, on a parity with the pledge of Net Revenues in favor of the holders of the Prior Bonds and from monies in the reserve account created under the Bond Legislation for the Bonds (the "Series 2007 A Bonds Reserve Account") and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest, if any, on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute an indebtedness of the Issuer within the meaning of any 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 2007 A Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to

provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with or junior to the Bonds, including the Prior Bonds; provided however, that so long as there exists in the Series 2007 A Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest, if any, which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with or junior to the Bonds, including the Prior Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Bond Legislation, only upon the books of The Huntington National Bank, Charleston, West Virginia, as registrar (the "Registrar"), by the registered owner, or by its attorney duly authorized in writing, upon the surrender of this Bond, together with a written instrument of transfer satisfactory to the Registrar, duly executed by the registered owner or its attorney duly authorized in writing.

Subject to the registration requirements set forth herein, this Bond, under the provision of the Act is, and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia.

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law and the Bond Legislation, shall be applied solely to payment of the costs of the Project and costs of issuance hereof described in the Bond Legislation, and there shall be and hereby is created and granted a lien upon such monies, until so applied, in favor of the registered owner of this Bond.

In accordance with the requirements of the United States Department of Agriculture for the issuance of parity obligations, the Bonds will be in default should any proceeds of the Bonds be used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and at the issuance of this Bond do exist, have happened, and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of the Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the Net Revenues of the System

has been pledged to and will be set aside into said special fund by the Issuer for the prompt payment of the principal of this Bond.

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

IN WITNESS WHEREOF, PEA RIDGE PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairman and its corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Bond to be dated _____, 2007.

[SEAL]

_____
Chairman

ATTEST:

_____
Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 2007 A Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: _____, 2007.

THE HUNTINGTON NATIONAL BANK,
as Registrar

_____
Authorized Officer

(Form of)

EXHIBIT A

RECORD OF ADVANCES

	AMOUNT	DATE		AMOUNT	DATE
(1)	$		(18)	$	
(2)	$		(19)	$	
(3)	$		(20)	$	
(4)	$		(21)	$	
(5)	$		(22)	$	
(6)	$		(23)	$	
(7)	$		(24)	$	
(8)	$		(25)	$	
(9)	$		(26)	$	
(10)	$		(27)	$	
(11)	$		(28)	$	
(12)	$		(29)	$	
(13)	$		(30)	$	
(14)	$		(31)	$	
(15)	$		(32)	$	
(16)	$		(33)	$	
(17)	$		(34)	$	

TOTAL $_____

EXHIBIT B

DEBT SERVICE SCHEDULE

(Form of)

ASSIGNMENT

FOR VALUE RECEIVED the undersigned sells, assigns, and transfers unto _____ the within Bond and does hereby irrevocably constitute and appoint _____, Attorney to transfer the said Bond on the books kept for registration of the within Bond of the said Issuer with full power of substitution in the premises.

Dated: _____, _____.

_____

In the presence of:

_____

Section 3.11. Sale of Bonds; Approval and Ratification of Execution of Bond Purchase Agreement. The Series 2007 A Bonds shall be sold to the Authority, pursuant to the terms and conditions of the Bond Purchase Agreement. If not so authorized by previous resolution, the Chairman is specifically authorized and directed to execute the Bond Purchase Agreement in the form attached hereto as "EXHIBIT A" and made a part hereof, and the Vice Chairman is directed to affix the seal of the Issuer, attest the same and deliver the Bond Purchase Agreement to the Authority, and any such prior execution and delivery is hereby authorized, approved, ratified and confirmed. The Bond Purchase Agreement, including all schedules and exhibits attached thereto, are hereby approved and incorporated into this Bond Legislation.

Section 3.12. "Amended Schedule" Filing . Upon completion of the acquisition and construction of the Project, the Issuer will file with the Authority and the DEP a schedule, the forms of which will be provided by the DEP, setting forth the actual costs of the Project and sources of funds therefor.

ARTICLE IV

[RESERVED]

ARTICLE V

FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

Section 5.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are hereby created (or continued) and shall be held by the Depository Bank separate and apart from all other funds or accounts of the Depository Bank and the Issuer and from each other:

(1) Revenue Fund (established by the Prior Resolutions);

(2) Renewal and Replacement Fund (established by the Prior Resolutions); and

(3) Series 2007 A Bonds Construction Trust Fund.

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

(1) Series 2007 A Bonds Sinking Fund; and

(2) Series 2007 A Bonds Reserve Account.

Section 5.03. System Revenues; Flow of Funds. A. The entire Gross Revenues derived from the operation of the System shall be deposited upon receipt in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in this Bond Legislation and shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner herein provided. All revenues at any time on deposit in the Revenue Fund shall be disposed of only in the following order of priority:

(1) The Issuer shall first, each month, pay from the monies in the Revenue Fund all current Operating Expenses of the System.

(2) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and remit to the Commission, as appropriate, the amounts required to pay interest on the Prior Bonds, as required by the Prior Resolutions.

(3) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously (i) remit to the Commission, as appropriate, the amounts required to pay principal of the Prior Bonds, as required by the Prior Resolutions; and (ii) remit to the Commission, commencing 3 months prior to the first date of payment of principal of the Series 2007 A Bonds, for deposit in the Series 2007 A Bonds Sinking Fund, an amount equal to 1/3rd of the amount of principal which will mature and become due on the Series 2007 A Bonds on the next ensuing quarterly principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 2007 A Bonds Sinking Fund and the next quarterly principal payment date is less than 3 months, then such monthly payments shall be increased proportionately to provide, 1 month prior to the next quarterly principal payment date, the required amount of principal coming due on such date.

(4) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously (i) remit to the Commission, as appropriate, the amounts required by the Prior Resolutions for deposit in the respective Reserve Accounts for the Prior Bonds; and (ii) remit to the Commission, commencing 3 months prior to the first date of payment of principal of the Series 2007 A Bonds, if not fully funded upon issuance of the Series 2007 A Bonds, for deposit in the Series 2007 A Bonds Reserve Account, an amount equal to 1/120th of the Series 2007 A Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2007 A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2007 A Bonds Reserve Requirement.

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

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

Monies in the Series 2007 A Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest, if any, on the Series 2007 A Bonds, as the same shall become due. Monies in the Series 2007 A Bonds Reserve Account shall be used only for the purpose of paying principal of and interest, if any, on the Series 2007 A Bonds, as the same shall come due, when other monies in the Series 2007 A Bonds Sinking Fund are insufficient therefor, and for no other purpose.

All investment earnings on monies in the Series 2007 A Bonds Sinking Fund and the Series 2007 A Bonds Reserve Account, shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall, during construction of the Project, be deposited in the respective Bond Construction Trust Funds, and following completion of construction of the Project, shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payment, if any, due on the Series 2007 A Bonds and then to the next ensuing principal payment due thereon, all on a pro rata basis.

Any withdrawals from the Series 2007 A Bonds Reserve Account which result in a reduction in the balance therein to below the respective Reserve Requirements shall be subsequently restored from the first Net Revenues available after all required payments have been made in full in the order set forth above.

As and when additional Bonds ranking on a parity with the Series 2007 A Bonds are issued, provision shall be made for additional payments into the respective sinking funds sufficient to pay the interest on such additional parity Bonds and accomplish retirement thereof at maturity and to accumulate a balance in the appropriate reserve account in an amount equal to the requirement thereof.

The Issuer shall not be required to make any further payments into the Series 2007 A Bonds Sinking Fund or the Series 2007 A Bonds Reserve Account, when the aggregate amount of funds therein are at least equal to the respective aggregate principal amount of the Series 2007 A Bonds issued pursuant to this Bond Legislation then Outstanding and all interest, if any, to accrue until the maturity thereof.

The Commission is hereby designated as the fiscal agent for the administration of the Series 2007 A Bonds Sinking Fund and the Series 2007 A Bonds Reserve Account, created hereunder, and all amounts required for said accounts shall be remitted to the Commission from the Revenue Fund by the Issuer at the times provided herein. If required by the Authority at anytime, the Issuer shall make the necessary arrangements whereby required payments into said accounts shall be automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates required hereunder.

Monies in the Series 2007 A Bonds Sinking Fund and the Series 2007 A Bonds Reserve Account shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The Series 2007 A Bonds Sinking Fund and the Series 2007 A Bonds Reserve Account shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 2007 A Bonds under the conditions and restrictions set forth herein.

B. The Issuer shall on the first day of each month (if the first day is not a business day, then the first business day of each month) deposit with the Commission the required principal, interest, if any, and reserve account payments with respect to the Series 2007 A Bonds and all such payments shall be remitted to the Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Bond Legislation. All remittances made by the Issuer to the Commission shall clearly identify the fund or account into which each amount is to be deposited. The Issuer shall also on the first day of each month (if the first day is not a business day, then the first business day of each month) deposit with the Commission the SRF Administrative Fee as set forth in the Schedule Y attached to the Bond Purchase Agreement for the Series 2007 A Bonds.

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

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

E. The Issuer shall remit from the Revenue Fund to the Commission, the Registrar, the Paying Agent or the Depository Bank, on such dates as the respective parties shall require, such additional sums as shall be necessary to pay their respective charges and

fees then due. In the case of payments to the Commission under this paragraph, the Issuer shall, if required by the Authority at anytime, make the necessary arrangements whereby such required payments shall be automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates required.

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

G. If on any monthly payment date the revenues are insufficient to place the required amount in any of the funds and accounts as hereinabove provided, the deficiency shall be made up in the subsequent payments in addition to the payments which would otherwise be required to be made into the funds and accounts on the subsequent payment dates; provided, however, that the priority of curing deficiencies in the funds and accounts herein shall be in the same order as payments are to be made pursuant to this Section 5.03, and the Net Revenues shall be applied to such deficiencies before being applied to any other payments hereunder.

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

ARTICLE VI

BOND PROCEEDS; CONSTRUCTION DISBURSEMENTS

Section 6.01. Application of Bond Proceeds; Pledge of Unexpended Bond Proceeds. From the monies received from the sale of the Series 2007 A Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Series 2007 A Bonds, there shall first be deposited with the Commission in the Series 2007 A Bonds Sinking Fund, the amount, if any, set forth in the Supplemental Resolution as capitalized interest, if any; provided, that such amount may not exceed the amount necessary to pay interest, if any, on the Series 2007 A Bonds for the period commencing on the date of issuance of the Series 2007 A Bonds and ending 6 months after the estimated date of completion of construction of the Project.

B. Next, from the proceeds of the Series 2007 A Bonds, there shall be deposited with the Commission in the Series 2007 A Bonds Reserve Account, the amount, if any, set forth in the Supplemental Resolution for funding the Series 2007 A Bonds Reserve Account.

C. As the Issuer receives advances of the remaining monies derived from the sale of the Series 2007 A Bonds, such monies shall be deposited with the Depository Bank in the Series 2007 A Bonds Construction Trust Fund and applied solely to payment of costs of the Project in the manner set forth in Section 6.02 and until so expended, are hereby pledged as additional security for the Series 2007 A Bonds.

D. After completion of construction of the Project, as certified by the Consulting Engineers, and all costs have been paid, any remaining proceeds of the Series 2007 A Bonds shall be applied as approved by the DEP.

Section 6.02. Disbursements From the Bond Construction Trust Fund. A. On or before the Closing Date, the Issuer shall have delivered to the DEP and the Authority a report listing the specific purposes for which the proceeds of the Series 2007 A Bonds will be expended and the disbursement procedures for such proceeds, including an estimated monthly draw schedule. Payments of all Costs of the Project shall be made monthly.

Except as provided in Section 6.01 hereof, disbursements from the Series 2007 A Bonds Construction Trust Fund shall be made only after submission to and approval from the DEP, of the following:

(1) a completed and signed "Payment Requisition Form," a form of which is attached to the Bond Purchase

Agreement for the Series 2007 A Bonds, in compliance with the construction schedule, and

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

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

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

(c) Each of such costs has been otherwise properly incurred; and

(d) Payment for each of the items proposed is then due and owing.

Pending such application, monies in the respective Bond Construction Trust Funds shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01. General Covenants of the Issuer. All the covenants, agreements and provisions of this Bond Legislation shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Bonds. In addition to the other covenants, agreements and provisions of this Bond Legislation, the Issuer hereby covenants and agrees with the Holders of the Series 2007 A Bonds as hereinafter provided in this Article VII. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of the Series 2007 A Bonds or the interest, if any, thereon is Outstanding and unpaid.

Section 7.02. Bonds not to be Indebtedness of the Issuer. The payment of the debt service of the Series 2007 A Bonds shall be secured forthwith equally and ratably with each other by a first lien on the Net Revenues derived from the System on a parity with the lien on such Net Revenues in favor of the Holders of the Prior Bonds. Such Net Revenues in an amount sufficient to pay the principal of and interest, if any, on and other payments for the Series 2007 A Bonds and the Prior Bonds and to make all other payments provided for in the Bond Legislation, are hereby irrevocably pledged to such payments as they become due.

Section 7.03. Bonds Secured by Pledge of Net Revenues; Lien Positions with Respect to Bonds. The payment of the debt service of the Series 2007 A Bonds shall be secured forthwith equally and ratably with each other by a first lien on the Net Revenues derived from the System on a parity with the lien on such Net Revenues in favor of the Holders of the Prior Bonds. Such Net Revenues in an amount sufficient to pay the principal of and interest, if any, on and other payments for the Series 2007 A Bonds and the Prior Bonds and to make all other payments provided for in the Bond Legislation, are hereby irrevocably pledged to such payments as they become due.

Section 7.04. Initial Schedule of Rates and Charges. The Issuer has obtained any and all approvals of rates and charges required by State law and has taken any other action required to establish and impose such rates and charges , with all requisite appeal periods having expired without successful appeal. Such rates and charges shall be sufficient to comply with the requirements of the Bond Purchase Agreement. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth and approved and described in the Recommended Decision of the Public Service Commission of West Virginia entered March 14, 2003 which became Final Order on March 23, 2003, in Case No. 02-1213-PSD-CN, and such rates are hereby adopted.

So long as the Series 2007 A Bonds are outstanding, the Issuer covenants and agrees to fix and collect rates, fees and other charges for the use of the System and to take all such actions necessary to provide funds sufficient to produce the required sums set forth in the Bond Legislation and in compliance with the Bond Purchase Agreement. In the event the schedule of rates, fees and charges initially established for the System in connection with the Series 2007 A Bonds shall prove to be insufficient to produce the required sums set forth in this Bond Legislation and the Bond Purchase Agreement, the Issuer hereby covenants and agrees that it will, to the extent or in the manner authorized by law, immediately adjust and increase such schedule of rates, fees and charges and take all such actions necessary to provide funds sufficient to produce the required sums set forth in this Bond Legislation and the Bond Purchase Agreement.

Section 7.05. Sale of the System. So long as the Series 2007 A Bonds and the Prior Bonds are outstanding and except as otherwise required by law or with the written consent of the DEP and the Authority, the System may not be sold, mortgaged, leased or otherwise disposed of, except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to fully pay all the Bonds Outstanding in accordance with Article X hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Series 2007 A Bonds, immediately be remitted to the Commission for deposit in the Sinking Funds, and, with the written permission of the DEP and the Authority, or in the event the Authority is no longer a Bondholder, the Issuer shall direct the Commission to apply such proceeds to the payment of principal of and interest, if any, on the Series 2007 A Bonds. Any balance remaining after the payment of the Series 2007 A Bonds and interest, if any, thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

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

The proceeds of any such sale shall be deposited in the Renewal and Replacement Fund. The payment of such proceeds into the Renewal and Replacement Fund shall not reduce the amount required to be paid into said fund by other provisions of this Bond Legislation. No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases, or other dispositions of such properties, shall be in excess of $50,000 and insufficient to pay all Bonds then Outstanding without the prior approval and consent in writing of the Holders of the Bonds then Outstanding. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 7.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. Except as provided in this Section 7.06 and Section 7.07 hereof, the Issuer shall not issue any obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Series 2007 A Bonds. All obligations issued by the Issuer after the issuance of the Series 2007 A Bonds and payable from the revenues of the System, except such additional parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on, pledge and source of and security for payment from such revenues and in all other respects, to the Series 2007 A Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into all funds and accounts set forth herein have been made and are current at the time of the issuance of such subordinate obligations.

Except as provided above, the Issuer shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or being on a parity with the lien of the Series 2007 A Bonds, and the interest thereon, if any, upon any or all of the income and revenues of the System pledged for payment of the Series 2007 A Bonds and the interest thereon, if any, in this Bond Legislation, or upon the System or any part thereof.

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

Section 7.07. Parity Bonds. So long as the Prior Bonds are outstanding, the limitations on the issuance of parity obligations set forth in the Prior Resolution shall be applicable. In addition, no Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of the Series 2007 A Bonds pursuant to this Bond Legislation, without the prior written consent of the Authority and the DEP and without complying with the conditions and requirements herein provided.

All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 2007 A Bonds.

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

No Parity Bonds shall be issued at any time, unless there has been procured and filed with the Secretary a written statement by the Independent Certified Public Accountants, 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 expected 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 expected 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 time for appeal of which shall have expired prior to the issuance of such Parity Bonds, and shall not exceed the amount to be stated in a certificate of the Independent Certified Public Accountants, which shall be filed in the office of the Secretary prior to the issuance of such Parity Bonds.

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

All covenants and other provisions of this Bond Legislation (except as to details of such Parity Bonds inconsistent herewith) shall be for the equal benefit, protection and

security of the Holders of the Bonds and the Holders of any Parity Bonds subsequently issued from time to time within the limitations of and in compliance with this section. All Bonds, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the revenues of the System and their source of and security for payment from said revenues, without preference of any Bond over any other. The Issuer shall comply fully with all the increased payments into the various funds and accounts created in this Bond Legislation required for and on account of such Parity Bonds, in addition to the payments required for Bonds theretofore issued pursuant to this Bond Legislation.

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on the revenues of the System is subject to the prior and superior liens of the Series 2007 A Bonds on such revenues. The Issuer shall not issue any obligations whatsoever payable from revenues of the System, or any part thereof, which rank prior to or, except in the manner and under the conditions provided in this section, equally, as to lien on and source of and security for payment from such revenues, with the Series 2007 A Bonds.

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

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

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

The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and any Holder of a Bond or Bonds issued pursuant to this Bond Legislation shall have the right at all reasonable

times to inspect the System and all parts thereof and all records, accounts and data of the Issuer relating thereto.

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

The Issuer shall file with the DEP, the Authority, or any other original purchaser of the Series 2007 A Bonds, and shall mail in each year to any Holder or Holders of the Series 2007 A Bonds, requesting the same, an annual report containing the following:

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

(B) A balance sheet statement showing all deposits in all the funds and accounts provided for in this Bond Legislation, and the status of all said funds and accounts.

(C) The amount of any Bonds, notes or other obligations outstanding.

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants in compliance with the applicable OMB Circular, or any successor thereto, and the Single Audit Act, or any successor thereto, to the extent legally required, and shall mail upon request, and make available generally, the report of the Independent Certified Public Accountants, or a summary thereof, to any Holder or Holders of the Series 2007 A Bonds, and shall submit said report to the DEP and the Authority, or any other original purchaser of the Series 2007 A Bonds. Such audit report submitted to the DEP and the Authority shall include a statement that the Issuer is in compliance with the terms and provisions of the Act, the Bond Purchase Agreement and this Bond Legislation and that the revenues of the System are adequate to meet the Issuer's Operating Expenses and debt service and reserve requirements.

Subject to the terms, conditions and provisions of the Bond Purchase Agreement and the Act, the Issuer has acquired, or shall do all things necessary to acquire, the proposed site of the Project and shall do, is doing or has done all things necessary to construct the Project in accordance with the plans, specifications and designs prepared by the Consulting Engineers. All real estate and interests in real estate and all personal property constituting

the Project and the Project site heretofore or hereafter acquired shall at all times be and remain the property of the Issuer.

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

The Issuer shall provide the DEP with all appropriate documentation to comply with any special conditions established by federal and/or state regulations as set forth in EXHIBIT E of the Bond Purchase Agreement for the Series 2007 A Bonds or as promulgated from time to time.

Section 7.09. Rates. Prior to the issuance of the Series 2007 A Bonds, equitable rates or charges for the use of and service rendered by the System shall be established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Secretary, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from the System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest, if any, on the Series 2007 A Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with or junior to the Series 2007 A Bonds, including the Prior Bonds; provided that, in the event that amounts equal to or in excess of the reserve requirements are on deposit respectively in the Series 2007 A Bonds Reserve Account and the reserve accounts for obligations on a parity with or junior to the Series 2007 A Bonds, including the Prior Bonds, are funded at least at the requirement therefor, such balance each year need only equal at least 110% of the maximum amount required in any year for payment of principal of and interest, if any, on the Series 2007 A Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with or junior to the Series 2007 A Bonds, including the Prior Bonds. In any event, the Issuer shall not reduce the rates or charges for services described in Section 7.04.

Section 7.10. Operating Budget and Monthly Financial Report. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year and shall submit a copy of such budget to the DEP and the Authority within 30 days of adoption thereof. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by a professional engineer, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of 10% of the amount of such budget shall be made except upon the further certificate of a professional engineer that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the DEP and the Authority and to any Holder of any Bonds, within 30 days of adoption thereof, and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to the DEP and the Authority and to any Holder of any Bonds, or anyone acting for and in behalf of such Holder of any Bonds.

Commencing on the date contracts are executed for the acquisition and construction of the Project and for two years following the completion of the Project, the Issuer shall each month complete a "Monthly Financial Report," a form of which is attached to the respective Bond Purchase Agreement, and forward a copy of such report to the DEP and the Authority by the 10th day of each month.

Section 7.11. Engineering Services and Operating Personnel. The Issuer will obtain a certificate of the Consulting Engineers in the form attached to the Bond Purchase Agreement, stating, among other things, that the Project has been or will be constructed in accordance with the approved plans, specifications and designs as submitted to the DEP and the Authority, the Project is adequate for the purposes for which it was designed, the funding plan as submitted to the DEP and the Authority is sufficient to pay the costs of acquisition and construction of the Project, and all permits required by federal and state laws for construction of the Project have been obtained.

The Issuer shall provide and maintain competent and adequate engineering services satisfactory to the DEP and the Authority covering the supervision and inspection of the development and construction of the Project, and bearing the responsibility of assuring that construction conforms to the plans, specifications and designs prepared by the Consulting Engineers, which have been approved by all necessary governmental bodies. Such engineer shall certify to the DEP, the Authority, and the Issuer at the completion of construction that

construction of the Project is in accordance with the approved plans, specifications and designs, or amendments thereto, approved by all necessary governmental bodies.

The Issuer shall require the Consulting Engineers to submit Recipient As-Built Plans, as defined in the SRF Regulations, to it within 60 days of the completion of the Project. The Issuer shall notify the DEP in writing of such receipt. The Issuer shall submit a "Performance Certificate," a form of which is attached to the Bond Purchase Agreement for the Series 2007 A Bonds as Exhibit A, to the DEP within 60 days of the end of the first year after the Project is completed.

The Issuer shall require the Consulting Engineers to submit the final Operation and Maintenance Manual, as defined in the SRF Regulations, to the DEP when the Project is 90% completed. The Issuer shall at all times provide operation and maintenance of the System in compliance with all State and federal standards.

The Issuer shall employ qualified operating personnel properly certified by the State before the Project is 50% complete and shall retain such a certified operator to operate the System during the entire term of the Bond Purchase Agreement. The Issuer shall notify the DEP in writing of the certified operator employed at the 50% completion stage.

Section 7.12. No Competing Franchise. To the extent legally allowable, the Issuer will not grant or cause, consent to or allow the granting of, any franchise or permit to any person, firm, corporation, body, agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the System.

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

Whenever any fees, rates, rentals or other charges for the services and facilities of the System shall remain unpaid for a period of 20 days after the same shall become due and payable, the user of the services and facilities shall be delinquent until such time as all such rates and charges are fully paid. To the extent authorized by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, rates, rentals and other charges, if not paid, when due, shall become a lien on the premises served by the System. The Issuer further covenants and agrees that, it will, to the full extent permitted by law and the rules and regulations promulgated by the Public Service Commission of West Virginia, discontinue and shut off the services of the System and any services and facilities of the water system, if so owned by the Issuer, to all users of the services of the System delinquent in payment of charges for the services of the System and will not restore such services of either system until all delinquent charges for the services of the System, plus

reasonable interest and penalty charges for the restoration of service, have been fully paid and shall take all further actions to enforce collections to the maximum extent permitted by law. If the water facilities are not owned by the Issuer, the Issuer shall enter into a termination agreement with the water provider, subject to any required approval of such agreement by the Public Service Commission of West Virginia and all rules, regulations and orders of the Public Service Commission of West Virginia.

Section 7.14. No Free Services. Except as required by law, the Issuer will not render or cause to be rendered any free services of any nature by the System, nor will any preferential rates be established for users of the same class; and in the event the Issuer, or any department, agency, instrumentality, officer or employee of the Issuer shall avail itself or themselves of the facilities or services provided by the System, or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer and any such department, agency, instrumentality, officer or employee. The revenues so received shall be deemed to be revenues derived from the operation of the System, and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 7.15. Insurance and Construction Bonds. A. The Issuer hereby covenants and agrees that so long as the Bonds remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance with a reputable insurance carrier or carriers as is customarily covered with respect to works and properties similar to the System. Such insurance shall initially cover the following risks and be in the following amounts:

(1) FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE, on all above-ground insurable portions of the System in an amount equal to the actual cost thereof. In time of war the Issuer will also carry and maintain insurance to the extent available against the risks and hazards of war. The proceeds of all such insurance policies shall be placed in the Renewal and Replacement Fund and used only for the repairs and restoration of the damaged or destroyed properties or for the other purposes provided herein for the Renewal and Replacement Fund. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance (fire and extended coverage) to protect the interests of the Issuer, the Authority, the prime contractor and all subcontractors as their respective interests may appear, in accordance with the Bond Purchase Agreement, during construction of the Project on a 100% basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Authority, the Issuer, the contractors and subcontractors, as their interests may appear.

(2) PUBLIC LIABILITY INSURANCE, with limits of not less than $1,000,000 per occurrence to protect the Issuer from claims for bodily injury and/or death and not less than $1,981,165 per occurrence from claims for damage to property

of others which may arise from the operation of the System, and insurance with the same limits to protect the Issuer from claims arising out of operation or ownership of motor vehicles of or for the System.

(3) WORKER'S COMPENSATION COVERAGE FOR ALL EMPLOYEES OF OR FOR THE SYSTEM ELIGIBLE THEREFOR; AND PERFORMANCE AND PAYMENT BONDS, such bonds to be in the amounts of 100% of the construction contract and to be required of each contractor contracting directly with the Issuer, and such payment bonds will be filed with the Clerk of The County Commission of the County in which such work is to be performed prior to commencement of construction of the Project in compliance with West Virginia Code, Chapter 38, Article 2, Section 39.

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

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

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

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

The Issuer shall also require all contractors engaged in the construction of the Project to carry such worker's compensation coverage for all employees working on the Project and public liability insurance, vehicular liability insurance and property damage insurance in amounts adequate for such purposes and as is customarily carried with respect to works and properties similar to the Project; provided that the amounts and terms of such coverage are satisfactory to the Authority and the DEP and the Issuer shall verify such insurance prior to commencement of construction. In the event the Bond Purchase Agreement so requires, such insurance shall be made payable to the order of the Authority, the Issuer, the prime contractor and all subcontractors, as their interests may appear.

Section 7.16. Mandatory Connections. The mandatory use of the System is essential and necessary for the protection and preservation of the public health, comfort, safety, convenience and welfare of the inhabitants and residents of, and the economy of, the

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

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

Section 7.17. Completion and Operation of Project; Permits and Orders. The Issuer will complete the Project as promptly as possible and operate and maintain the System as a revenue-producing utility in good condition and in compliance with all federal and state requirements and standards.

The Issuer has obtained all permits required by State and federal laws for the acquisition and construction of the Project and all orders and approvals from the Public Service Commission of West Virginia and the DEP necessary for the acquisition and construction of the Project, the operation of the System and all approvals for issuance of the Bonds required by State law, with all requisite appeal periods having expired without successful appeal.

Section 7.18. Reserved.

Section 7.19. Statutory Mortgage Lien. For the further protection of the Holders of the Series 2007 A Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, shall take effect immediately upon delivery of the Series 2007 A Bonds and shall be on a parity with the Prior Bonds.

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

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

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

Section 7.22. Contracts; Public Releases. A. The Issuer shall, simultaneously with the delivery of the Series 2007 A Bonds or immediately thereafter, enter into written contracts for the immediate acquisition or construction of the Project.

B. The Issuer shall submit all proposed change orders to the DEP for written approval. The Issuer shall obtain the written approval of the DEP before expending any proceeds of the Series 2007 A Bonds held in "contingency" as set forth in the schedule attached to the certificate of the Consulting Engineer. The Issuer shall also obtain the written approval of the DEP before expending any proceeds of the Series 2007 A Bonds made available due to bid or construction or project underruns.

C. The Issuer shall list the funding provided by the DEP and the Authority in any press release, publication, program bulletin, sign or other public communication that references the Project, including but not limited to any program document distributed in conjunction with any ground breaking or dedication of the Project.

ARTICLE VIII

INVESTMENT OF FUNDS; NON ARBITRAGE

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

Any investment shall be held in and at all times deemed a part of the fund or account in which such 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 investments held for any fund or account shall be valued at the lower of cost or then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including the value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held in the "Consolidated Fund." The Commission shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in any fund or account is insufficient to make the payments required from such fund or account, regardless of the loss on such liquidation. The Depository Bank, or such other bank or national banking association, as the case may be, may make any and all investments permitted by this section through its own bond department and shall not be responsible for any losses from such investments, other than for its own negligence or willful misconduct.

The Depository Bank shall keep complete and accurate records of all funds, accounts and investments, and shall distribute to the Issuer, at least once each year, or more often as reasonably requested by the Issuer, a summary of such funds, accounts and investment earnings. The Issuer shall retain all such records and any additional records with respect to such funds, accounts and investment earnings so long as any of the Series 2007 A Bonds are Outstanding and as long thereafter as necessary to assure the exclusion of interest, if any, on the Series 2007 A Bonds from gross income for federal income tax purposes.

Section 8.02. Certificate as to Use of Proceeds; Covenants as to Use of Proceeds. The Issuer shall deliver a certificate as to use of proceeds or other similar certificate to be prepared by nationally recognized bond counsel relating to restrictions on the use of proceeds of the Series 2007 A Bonds as a condition to issuance of the Series 2007 A Bonds. In addition, the Issuer covenants (i) to comply with the Code and all Regulations from time to time in effect and applicable to the Series 2007 A Bonds as may be necessary in order to maintain the status of the Series 2007 A Bonds as public purpose bonds; (ii) that it shall not take, or permit or suffer to be taken, any action with respect to the Issuer's use

of the proceeds of the Series 2007 A Bonds which would cause any bonds, the interest on which is exempt from federal income taxation under Section 103(a) of the Code, issued by the Authority, or the DEP, as the case may be, from which the proceeds of the Series 2007 A Bonds are derived, to lose their status as tax-exempt bonds; and (iii) to take such action, or refrain from taking such action, as shall be deemed necessary by the Issuer, or requested by the Authority or the DEP, to ensure compliance with the covenants and agreements set forth in this Section, regardless of whether such actions may be contrary to any of the provisions of this Resolution.

The Issuer shall annually furnish to the Authority information with respect to the Issuer's use of the proceeds of the Series 2007 A Bonds and any additional information requested by the Authority.

ARTICLE IX

DEFAULT AND REMEDIES

Section 9.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Series 2007 A Bonds:

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

(2) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Series 2007 A Bonds set forth in this Bond Legislation, any supplemental resolution or in the Series 2007 A Bonds, and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Commission, the Depository Bank, Registrar or any other Paying Agent or a Holder of a Bond;

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

(4) If default occurs with the Prior Bonds.

Section 9.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of a Bond may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his or her rights and, in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Registered Owners including the right to require the Issuer to perform its duties under the Act and the Bond Legislation relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Bonds, (iv) by action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Registered Owners of the Bonds, and (v) by action or bill in equity enjoin any acts in violation of the Bond Legislation with respect to the Bonds, or the rights of such Registered Owners; provided that, all rights and remedies of the Holders of the Series 2007 A Bonds shall be on a parity with the Holders of the Prior Bonds.

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

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

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

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

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

Any receiver appointed as provided herein shall hold and operate the System in the name of the Issuer and for the joint protection and benefit of the Issuer and Registered Owners of the Bonds. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the completion of the Project and the possession, operation and maintenance of the System for the sole purpose of the protection of both the Issuer and Registered Owners of such Bonds and the curing and making good of any Event of Default with respect thereto under the provisions of this Bond Legislation, and the title to and ownership of the System shall remain in the Issuer, and no

court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, assign, mortgage or otherwise dispose of any assets of the System.

ARTICLE X

PAYMENT OF BONDS

Section 10.01. Payment of Bonds. If the Issuer shall pay or there shall otherwise be paid to the Holders of the Series 2007 A Bonds, the principal of and interest, if any, due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then the pledge of Net Revenues and other monies and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 2007 A Bonds shall thereupon cease, terminate and become void and be discharged and satisfied, except as may otherwise be necessary to assure the exclusion of interest, if any, on the Series 2007 A Bonds from gross income for federal income tax purposes.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Amendment or Modification of Bond Legislation. Prior to issuance of the Series 2007 A Bonds, this Resolution may be amended or supplemented in any way by the Supplemental Resolution. Following issuance of the Series 2007 A Bonds, no material modification or amendment of this Resolution, or of any resolution amendatory or supplemental hereto, that would materially and adversely affect the rights of Registered Owners of the Series 2007 A Bonds shall be made without the consent in writing of the Registered Owners of the Series 2007 A Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of any Bond or Bonds or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest, if any, out of the funds herein respectively pledged therefor without the consent of the Registered Owner thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of Bonds, required for consent to the above-permitted amendments or modifications. Notwithstanding the foregoing, this Bond Legislation may be amended without the consent of any Bondholder as may be necessary to assure compliance with Section 148(f) of the Code relating to rebate requirements or otherwise as may be necessary to assure the exclusion of interest, if any, on the Series 2007 A Bonds from gross income of the holders thereof.

Section 11.02. Bond Legislation Constitutes Contract. The provisions of the Bond Legislation shall constitute a contract between the Issuer and the Registered Owners of the Series 2007 A Bonds, and no change, variation or alteration of any kind of the provisions of the Bond Legislation shall be made in any manner, except as in this Bond Legislation provided.

Section 11.03. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Resolution should be held invalid by any court of competent jurisdiction, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution, the Supplemental Resolution, or the Series 2007 A Bonds.

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

Section 11.05. Conflicting Provisions Repealed. All orders or resolutions, or parts thereof, in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby repealed, provided that, in the event of any conflict between this Resolution and the Prior Resolutions, the Prior Resolutions shall control (unless less restrictive), so long as the Prior Bonds are Outstanding.

Section 11.06. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and 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 11.07. Public Notice of Proposed Financing. Prior to making formal application to the Public Service Commission of West Virginia for a Certificate of Public Convenience and Necessity and adoption of this Resolution, the Secretary of the Governing Body shall have caused to be published in a newspaper of general circulation in each municipality in Pea Ridge Public Service District and within the boundaries of the District, a Class II legal advertisement stating:

(a) The maximum amount of the Series 2007 A Bonds to be issued;

(b) The maximum interest rate and terms of the Series 2007 A Bonds authorized hereby;

(c) The public service properties to be acquired or constructed and the cost of the same;

(d) The maximum anticipated rates which will be charged by the Issuer; and

(e) The date that the formal application for a certificate of public convenience and necessity is to be filed with the Public Service Commission of West Virginia.

Section 11.08. Effective Date. This Resolution shall take effect immediately upon adoption.

Adopted this 23rd day of August, 2007.

Chairman

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board of PEA RIDGE PUBLIC SERVICE DISTRICT on the 23rd day of August, 2007.

Dated: August 28, 2007.

[SEAL]

Secretary

04.03.07
692580.00004

EXHIBIT A

Bond Purchase Agreement included in bond transcript as Documents 3.

PEA RIDGE PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds, Series 2007 A
(West Virginia SRF Program)

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNTS, DATES, MATURITY DATES, REDEMPTION PROVISIONS, INTEREST RATES, INTEREST AND PRINCIPAL PAYMENT DATES, SALE PRICES AND OTHER TERMS OF THE SEWER REVENUE BONDS, SERIES 2007 A (WEST VIRGINIA SRF PROGRAM) OF PEA RIDGE PUBLIC SERVICE DISTRICT; APPROVING AND RATIFYING THE BOND PURCHASE AGREEMENT RELATING TO SUCH BONDS AND THE SALE AND DELIVERY OF SUCH BONDS TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; DESIGNATING A REGISTRAR, PAYING AGENT AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the Public Service Board (the "Governing Body") of Pea Ridge Public Service District (the "Issuer") has duly and officially adopted a bond resolution on August 23, 2007 (the "Bond Resolution" or the "Resolution"), entitled:

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC SEWERAGE SYSTEM OF PEA RIDGE PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF $1,043,821 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 2007 A (WEST VIRGINIA SRF PROGRAM), PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING BOND PURCHASE AGREEMENT RELATING TO SUCH BONDS;

AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

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

WHEREAS, the Bond Resolution provides for the issuance of Sewer Revenue Bonds, Series 2007 A (West Virginia SRF Program) (the "Series 2007 A Bonds"), in the aggregate principal amounts of $1,043,821, and has authorized the execution and delivery of the bond purchase agreement relating to the Series 2007 A Bonds, by and among the Issuer, the West Virginia Water Development Authority (the "Authority") and the West Virginia Department of Environmental Protection (the "DEP") (the "Bond Purchase Agreement"), all in accordance with Chapter 16, Article 13A and Chapter 22C, Article 2 of the West Virginia Code of 1931, as amended (collectively, the "Act"); and in the Bond Resolution it is provided that the form of the Bond Purchase Agreement and the exact principal amounts, dates, maturity dates, redemption provisions, interest rates, interest and principal payment dates, sale prices and other terms of the Bonds should be established by a supplemental resolution pertaining to the Bonds; and that other matters relating to the Bonds be herein provided for;

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

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

WHEREAS, the Governing Body deems it essential and desirable that this supplemental resolution (the "Supplemental Resolution") be adopted, that the Bond Purchase Agreement be approved and ratified by the Issuer, that the exact principal amounts, the dates, the maturity dates, the redemption provisions, the interest rates, the interest and principal payment dates, the sale prices and other terms of the Bonds be fixed hereby in the manner stated herein, and that other matters relating to the Bonds be herein provided for;

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

Section 1. Pursuant to the Bond Resolution and the Act, this Supplemental Resolution is adopted and there are hereby authorized and ordered to be issued the Sewer

Revenue Bonds, Series 2007 A (West Virginia SRF Program), of the Issuer, originally represented by a single Bond, numbered AR-1, in the principal amount of $1,043,821. The Series 2007 A Bonds shall be dated the date of delivery thereof, shall finally mature September 1, 2038, and shall bear no interest. The principal of the Series 2007 A Bonds shall be payable quarterly, on March 1, June 1, September 1 and December 1 of each year, commencing December 1, 2008, and to and including September 1, 2038, and in the amounts as set forth in the "Schedule Y" attached to the Bond Purchase Agreement and incorporated in and made a part of the Series 2007 A Bonds. The Series 2007 A Bonds shall be subject to redemption upon the written consent of the Authority and the DEP, and upon payment of the redemption premium, if any, and otherwise in compliance with the Bond Purchase Agreement, so long as the Authority shall be the registered owner of the Series 2007 A Bonds. The Issuer does hereby approve and shall pay the SRF Administrative Fee equal to 1/2% of the principal amount of the Series 2007 A Bonds set forth in the "Schedule Y" attached to the Bond Purchase Agreement.

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

Section 3. The Issuer does hereby authorize, approve, ratify and accept the Bond Purchase Agreement, copy of which is incorporated herein by reference, and the execution and delivery of the Bond Purchase Agreement by the Chairman, and the performance of the obligations contained therein, on behalf of the Issuer, are hereby authorized, directed, ratified and approved. The Issuer hereby affirms all covenants and representations made in the Bond Purchase Agreement and in the applications to the DEP and the Authority. The price of the Bonds shall be 100% of par value, there being no interest accrued thereon, provided that the proceeds of the Bonds shall be advanced from time to time as requisitioned by the Issuer.

Section 4. The Issuer does hereby appoint and designate The Huntington National Bank, Charleston, West Virginia, to serve as Registrar (the "Registrar") for the Bonds under the Bond Resolution and does approve and accept the Registrar's Agreement to be dated the date of delivery of the Bonds, by and between the Issuer and the Registrar, and the execution and delivery of the Registrar's Agreement by the Chairman, and the performance of the obligations contained therein, on behalf of the Issuer, are hereby authorized, approved and directed.

Section 5. The Issuer does hereby appoint and designate the West Virginia Municipal Bond Commission, Charleston, West Virginia, to serve as Paying Agent for the Bonds under the Bond Resolution.

Section 6. The Issuer does hereby appoint and designate The First State Bank, Barboursville, West Virginia, to serve as Depository Bank under the Bond Resolution.

Section 7. Series 2007 A Bonds proceeds in the amount of -0- shall be deposited in the Series 2007 A Bonds Sinking Fund, as capitalized interest.

Section 8. Series 2007 A Bonds proceeds in the amount of $-0- shall be deposited in the Series 2007 A Bonds Reserve Account.

Section 9. The balance of the proceeds of the Series 2007 A Bonds shall be deposited in or credited to the respective Bond Construction Trust Funds for payment of the costs of the Project, including, without limitation, costs of issuance of the Bonds and related costs.

Section 10. The Chairman, Secretary and Vice Chairman are hereby authorized and directed to execute and deliver such other documents, agreements, instruments and certificates required or desirable in connection with the Bonds to be issued hereby and by the Bond Resolution approved and provided for, to the end that the Bonds may be delivered on or about August 28, 2007, to the Authority pursuant to the Bond Purchase Agreement.

Section 11. The acquisition and construction of the Project and the financing thereof in part with proceeds of the Bonds are in the public interest, serve a public purpose of the Issuer and will promote the health, welfare and safety of the residents of the Issuer.

Section 12. The Issuer hereby determines that it is in the best interest of the Issuer to invest all moneys in the funds and accounts established by the Bond Resolution held by the Depository Bank until expended, in repurchase agreements or time accounts, secured by a pledge of Government Obligations, and therefore, the Issuer hereby directs the Depository Bank to take such actions as may be necessary to cause such moneys to be invested in such repurchase agreements or time accounts, until further directed in writing by the Issuer. Moneys in the Sinking Funds, including the Reserve Accounts therein, shall be invested by the West Virginia Municipal Bond Commission in the West Virginia Consolidated Fund.

Section 13. This Supplemental Resolution shall be effective immediately following adoption hereof.

[Remainder of Page Intentionally Left Blank]

Adopted this 23rd day of August, 2007.

PEA RIDGE PUBLIC SERVICE DISTRICT

By: _____
Its: Chairman

692580.00004

CERTIFICATION

Certified a true copy of a Supplemental Resolution duly adopted by the Public Service Board of Pea Ridge Public Service District on the 23rd day of August, 2007.

Dated: August 28, 2007.

[SEAL]

Secretary

SRF-BPA-1
(11/01/04)

BOND PURCHASE AGREEMENT

THIS WATER POLLUTION CONTROL REVOLVING FUND BOND PURCHASE AGREEMENT (the "Bond Purchase Agreement"), made and entered into in several counterparts, by and among the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY, a governmental instrumentality and body corporate of the State of West Virginia (the "Authority"), the WEST VIRGINIA DEPARTMENT OF ENVIRONMENTAL PROTECTION (the "DEP"), and the local government designated below (the "Local Government").

PEA RIDGE PUBLIC SERVICE DISTRICT
(Local Government)

W I T N E S S E T H:

WHEREAS, the United States Congress under Title VI of the federal Clean Water Act, as amended (the "Clean Water Act"), has provided for capitalization grants to be awarded to states for the express purpose of establishing and maintaining state water pollution control revolving funds for the planning, design, construction, acquisition and/or improvement of wastewater treatment facilities;

WHEREAS, pursuant to the provisions of Chapter 22C, Article 2 of the Code of West Virginia, 1931, as amended (the "Act"), the State of West Virginia (the "State") has established a state water pollution control revolving fund program (the "Program") to acquire bonds of particular local governments pursuant to the Clean Water Act;

WHEREAS, under the Act the DEP is designated the instrumentality to enter into capitalization agreements with the United States Environmental Protection Agency ("EPA") to accept capitalization grant awards (U.S. General Services Administration; Catalog of Federal Domestic Assistance, 32nd Edition § 66.458 (1998)) and DEP has been awarded capitalization grants to partially fund the Program;

WHEREAS, under the Act and under the direction of DEP, the Authority has established a permanent perpetual fund known as the "West Virginia Water Pollution Control Revolving Fund" (hereinafter the "Fund");

WHEREAS, pursuant to the Act, the Authority and DEP are empowered to utilize moneys from the Fund to purchase the bonds of local governments to provide the financing for the acquisition or construction of wastewater treatment projects by such local governments, all subject to such provisions and limitations as are contained in the Clean Water Act and the Act;

WHEREAS, the Local Government constitutes a local government as defined by the Act;

WHEREAS, the Local Government is included on the DEP State Project Priority List and the Intended Use Plan and has met DEP's pre-application requirements for the Program;

WHEREAS, the Local Government is authorized and empowered by the statutes of the State to acquire, construct, improve, operate and maintain a wastewater treatment project and to finance the cost of acquisition and construction of the same by borrowing money to be evidenced by revenue bonds issued by the Local Government;

WHEREAS, the Local Government intends to construct, is constructing or has constructed such a wastewater treatment project at the location and as more particularly described and set forth in the Application, as hereinafter defined (the "Project");

WHEREAS, the Local Government has completed and filed with the Authority and DEP an Application for Purchase of Bonds with attachments and exhibits and an Amended Application for Purchase of Bonds also with attachments and exhibits (together, as further revised and supplemented, the "Application"), which Application is incorporated herein by this reference;

WHEREAS, having reviewed the Application and the Fund having available sufficient funds therefor, the Authority and DEP are willing to lend the Local Government the amount set forth on Schedule X attached hereto and incorporated herein by reference, through the purchase of revenue bonds of the Local Government with moneys held in the Fund, subject to the Local Government's satisfaction of certain legal and other requirements of the Program; and

WHEREAS, the Local Government meets the "disadvantaged community" provisions of the SRF Regulations.

NOW, THEREFORE, in consideration of the premises and the mutual agreements hereinafter contained, the Local Government, DEP and the Authority hereby agree as follows:

ARTICLE I

Definitions

1.1 Except where the context clearly indicates otherwise, the terms "Authority," "cost," "fund," "local government," and "project" have the definitions and meanings ascribed to them in the Act or in the SRF Regulations.

1.2 "Consulting Engineers" means the professional engineer, licensed by the State, designated in the Application and any successor thereto.

1.3 "Local Act" means the official action of the Local Government required by Section 4.1 hereof, authorizing the Local Bonds.

1.4 "Local Bonds" means the revenue bonds to be issued by the Local Government pursuant to the provisions of the Local Statute, as hereinafter defined, and to be purchased by the Authority with money held in the Fund, all in accordance with the provisions of this Bond Purchase Agreement.

1.5 "Local Statute" means the specific provisions of the Code of West Virginia, 1931, as amended, pursuant to which the Local Bonds are issued.

1.6 "Operating Expenses" means the reasonable, proper and necessary costs of operation and maintenance of the System, as hereinafter defined, as should normally and regularly be included as such under generally accepted accounting principles.

1.7 "Program" means the wastewater treatment facility acquisition, construction and improvement program coordinated through the capitalization grants program established under the Clean Water Act and administered by DEP.

1.8 "Project" means the wastewater treatment facility project hereinabove referred to, to be constructed or being constructed by the Local Government in whole or in part with the net proceeds of the Local Bonds or being or having been constructed by the Local Government in whole or in part with the proceeds of bond anticipation notes or other interim financing, which is to be paid in whole or in part with the net proceeds of the Local Bonds.

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

1.10 "System" means the wastewater treatment facility owned by the Local Government, of which the Project constitutes all or to which the Project constitutes an improvement, and any improvements thereto hereafter constructed or acquired from any sources whatsoever.

1.11 Additional terms and phrases are defined in this Bond Purchase Agreement as they are used.

ARTICLE II

The Project and the System

2.1 The Project shall generally consist of the construction and acquisition of the facilities described in the Application, to be, being or having been constructed in accordance with plans, specifications and designs prepared for the Local Government by the Consulting Engineers, the DEP and Authority having found, to the extent applicable, that the Project is consistent with the applicable provisions of the Program.

2.2 Subject to the terms, conditions and provisions of this Bond Purchase Agreement and the Local Act, the Local Government has acquired, or shall do all things necessary to acquire, the proposed site of the Project and shall do, is doing or has done all things necessary to construct the Project in accordance with the plans, specifications and designs prepared for the Local Government by the Consulting Engineers.

2.3 All real estate and interests in real estate and all personal property constituting the Project and the Project site heretofore or hereafter acquired shall at all times be and remain the property of the Local Government, subject to any mortgage lien or other security interest as is provided for in the Local Statute unless a sale or transfer of all or a portion of said property is approved by DEP and the Authority.

2.4 The Local Government agrees that the Authority and DEP and their respective duly authorized agents shall have the right at all reasonable times to enter upon the Project site and Project facilities and to examine and inspect the same. The Local Government further agrees that the Authority and DEP and their respective duly authorized agents shall, prior to, during and after completion of construction and commencement of operation of the Project, have such rights of access to the System site and System facilities as may be reasonably necessary to accomplish all of the powers and rights of the Authority and DEP with respect to the System pursuant to the pertinent provisions of the Act.

2.5 The Local Government shall keep complete and accurate records of the cost of acquiring the Project site and the costs of constructing, acquiring and installing the Project. The Local Government shall permit the Authority and DEP, acting by and through their Directors or duly authorized agents and representatives, to inspect all books, documents, papers and records relating to the Project and the System at any and all reasonable times for the purpose of audit and examination, and the Local Government shall submit to the Authority and DEP such documents and information as it may reasonably require in connection with the construction, acquisition and installation of the Project, the operation and maintenance of the System and the administration of the Local Bonds proceeds or of any State and federal grants or other sources of financing for the Project.

2.6 The Local Government agrees that it will permit the Authority and DEP and their respective agents to have access to the records of the Local Government pertaining to the operation and maintenance of the System at any reasonable time following completion of construction of the Project and commencement of operation thereof or if the Project is an improvement to an existing system at any reasonable time following commencement of construction.

2.7 The Local Government shall require that each construction contractor furnish a performance bond and a payment bond, each in an amount at least equal to one hundred percent (100%) of the contract price of the portion of the Project covered by the particular contract as security for the faithful performance of such contract and shall verify or have verified such bonds prior to commencement of construction.

2.8 The Local Government shall require that each of its contractors and all subcontractors maintain, during the life of the construction contract, workers' compensation coverage, public liability insurance, property damage insurance and vehicle liability insurance in amounts and on terms satisfactory to the Authority and DEP and shall verify or have verified such insurance prior to commencement of construction. Until the Project facilities are completed and accepted by the Local Government, the Local Government or (at the option of the Local Government) the contractor shall maintain builder's risk insurance (fire and extended coverage) on a one hundred percent (100%) basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Authority, the Local Government, the prime contractor and all subcontractors, as their interests may appear. If facilities of the System which are detrimentally affected by flooding are or will be located in designated special flood or mudslide-prone areas and if flood insurance is available at a reasonable cost, a flood insurance policy must be obtained by the Local Government on or before the Date of Closing, as hereinafter defined, and maintained so long as any of the Local Bonds are outstanding. Prior to commencing operation of the Project, the Local Government must also obtain, and maintain so long as any of the Local Bonds are outstanding, business interruption insurance if available at a reasonable cost.

2.9 The Local Government shall provide and maintain competent and adequate engineering services satisfactory to the Authority and DEP covering the supervision and inspection of the development and construction of the Project and bearing the responsibility of assuring that construction conforms to the plans, specifications and designs prepared by the Consulting Engineers, which have been approved by all necessary governmental bodies. Such engineer shall certify to the Authority, DEP and the Local Government at the completion of construction that construction is in accordance with the approved plans, specifications and designs, or amendments thereto, approved by all necessary governmental bodies. The Local Government shall require the Consulting Engineers to submit Recipient As-Built Plans, as defined in the SRF Regulations, to it within 60 days of the completion of the Project. The Local Government shall notify DEP in writing of such receipt. The Local Government shall submit a Performance Certificate, the form of which is attached hereto as Exhibit A, and being incorporated herein by reference, to DEP within 60 days of the end of the first year after the Project is completed.

2.10 The Local Government shall require the Consulting Engineers to submit the final Operation and Maintenance Manual, as defined in the SRF Regulations, to DEP when the Project is 90% completed. The Local Government shall at all times provide operation and maintenance of the System in compliance with any and all State and federal standards. The Local Government shall employ qualified operating personnel properly certified by the State before the Project is 50% complete and shall retain such a certified operator(s) to operate the System during the entire term of this Bond Purchase Agreement. The Local Government shall notify DEP in writing of the certified operator employed at the 50% completion stage.

2.11 The Local Government hereby covenants and agrees to comply with all applicable laws, rules and regulations issued by the Authority, DEP or other State, federal or local bodies in regard to the construction of the Project and operation, maintenance and use of the System.

2.12 The Local Government, commencing on the date contracts are executed for the acquisition or construction of the Project and for two years following the completion of acquisition or construction of the Project, shall each month complete a Monthly Financial Report, the form of which is attached hereto as Exhibit B and incorporated herein by reference, and forward a copy by the 10th of each month to the DEP and the Authority.

2.13 The Local Government, during construction of the Project, shall complete Payment Requisition Forms, the form of which is attached hereto as Exhibit C and incorporated herein by reference, and forward such forms to DEP in compliance with the Local Government's construction schedule.

ARTICLE III

Conditions to Purchase of Local Bonds; Issuance of Local Bonds

3.1 The agreement of the Authority and DEP to purchase the Local Bonds is subject to the Local Government's fulfillment, to the satisfaction of the Authority and DEP, of each and all of those certain conditions precedent on or before the delivery date for the Local Bonds, which shall be the date established pursuant to Section 3.4 hereof. Said conditions precedent are as follows:

(a) The Local Government shall have delivered to the Authority and DEP a report listing the specific purposes for which the proceeds of the Local Bonds will be expended and the procedures as to the disbursement of bond proceeds, including an estimated monthly draw schedule;

(b) The Local Government shall have performed and satisfied all of the terms and conditions to be performed and satisfied by it in this Bond Purchase Agreement;

(c) The Local Government shall have authorized the issuance of and delivery to the Authority of the Local Bonds described in this Article III and in Article IV hereof;

(d) The Local Government shall either have received bids or entered into contracts for the construction of the Project, which are in an amount and otherwise compatible with the plan of financing described in the Application; provided that, if the proceeds of the Local Bonds will refund an interim construction financing, the Local Government must either be constructing or have constructed its Project for a cost and as otherwise compatible with the plan of financing described in the Application; and, in either case, the Authority and DEP shall have received a certificate of the Consulting Engineers to such effect, the form of which certificate is attached hereto as Exhibit D;

(e) The Local Government shall have obtained all permits required by the laws of the State and the federal government necessary for the construction of the Project, and the Authority and DEP shall have received a certificate of the Consulting Engineers to such effect;

(f) The Local Government shall have obtained all requisite orders of and approvals from the Public Service Commission of West Virginia (the "PSC") and the West Virginia Infrastructure and Jobs Development Council necessary for the construction of the Project and operation of the System, with all requisite appeal periods having expired without

successful appeal and the Authority and DEP shall have received an opinion of counsel to the Local Government, which may be local counsel to the Local Government, bond counsel or special PSC counsel but must be satisfactory to the Authority and DEP, to such effect;

(g) The Local Government shall have obtained any and all approvals for the issuance of the Local Bonds required by State law, and the Authority and DEP shall have received an opinion of counsel to the Local Government, which may be local counsel to the Local Government, bond counsel or special PSC counsel but must be satisfactory to the Authority and DEP, to such effect;

(h) The Local Government shall have obtained any and all approvals of rates and charges required by State law and shall have taken any other action required to establish and impose such rates and charges (imposition of such rates and charges is not, however, required to be effective until completion of construction of the Project), with all requisite appeal periods having expired without successful appeal, and the Authority and DEP shall have received an opinion of counsel to the Local Government, which may be local counsel to the Local Government, bond counsel or special PSC counsel but must be satisfactory to the Authority and DEP, to such effect;

(i) Such rates and charges for the System shall be sufficient to comply with the provisions of Subsections 4.1(a) and 4.1(b)(ii) hereof, and the Authority and DEP shall have received a certificate of the accountant for the Local Government, or such other person or firm experienced in the finances of local governments and satisfactory to the Authority and DEP, to such effect; and

(j) The net proceeds of the Local Bonds, together with all moneys on deposit or to be simultaneously deposited (or, with respect to proceeds of grant anticipation notes or other indebtedness for which a binding purchase contract has been entered, to be deposited on a date certain) and irrevocably pledged thereto and the proceeds of grants irrevocably committed therefor, shall be sufficient to pay the costs of construction and acquisition of the Project as set forth in the Application, and the Authority and DEP shall have received a certificate of the Consulting Engineers, or such other person or firm experienced in the financing of wastewater treatment projects and satisfactory to the Authority and DEP, to such effect, such certificate to be in form and substance satisfactory to the Authority and DEP, and evidence satisfactory to the Authority and DEP of such irrevocably committed grants.

3.2 Subject to the terms and provisions of this Bond Purchase Agreement, the rules and regulations promulgated by the Authority and DEP, including the SRF Regulations, or any other appropriate State agency and any applicable rules, regulations and procedures promulgated from time to time by the federal government, it is hereby agreed that

the Authority shall purchase the Local Bonds of the Local Government and the Local Government shall issue and sell the Local Bonds to the Authority, and in furtherance thereof it is agreed that the Local Government shall sell to the Authority and the Authority shall purchase the Local Bonds in the principal amount and at the price set forth in Schedule X hereto. The Local Bonds shall have such further terms and provisions as described in Article IV hereof.

3.3 The Local Bonds shall be secured and shall be repaid in the manner hereinafter provided in this Bond Purchase Agreement.

3.4 The Local Bonds shall be delivered to the Authority, at the offices of the Authority, on a date designated by the Local Government by written notice to the Authority, which written notice shall be given not less than ten (10) business days prior to the date designated; provided, however, that if the Authority is unable to accept delivery on the date designated, the Local Bonds shall be delivered to the Authority on a date as close as possible to the designated date and mutually agreeable to the Authority, DEP and the Local Government. The date of delivery so designated or agreed upon is hereinafter referred to as the "Date of Closing." Notwithstanding the foregoing, the Date of Closing shall in no event occur more than ninety (90) days after the date of execution of this Bond Purchase Agreement by the Authority or such later date as is agreed to in writing by DEP.

3.5 The Local Government understands and acknowledges that it is one of several local governments which have applied to the Authority and DEP for financing of wastewater treatment projects and that the obligation of the Authority to purchase the Local Bonds is subject to the Local Government's fulfilling all of the terms and conditions of this Bond Purchase Agreement on or prior to the Date of Closing and to the requirements of the Program. The Local Government specifically recognizes that the Authority will not purchase the Local Bonds unless and until sufficient funds are available in the Fund to purchase all the Local Bonds and that, prior to such purchase, the Authority may purchase the bonds of other local governments set out in the State Project Priority List, as defined in the SRF Regulations. The Local Government further specifically recognizes that all bonds will be purchased in conjunction with the SRF Regulations and with the prior approval of DEP.

3.6 The Local Government shall provide DEP with the appropriate documentation to comply with the special conditions regarding the public release and audit requirements, established by federal and State regulations as set forth in Exhibit E attached hereto at such times as are set forth therein.

ARTICLE IV

Local Bonds; Security for Local Bonds; Repayment of Local Bonds; Interest on Local Bonds; Fees and Charges

4.1 The Local Government shall, as one of the conditions of the Authority and DEP to purchase the Local Bonds, authorize the issuance of and issue the Local Bonds pursuant to an official action of the Local Government in accordance with the Local Statute, which shall, as adopted or enacted, contain provisions and covenants in substantially the form as follows:

(a) That the gross revenues of the System shall always be used for purposes of the System. Such gross revenues will be used monthly, in the order of priority listed below:

(i) to pay Operating Expenses of the System;

(ii) to the extent not otherwise limited by any outstanding loan resolution, indenture or other act or document and beginning on the date set forth in Schedule X, to provide debt service on the Local Bonds by depositing in a sinking fund one-third (1/3) of the interest payment next coming due on the Local Bonds and one-third (1/3) of the principal payment next coming due on the Local Bonds and, beginning three (3) months prior to the first date of payment of principal of the Local Bonds, if the reserve account for the Local Bonds (the "Reserve Account") was not funded from proceeds of the Local Bonds or otherwise concurrently with the issuance thereof in an amount equal to the maximum amount of principal and interest which will come due on the Local Bonds in the then current or any succeeding year (the "Reserve Requirement"), by depositing in the Reserve Account an amount not less than one-twelfth (1/12) of one-tenth (1/10) of the Reserve Requirement or, if the Reserve Account has been so funded (whether by Local Bond proceeds, monthly deposits or otherwise), any amount necessary to maintain the Reserve Account at the Reserve Requirement;

(iii) to create a renewal and replacement, or similar, fund in an amount equal to two and one-half percent (2-1/2%) of the gross revenues from the System, exclusive of any payments into the Reserve Account, for the purpose of improving or making emergency repairs or replacements to the System or eliminating any deficiencies in the Reserve Account; and

(iv) for other legal purposes of the System, including payment of debt service on other obligations junior, subordinate and inferior to the Local Bonds.

Provided, that if the Local Government has existing outstanding indebtedness which has greater coverage or renewal and replacement fund requirements, then the greater requirements will prevail until said existing indebtedness is paid in full.

(b) Covenants substantially as follows:

(i) That the Local Bonds shall be secured by a pledge of either the net or gross revenues of the System as provided in the Local Act;

(ii) That the schedule of rates or charges for the services of the System shall be sufficient to provide funds which, along with other revenues of the System, will pay all Operating Expenses and leave a balance each year equal to at least one hundred fifteen percent (115%) of the maximum amount required in any year for debt service on the Local Bonds and all other obligations secured by a lien on or payable from the revenues of the System prior to or on a parity with the Local Bonds or, if the Reserve Account is funded (whether by Local Bond proceeds, monthly deposits or otherwise) at an amount equal to the Reserve Requirement and any reserve account for any such prior or parity obligations is funded at least at the requirement therefor, equal to at least one hundred ten percent (110%) of the maximum amount required in any year for debt service on the Local Bonds and any such prior or parity obligations;

(iii) That the Local Government shall complete the Project and operate and maintain the System in good condition;

(iv) That, except as otherwise required by State law or the SRF Regulations, the System may not be sold, mortgaged, leased or otherwise disposed of, except as a whole or substantially as a whole, provided that the net proceeds to be realized from such sale, mortgage, lease or other disposition shall be sufficient to fully pay all of the Local Bonds outstanding and further provided that portions of the System when no longer required for the ongoing operation of such System as evidenced by certificates from the Consulting Engineer, may be disposed of with such restrictions as are normally contained in such covenants;

(v) That the Local Government shall not issue any other obligations payable from the revenues of the System which rank prior to, or equally, as to lien and security with the Local Bonds, except parity bonds which shall only be issued if net revenues of the System prior to issuance of such parity bonds, plus reasonably projected revenues from rate increases and the improvements to be financed by such parity bonds, shall not be less than one hundred fifteen percent (115%) of the maximum debt service in any

succeeding year on all Local Bonds and parity bonds theretofore and then being issued and on any obligations secured by a lien on or payable from the revenues of the System prior to the Local Bonds and with the prior written consent of the Authority and DEP; provided, however, that additional parity bonds may be issued to complete the Project, as described in the Application as of the date hereof, without regard to the foregoing;

(vi) That the Local Government will carry such insurance as is customarily carried with respect to works and properties similar to the System, including those specified by Section 2.8 hereof;

(vii) That the Local Government will not render any free services of the System;

(viii) That the Authority may, by proper legal action, compel the performance of the duties of the Local Government under the Local Act, including the making and collection of sufficient rates or charges for services rendered by the System, and shall also have, in the event of a default in payment of principal of or interest on the Local Bonds, the right to obtain the appointment of a receiver to administer the System or construction of the Project, or both, as provided by law and all rights as set forth in Section 5 of the Act;

(ix) That, to the extent authorized by the laws of the State and the rules and regulations of the PSC, all delinquent rates and charges, if not paid when due, shall become a lien on the premises served by the System;

(x) That, to the extent legally allowable, the Local Government will not grant any franchise to provide any services which would compete with the System;

(xi) That the Local Government shall annually cause the records of the System to be audited by an independent certified public accountant or independent public accountant and shall submit the report of said audit to the Authority and DEP, which report shall include a statement that notes whether the results of tests disclosed instances of noncompliance that are required to be reported under government auditing standards and, if they are, describes the instances of noncompliance and the audited financial statements shall include a statement that notes whether the Local Government's revenues are adequate to meet its Operating Expenses and debt service and reserve requirements;

(xii) That the Local Government shall annually adopt a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding fiscal year and shall submit a copy of such budget to the Authority and DEP within 30 days of adoption thereof;

(xiii) That, to the extent authorized by the laws of the State and the rules and regulations of the PSC, prospective users of the System shall be required to connect thereto;

(xiv) That the proceeds of the Local Bonds, advanced from time to time, except for accrued interest and capitalized interest, if any, must (a) be deposited in a construction fund, which, except as otherwise agreed to in writing by the Authority, shall be held separate and apart from all other funds of the Local Government and on which the owners of the Local Bonds shall have a lien until such proceeds are applied to the construction of the Project (including the repayment of any incidental interim financing) and/or (b) be used to pay (or redeem) bond anticipation notes or other interim financing of such Local Government, the proceeds of which were used to finance the construction of the Project; provided that, with the prior written consent of the Authority and DEP, the proceeds of the Local Bonds may be used to fund all or a portion of the Reserve Account, on which the owner of the Local Bonds shall have a lien as provided herein;

(xv) That, as long as the Authority is the owner of any of the Local Bonds, the Local Government may authorize redemption of the Local Bonds with 30 days written notice to the Authority;

(xvi) That the West Virginia Municipal Bond Commission (the "Commission") shall serve as paying agent for all Local Bonds;

(xvii) That the Local Government shall on the first day of each month (if the first day is not a business day, then the first business day of each month) deposit with the Commission the required interest, principal and reserve account payment. The Local Government shall complete the Monthly Payment Form, attached hereto as Exhibit F and incorporated herein by reference, and submit a copy of said form along with a copy of the check or electronic transfer to the Authority by the 5th day of such calendar month;

(xviii) That, unless it qualifies for an exception to the provisions of Section 148 of the Internal Revenue Code of 1986, as amended, which exception shall be set forth in an opinion of bond counsel, the Local Government will furnish to the Authority, annually, at such time as it is required to perform its rebate calculations under the Internal Revenue Code of 1986, as amended, a certificate with respect to its rebate calculations and, at any time, any additional information requested by the Authority;

(xix) That the Local Government shall have obtained the certificate of the Consulting Engineers to the effect that the Project has been or will be constructed in accordance with the approved plans, specifications and design as submitted to the Authority and DEP, the Project is adequate for the purposes for which it was designed, the

funding plan as submitted to the Authority and DEP is sufficient to pay the costs of acquisition and construction of the Project and all permits required by federal and State laws for construction of the Project have been obtained;

(xx) That the Local Government shall, to the full extent permitted by applicable law and the rules and regulations of the PSC, terminate the services of any water facility owned by it to any customer of the System who is delinquent in payment of charges for services provided by the System and will not restore the services of the water facility until all delinquent charges for the services of the System have been fully paid or, if the water facility is not owned by the Local Government, then the Local Government shall enter into a termination agreement with the water provider; and

(xxi) That the Local Government shall submit all proposed change orders to the DEP for written approval. The Local Government shall obtain the written approval of the DEP before expending any proceeds of the Local Bonds held in "contingency" as set forth in the final Schedule A attached to the certificate of the Consulting Engineer. The Local Government shall obtain the written approval of the DEP before expending any proceeds of the Local Bonds available due to bid/construction/project underruns.

The Local Government hereby represents and warrants that the Local Act has been or shall be duly adopted or enacted in compliance with all necessary corporate and other action and in accordance with applicable provisions of law. All legal matters incident to the authorization, issuance, validity, sale and delivery of the Local Bonds shall be approved without qualification by nationally recognized bond counsel acceptable to the Authority in substantially the form of legal opinion attached hereto as Exhibit G.

4.2 The Local Bonds shall be secured by the pledge and assignment by the Local Government, as effected by the Local Act, of the fees, charges and other revenues of the Local Government from the System.

4.3 At least five percent (5%) of the proceeds of the Local Bonds will be advanced on the Date of Closing. The remaining proceeds of the Local Bonds shall be advanced by the DEP monthly as required by the Local Government to pay Costs of the Project, provided, however, if the proceeds of the Local Bonds will be used to repay an interim financing, the proceeds will be advanced on a schedule mutually agreeable to the Local Government, the DEP and the Authority. The Local Bonds shall not bear interest during the construction period but interest shall commence accruing on the completion date as defined in the SRF Regulations, provided that the annual repayment of principal and payment of interest shall begin not later than one (1) year after the completion date. The repayment of principal and interest on the Local Bonds shall be as set forth on Schedule Y hereto. In no event shall

the interest rate on or the net interest cost of the Local Bonds exceed any statutory limitation with regard thereto.

4.4 The Local Bonds shall be delivered to the Authority in fully registered form, transferable and exchangeable as provided in the Local Act at the expense of the Local Government. Anything to the contrary herein notwithstanding, the Local Bonds may be issued in one or more series.

4.5 As provided by the SRF Regulations, the Local Government agrees to pay from time to time, if required by the Authority and DEP, the Local Government's allocable share of the reasonable administrative expenses of the Authority relating to the Program. Such administrative expenses shall be determined by the Authority and shall include, without limitation, Program expenses, legal fees paid by the Authority and fees paid to the trustee and paying agents for any bonds or notes to be issued by the Authority for contribution to the Fund and the fees and expenses of any corporate trustee for the Fund.

4.6 The obligation of the Authority to purchase the Local Bonds shall be conditioned upon the availability of moneys in the Fund in such amount and on such terms and conditions as, in the sole judgment of the Authority, will enable it to purchase the Local Bonds.

ARTICLE V

Certain Covenants of the Local Government; Imposition and Collection of User Charges; Payments To Be Made by Local Government to the Authority

5.1 The Local Government hereby irrevocably covenants and agrees to comply with all of the terms, conditions and requirements of this Bond Purchase Agreement and the Local Act. The Local Government hereby further irrevocably covenants and agrees that, as one of the conditions of the Authority to purchase the Local Bonds, it has fixed and collected, or will fix and collect, the rates, fees and other charges for the use of the System and will take all such actions necessary to provide funds sufficient to produce the required sums set forth in the Local Act and in compliance with the provisions of Subsections 4.1(a) and 4.1(b)(ii) hereof.

5.2 In the event, for any reason, the schedule of rates, fees and charges initially established for the System in connection with the Local Bonds shall prove to be insufficient to produce the required sums set forth in the Local Act and this Bond Purchase Agreement, the Local Government hereby covenants and agrees that it will, to the extent or in the manner authorized by law, immediately adjust and increase such schedule of rates, fees and charges (or where applicable, immediately file with the PSC for a rate increase) and take all

such actions necessary to provide funds sufficient to produce the required sums set forth in the Local Act and this Bond Purchase Agreement.

5.3 In the event the Local Government defaults in any payment due to the Authority pursuant to this Bond Purchase Agreement, the amount of such default shall bear interest at the interest rate of the installment of the Local Bonds next due, from the date of the default until the date of the payment thereof.

5.4 The Local Government hereby irrevocably covenants and agrees with the Authority that, in the event of any default hereunder by the Local Government, the Authority may exercise any or all of the rights and powers granted under Section 5 of the Act, including, without limitation, the right to impose, enforce and collect charges of the System.

ARTICLE VI

Other Agreements of the Local Government

6.1 The Local Government hereby acknowledges to the Authority and DEP its understanding of the provisions of the Act, vesting in the Authority and DEP certain powers, rights and privileges with respect to wastewater treatment projects in the event of default by the Local Government in the terms and covenants of this Bond Purchase Agreement, and the Local Government hereby covenants and agrees that, if the Authority should hereafter have recourse to said rights and powers, the Local Government shall take no action of any nature whatsoever calculated to inhibit, nullify, void, delay or render nugatory such actions of the Authority in the due and prompt implementation of this Bond Purchase Agreement.

6.2 The Local Government hereby warrants and represents that all information provided to the Authority and DEP in this Bond Purchase Agreement, in the Application or in any other application or documentation with respect to financing the Project was at the time, and now is, true, correct and complete, and such information does not omit any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. Prior to the Authority's purchasing and receiving the Local Bonds, the Authority and DEP shall have the right to cancel all or any of their obligations under this Bond Purchase Agreement if (a) any representation made to the Authority and DEP by the Local Government in connection with the issuance of the Local Bonds shall be incorrect or incomplete in any material respect or (b) the Local Government has violated any commitment made by it in its Application or in any supporting documentation or has violated any of the terms of the Act, the SRF Regulations or this Bond Purchase Agreement.

6.3 The Local Government hereby agrees to repay on or prior to the Date of Closing any moneys due and owing by it to the Authority or any other lender for the planning or design of the Project, provided that such repayment shall not be made from the proceeds of the Local Bonds.

6.4 The Local Government hereby covenants that it will rebate any amounts required by Section 148 of the Internal Revenue Code of 1986, as amended, and will take all steps necessary to make any such rebates. In the event the Local Government fails to make any such rebates as required, then the Local Government shall pay any and all penalties, obtain a waiver from the Internal Revenue Service and take any other actions necessary or desirable to preserve the exclusion from gross income for federal income tax purposes of interest on the Local Bonds.

6.5 Notwithstanding Section 6.4, the Authority and DEP may at any time, in their sole discretion, cause the rebate calculations prepared by or on behalf of the Local Government to be monitored or cause the rebate calculations for the Local Government to be prepared, in either case at the expense of the Local Government.

6.6 The Local Government hereby agrees to give the Authority and DEP prior written notice of the issuance by it of any other obligations to be used for the System, payable from the revenues of the System or from any grants for the Project or otherwise related to the Project or the System.

6.7 The Local Government hereby agrees to file with the Authority and DEP upon completion of acquisition and construction of the Project a schedule in substantially the form of Amended Schedule A to the Application, setting forth the actual costs of the Project and sources of funds therefor.

ARTICLE VII

Miscellaneous

7.1 Schedules X and Y shall be attached to this Bond Purchase Agreement by the Authority as soon as practicable after the Date of Closing is established and shall be approved by an official action of the Local Government supplementing the Local Act, a certified copy of which official action shall be submitted to the Authority.

7.2 If any provision of this Bond Purchase Agreement shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such provision shall not affect any of the remaining provisions of this Bond Purchase Agreement, and this Bond

Purchase Agreement shall be construed and enforced as if such invalid or unenforceable provision had not been contained herein.

7.3 This Bond Purchase Agreement may be executed in one or more counterparts, any of which shall be regarded for all purposes as an original and all of which constitute but one and the same instrument. Each party agrees that it will execute any and all documents or other instruments and take such other actions as may be necessary to give effect to the terms of this Bond Purchase Agreement.

7.4 No waiver by any party of any term or condition of this Bond Purchase Agreement shall be deemed or construed as a waiver of any other terms or conditions, nor shall a waiver of any breach be deemed to constitute a waiver of any subsequent breach, whether of the same or of a different section, subsection, paragraph, clause, phrase or other provision of this Bond Purchase Agreement.

7.5 This Bond Purchase Agreement supersedes all prior negotiations, representations and agreements between the parties hereto relating to the Local Bonds and constitutes the entire agreement between the parties hereto in respect thereof.

7.6 By execution and delivery of this Bond Purchase Agreement, notwithstanding the date hereof, the Local Government specifically recognizes that it is hereby agreeing to sell its Local Bonds to the Authority and that such obligation may be specifically enforced or subject to a similar equitable remedy by the Authority.

7.7 This Bond Purchase Agreement shall terminate upon the earlier of:

(i) written notice of termination to the Local Government from either the Authority or DEP;

(ii) the end of ninety (90) days after the date of execution hereof by the Authority or such later date as is agreed to in writing by DEP if the Local Government has failed to deliver the Local Bonds to the Authority;

(iii) termination by the Authority and DEP pursuant to Section 6.2 hereof; or

(iv) payment in full of the principal of and interest on the Local Bonds and of any fees and charges owed by the Local Government to the Authority or DEP; provided that the amount of the Local Bonds purchased under this Bond Purchase Agreement in any succeeding fiscal year is contingent upon funds being appropriated by the State legislature or otherwise being available to purchase the Local Bonds. In the event funds are not appropriated or otherwise available to purchase all of the Local Bonds, the responsibility of the Authority

and DEP to purchase the Local Bonds is terminated; provided further that the obligation of the Local Government to repay the outstanding amount of the Local Bonds is not terminated due to such non-funding on any balance of the Local Bonds. The DEP agrees to use its best efforts to have the amount contemplated under this Bond Purchase Agreement included in its budget. Non-appropriation or non-funding of the Loan shall not be considered an event of default under this Bond Purchase Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Bond Purchase Agreement to be executed by their respective duly authorized officers as of the date executed below by the Authority.

PEA RIDGE PSD

(SEAL)

By: _____
Its: Chairman
Date: August 22, 2007

Attest:

_____
Its: ~~Secretary~~ Vice Chairman

WEST VIRGINIA DEPARTMENT OF ENVIRONMENTAL PROTECTION, DIVISION OF WATER AND WASTE MANAGEMENT

By: _____
Its: Director
Date: 8/22/07

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

(SEAL)

By: _____
Its: Director
Date: August 17, 2007

Attest:

_____
Its: Secretary-Treasurer

EXHIBIT A

FORM OF PERFORMANCE CERTIFICATE

[To Be Provided By DEP]

EXHIBIT B

MONTHLY FINANCIAL REPORT

Name of Local Government _____

Name of Bond Issue(s) _____

Type of Project _____ **Water** _____ **Wastewater**

Fiscal Year _____ **Report Month** _____

Item	Current Month	Total Year To Date	Budget Year To Date	Budget Year To Date Minus Total Year To Date
1. Gross Revenues				
2. Operating Expenses				
3. Bond Payments:				
Type of Issue				
Clean Water SRF				
Drinking Water TRF				
Infrastructure Fund				
Water Development Authority				
Rural Utilities Service				
Economic Development Administration				
Other (Identify)				
_____				
_____				
4. Renewal and Replacement Fund Deposits				

_____

Name of Person Completing Form

_____

Address

_____

Telephone

INSTRUCTIONS FOR COMPLETING MONTHLY FINANCIAL REPORT

Item 1 — You will need a copy of the current fiscal year budget adopted by the Local Government to complete Items 1 and 2. In Item 1, provide the amount of actual **Gross Revenues** for the current month and the total amount year-to-date in the respective columns. Divide the budgeted annual Gross Revenues by 12. For example, if Gross Revenues of $1,200 are anticipated to be received for the year, each month the base would be increased by $100 ($1,200/12). This is the incremental amount for the Budget Year-to-Date column.

Item 2 — Provide the amount of actual **Operating Expenses** for the current month and the total amount year-to-date in the respective columns. Any administrative fee should be included in the Operating Expenses. Divide the budgeted annual Operating Expenses by 12. For example, if Operating Expenses of $900 are anticipated to be incurred for the year, each month the base would be increased by $75 ($900/12). This is the incremental amount for the Budget Year-to-Date column.

Item 3 — Provide the **Bond Payments (principal, interest and reserve account)** for all the outstanding bonds of the Local Government according to the source of funding. For example, Clean Water State Revolving Fund loan from Department of Environmental Protection, Drinking Water Treatment Revolving Fund loan from Bureau for Public Health, Infrastructure Fund loan from Infrastructure and Jobs Development Council, or a loan from the Water Development Authority, etc.

Item 4 — Provide the amount deposited into the **Renewal and Replacement Fund** each month. This amount is equal to 2.5% of Gross Revenues minus the total reserve account payments included in Item 3. If Gross Revenues are $1,200, then $30 (2.5% of $1,200), LESS the amount of all reserve account payments in Item 3 should be deposited into the Renewal and Replacement Fund. The money in the Renewal and Replacement Fund should be kept separate and apart from all other funds of the Local Government.

The Local Government must complete the Monthly Financial Report and forward it to the Water Development Authority by the 10th day of each month, commencing on the date contracts are executed for the acquisition or construction of the Project and for two years following the completion of acquisition or construction of the Project.

EXHIBIT C

PAYMENT REQUISITION FORM

(All Copies to Be Provided by DEP for Each Project)

EXHIBIT D

FORM OF CERTIFICATE OF CONSULTING ENGINEER

_____
(Issuer)

_____
(Name of Bonds)

I, _____, Registered Professional Engineer, West Virginia License No._____, of _____, Consulting Engineers, _____, _____, hereby certify as follows:

1. My firm is engineer for the acquisition and construction of _____ to the _____ system (the "Project") of _____ (the "Issuer"), to be constructed primarily in _____County, West Virginia, which acquisition and construction are being permanently financed in part by the above-captioned bonds (the "Bonds") of the Issuer. Capitalized words not defined herein shall have the same meaning set forth in the bond _____ adopted or enacted by the Issuer on _____, and the Bond Purchase Agreement by and among the Issuer, the West Virginia Water Development Authority (the "Authority"), and the West Virginia Department of Environmental Protection (the "DEP"), dated _____.

2. The Bonds are being issued for the purposes of (i) _____, and (ii) paying certain issuance and other costs in connection therewith.

3. To the best of my knowledge, information and belief, (i) within the limits and in accordance with the applicable and governing contractual requirements relating to the Project, the Project will be constructed in general accordance with the approved plans, specifications and designs prepared by my firm and approved by the DEP and any change orders approved by the Issuer, the DEP and all necessary governmental bodies; (ii) the Project, as designed, is adequate for its intended purpose and has a useful life of at least _____ years, if properly operated and maintained, excepting anticipated replacements due to normal wear and tear; (iii) the Issuer has received bids for the acquisition and construction of the Project which are in an amount and otherwise compatible with the plan of financing set forth in Schedule

attached hereto as Exhibit A, and my firm[1] has ascertained that all successful bidders have made required provisions for all insurance and payment and performance bonds and that such insurance policies or binders and such bonds have been verified for accuracy; (iv) the successful bidders received any and all addenda to the original bid documents; (v) the bid documents relating to the Project reflect the Project as approved by the DEP and the bid forms provided to the bidders contain all critical operational components of the Project; (vi) the successful bids include prices for every item on such bid forms; (vii) the uniform bid procedures were followed; (viii) the Issuer has obtained all permits required by the laws of the State of West Virginia and the United States necessary for the acquisition and construction of the Project and operation of the System; (ix) as of the effective date thereof[2], the rates and charges for the System as adopted by the Issuer will be sufficient to comply with the provisions of the Bond Purchase Agreement; (x) the net proceeds of the Bonds, together with all other moneys on deposit or to be simultaneously deposited and irrevocably pledged thereto and the proceeds of grants, if any, irrevocably committed therefor, are sufficient to pay the costs of acquisition and construction of the Project approved by the DEP; and (xi) attached hereto as Exhibit A is the final amended "Schedule A - Total Cost of Project; Sources of Funds and Cost of Financing" for the Project.

WITNESS my signature and seal on this _____ day of _____, _____.

_____

By _____

West Virginia License No. __

[SEAL]

---

[1]If another responsible party, such as the Issuer's attorney, reviews the insurance and payment bonds, then insert the following: [and in reliance upon the opinion of _____, Esq.] and delete "my firm has ascertained that".

[2]If the Rule 42 Exhibit and/or rate structure was prepared by an accountant, then insert the following: "In reliance upon the certificate of _____ of even date herewith," at the beginning of (ix).

EXHIBIT E

SPECIAL CONDITIONS

A. PUBLIC RELEASE REQUIREMENT - The Local Government agrees to include, when issuing statements, press releases, requests for proposals, bid solicitations, ground breaking or project dedication program documents and other documents describing projects or programs funded in whole or in part with Federal money, (1) the percentage of the total costs of the program or project which will be financed with Federal money, (2) the dollar amount of Federal funds for the project or program, and (3) percentage and dollar amount of the total costs of the project or program that will be financed by non-governmental sources.

B. AUDIT REQUIREMENT (Supplement to Article IV 4.1 (b) (xi)) - Effective October 1, 2003, the Local Government that receives $500,000 or more (in federal funds) in a fiscal year must obtain audits in accordance with the Single Audit Act and the applicable OMB Circular or any successor thereto. Financial statement audits are required once all funds have been received by the Local Government.

EXHIBIT F

MONTHLY PAYMENT FORM

West Virginia Water Development Authority
180 Association Drive
Charleston, WV 25311

Re: [Name of bond issue]

Ladies and Gentlemen:

The following deposits were made to the West Virginia Municipal Bond Commission on behalf of [Name of Local Government] on [Date].

Sinking Fund:

Interest	$____
Principal	$____
Total:	$____
Reserve Account:	$____

Witness my signature this ___ day of_____.

[Name of Local Government]

By: _____
Authorized Officer

Enclosure: copy of check(s)

EXHIBIT G

OPINION OF BOND COUNSEL FOR LOCAL GOVERNMENT

[To Be Dated as of Date of Closing]

West Virginia Water Development Authority
180 Association Drive
Charleston, WV 25311

West Virginia Department of Environmental Protection
601 57th Street
Charleston, WV 25304

Ladies and Gentlemen:

We are bond counsel to _____ (the "Local Government"), a _____.

We have examined a certified copy of proceedings and other papers relating to the authorization of (i) a bond purchase agreement dated _____, ___, including all schedules and exhibits attached thereto (the "Bond Purchase Agreement"), among the Local Government, the West Virginia Water Development Authority (the "Authority") and the West Virginia Department of Environmental Protection (the "DEP"), and (ii) the issue of a series of revenue bonds of the Local Government, dated _____, ___ (the "Local Bonds"), to be purchased by the Authority in accordance with the provisions of the Bond Purchase Agreement. The Local Bonds are issued in the principal amount of $_____, in the form of one bond, registered as to principal only to the Authority, with principal payable quarterly on March 1, June 1, September 1, and December 1 of each year, beginning _____ 1, _____, and ending ___ _ 1, _____, all as set forth in the "Schedule Y" attached to the Bond Purchase Agreement and incorporated in and made a part of the Local Bonds.

The Local Bonds are issued for the purposes of (i) _____, and (ii) paying certain issuance and other costs in connection therewith.

We have also examined the applicable provisions of _____ of the Code of West Virginia, 1931, as amended (the "Local Statute"), and the bond _____ duly adopted or enacted by the Local Government on _____, as supplemented by the supplemental resolution duly adopted by the Local Government on _____ (collectively, the "Local

Act"), pursuant to and under which Local Statute and Local Act the Local Bonds are authorized and issued, and the Bond Purchase Agreement has been undertaken. The Local Bonds are subject to redemption prior to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Local Act and the Bond Purchase Agreement.

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

1. The Bond Purchase Agreement has been duly authorized by and executed on behalf of the Local Government and is a valid and binding special obligation of the Local Government, enforceable in accordance with the terms thereof.

2. The Bond Purchase Agreement inures to the benefit of the Authority and the DEP and cannot be amended so as to affect adversely the rights of the Authority or the DEP or diminish the obligations of the Local Government without the consent of the Authority and the DEP.

3. The Local Government is a duly organized and validly existing _____ _____, with full power and authority to acquire and construct the Project, to operate and maintain the System, to adopt or enact the Local Act and to issue and sell the Local Bonds, all under the Local Statute and other applicable provisions of law.

4. The Local Act and all other necessary orders and resolutions have been legally and effectively adopted or enacted by the Local Government and constitute valid and binding obligations of the Local Government, enforceable against the Local Government in accordance with their terms. The Local Act contains provisions and covenants substantially in the form of those set forth in Section 4.1 of the Bond Purchase Agreement.

5. The Local Bonds have been duly authorized, issued, executed and delivered by the Local Government to the Authority and are valid, legally enforceable and binding special obligations of the Local Government, payable from the net or gross revenues of the System set forth in the Local Act and secured by a first lien on and pledge of the net or gross revenues of the System, all in accordance with the terms of the Local Bonds and the Local Act.

6. The Local Bonds are, by statute, exempt _____, and under existing statutes and court decisions of the United States of America, as presently written and applied, the interest on the Local Bonds is excludable from the gross income of the recipients thereof for federal income tax purposes.

No opinion is given herein as to the effect upon enforceability of the Local Bonds of bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights or in the exercise of judicial discretion in appropriate cases.

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

Very truly yours,

SCHEDULE X

DESCRIPTION OF LOCAL BONDS

Principal Amount of Local Bonds	$1,043,821
Purchase Price of Local Bonds	$1,043,821

The Local Bonds shall bear no interest. Commencing December 1, 2008, principal of the Local Bonds is payable quarterly, with an administrative fee of 0.5%. Quarterly payments will be made on March 1, June 1, September 1 and December 1 of each year as set forth on the Schedule Y attached hereto and incorporated herein by reference.

The Local Government shall submit its payments monthly to the Commission with instructions that the Commission will make quarterly payments to the Authority at such address as is given to the Commission in writing by the Authority. If the Reserve Account is not fully funded at closing, the Local Government shall commence the payment of the 1/120 of the maximum annual debt service on the first day of the month it makes its first monthly payment to the Commission. The Local Government shall instruct the Commission to notify the Authority of any monthly payments which are not received by the 20th day of the month in which the payment was due.

The Local Bonds are fully registered in the name of the Authority as to principal only and the Local Bonds shall grant the Authority a first lien on the net or gross revenues of the Local Government's system as provided in the Local Act.

The Local Government may prepay the Local Bonds in full at any time at the price of par upon 30 days' written notice to the Authority and DEP. The Local Government shall request approval from the Authority and DEP in writing of any proposed debt which will be issued by the Local Government on a parity with the Local Bonds which request must be filed at least 60 days prior to the intended date of issuance.

As of the date of the Loan Agreement, the Local Bonds are on a parity as to liens, pledge and source of and security for payment with the following obligations of the Local Government:

See next page.

(1) Sewer Refunding Revenue Bonds, Series 2004, dated March 1, 2004, issued in the original principal amount of $2,620,000;

(2) Sewer Revenue Bonds, Series 2003 B (West Virginia Water Development Authority), dated August 19, 2003, issued in the original principal amount of $100,000;

(3) Sewer Revenue Bonds, Series 2003 A (West Virginia SRF Program), dated August 19, 2003, issued in the original principal amount of $12,429,500;

(4) Sewerage System Design Revenue Bonds, Series 2000 (West Virginia SRF Program), dated March 7, 2000, issued in the original principal amount of $477,000; and

(5) Sewer Revenue Bonds, Series 1992 (West Virginia SRF Program), dated December 28, 1992, issued in the original principal amount of $1,250,000.

$1,043,821

Pea Ridge Public Service District

30 Years, 0% Interest Rate, 0.5% Administrative Fee

Closing Date: August 28, 2007

Debt Service Schedule

Date	Principal	Coupon	Total P+I
09/01/2007	-	-	-
12/01/2007	-	-	-
03/01/2008	-	-	-
06/01/2008	-	-	-
09/01/2008	-	-	-
12/01/2008	8,699.00	-	8,699.00
03/01/2009	8,699.00	-	8,699.00
06/01/2009	8,699.00	-	8,699.00
09/01/2009	8,699.00	-	8,699.00
12/01/2009	8,699.00	-	8,699.00
03/01/2010	8,699.00	-	8,699.00
06/01/2010	8,699.00	-	8,699.00
09/01/2010	8,699.00	-	8,699.00
12/01/2010	8,699.00	-	8,699.00
03/01/2011	8,699.00	-	8,699.00
06/01/2011	8,699.00	-	8,699.00
09/01/2011	8,699.00	-	8,699.00
12/01/2011	8,699.00	-	8,699.00
03/01/2012	8,699.00	-	8,699.00
06/01/2012	8,699.00	-	8,699.00
09/01/2012	8,699.00	-	8,699.00
12/01/2012	8,699.00	-	8,699.00
03/01/2013	8,699.00	-	8,699.00
06/01/2013	8,699.00	-	8,699.00
09/01/2013	8,699.00	-	8,699.00
12/01/2013	8,699.00	-	8,699.00
03/01/2014	8,699.00	-	8,699.00
06/01/2014	8,699.00	-	8,699.00
09/01/2014	8,699.00	-	8,699.00
12/01/2014	8,699.00	-	8,699.00
03/01/2015	8,699.00	-	8,699.00
06/01/2015	8,699.00	-	8,699.00
09/01/2015	8,699.00	-	8,699.00
12/01/2015	8,699.00	-	8,699.00
03/01/2016	8,699.00	-	8,699.00
06/01/2016	8,699.00	-	8,699.00
09/01/2016	8,699.00	-	8,699.00
12/01/2016	8,699.00	-	8,699.00
03/01/2017	8,699.00	-	8,699.00
06/01/2017	8,699.00	-	8,699.00
09/01/2017	8,699.00	-	8,699.00
12/01/2017	8,699.00	-	8,699.00
03/01/2018	8,699.00	-	8,699.00
06/01/2018	8,699.00	-	8,699.00

$1,043,821
Pea Ridge Public Service District
30 Years, 0% Interest Rate, 0.5% Administrative Fee
Closing Date: August 28, 2007

Debt Service Schedule

Date	Principal	Coupon	Total P+I
09/01/2018	8,699.00	-	8,699.00
12/01/2018	8,699.00	-	8,699.00
03/01/2019	8,699.00	-	8,699.00
06/01/2019	8,699.00	-	8,699.00
09/01/2019	8,699.00	-	8,699.00
12/01/2019	8,699.00	-	8,699.00
03/01/2020	8,699.00	-	8,699.00
06/01/2020	8,699.00	-	8,699.00
09/01/2020	8,699.00	-	8,699.00
12/01/2020	8,699.00	-	8,699.00
03/01/2021	8,699.00	-	8,699.00
06/01/2021	8,699.00	-	8,699.00
09/01/2021	8,699.00	-	8,699.00
12/01/2021	8,699.00	-	8,699.00
03/01/2022	8,699.00	-	8,699.00
06/01/2022	8,699.00	-	8,699.00
09/01/2022	8,699.00	-	8,699.00
12/01/2022	8,699.00	-	8,699.00
03/01/2023	8,699.00	-	8,699.00
06/01/2023	8,699.00	-	8,699.00
09/01/2023	8,699.00	-	8,699.00
12/01/2023	8,699.00	-	8,699.00
03/01/2024	8,698.00	-	8,698.00
06/01/2024	8,698.00	-	8,698.00
09/01/2024	8,698.00	-	8,698.00
12/01/2024	8,698.00	-	8,698.00
03/01/2025	8,698.00	-	8,698.00
06/01/2025	8,698.00	-	8,698.00
09/01/2025	8,698.00	-	8,698.00
12/01/2025	8,698.00	-	8,698.00
03/01/2026	8,698.00	-	8,698.00
06/01/2026	8,698.00	-	8,698.00
09/01/2026	8,698.00	-	8,698.00
12/01/2026	8,698.00	-	8,698.00
03/01/2027	8,698.00	-	8,698.00
06/01/2027	8,698.00	-	8,698.00
09/01/2027	8,698.00	-	8,698.00
12/01/2027	8,698.00	-	8,698.00
03/01/2028	8,698.00	-	8,698.00
06/01/2028	8,698.00	-	8,698.00
09/01/2028	8,698.00	-	8,698.00
12/01/2028	8,698.00	-	8,698.00
03/01/2029	8,698.00	-	8,698.00
06/01/2029	8,698.00	-	8,698.00

$1,043,821
Pea Ridge Public Service District
30 Years, 0% Interest Rate, 0.5% Administrative Fee
Closing Date: August 28, 2007

Debt Service Schedule

Date	Principal	Coupon	Total P+I
09/01/2029	8,698.00	-	8,698.00
12/01/2029	8,698.00	-	8,698.00
03/01/2030	8,698.00	-	8,698.00
06/01/2030	8,698.00	-	8,698.00
09/01/2030	8,698.00	-	8,698.00
12/01/2030	8,698.00	-	8,698.00
03/01/2031	8,698.00	-	8,698.00
06/01/2031	8,698.00	-	8,698.00
09/01/2031	8,698.00	-	8,698.00
12/01/2031	8,698.00	-	8,698.00
03/01/2032	8,698.00	-	8,698.00
06/01/2032	8,698.00	-	8,698.00
09/01/2032	8,698.00	-	8,698.00
12/01/2032	8,698.00	-	8,698.00
03/01/2033	8,698.00	-	8,698.00
06/01/2033	8,698.00	-	8,698.00
09/01/2033	8,698.00	-	8,698.00
12/01/2033	8,698.00	-	8,698.00
03/01/2034	8,698.00	-	8,698.00
06/01/2034	8,698.00	-	8,698.00
09/01/2034	8,698.00	-	8,698.00
12/01/2034	8,698.00	-	8,698.00
03/01/2035	8,698.00	-	8,698.00
06/01/2035	8,698.00	-	8,698.00
09/01/2035	8,698.00	-	8,698.00
12/01/2035	8,698.00	-	8,698.00
03/01/2036	8,698.00	-	8,698.00
06/01/2036	8,698.00	-	8,698.00
09/01/2036	8,698.00	-	8,698.00
12/01/2036	8,698.00	-	8,698.00
03/01/2037	8,698.00	-	8,698.00
06/01/2037	8,698.00	-	8,698.00
09/01/2037	8,698.00	-	8,698.00
12/01/2037	8,698.00	-	8,698.00
03/01/2038	8,698.00	-	8,698.00
06/01/2038	8,698.00	-	8,698.00
09/01/2038	8,698.00	-	8,698.00
Total	**$1,043,821.00**	-	**$1,043,821.00** *

***Plus $657.81 one-half percent Administrative Fee paid quarterly. Total fee over life of loan is $78,937.20.**

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

FINAL
5/27/2007
Per Commission
Order Waiving the
Exception Period

Entered: May 17, 2007

CASE NO. 07-0139-PSD-CN

PEA RIDGE PUBLIC SERVICE DISTRICT
Barboursville, Cabell County,
Application for a certificate of convenience and necessity for the purpose of replacing and upgrading an existing lift station and extension and construction of service building and approval of related financing thereto.

Recommended Decision

On February 5, 2007, Pea Ridge Public Service District (District), Barboursville, Cabell County, filed an application, duly verified, for a certificate of convenience and necessity to replace and upgrade an existing lift station and construct a service building, as well as for approval of the financing related thereto. Although the estimated total construction cost for the proposed project is $998,000, the District seeks the Commission's approval to borrow an amount up to $1,200,000. The project cost will be financed with a $998,000 loan from the State Revolving Fund at zero percent (0%) interest with a one-half percent (½%) annual administrative fee for a term of thirty (30) years.

By Commission Order dated February 5, 2007, the District was ordered to give notice of the filing of said application, by publishing a copy of the order once in a newspaper, duly qualified by the Secretary of State, published and of general circulation in Cabell County, making due return to the Commission of proper certification of publication immediately after publication.

On March 5, 2007, Staff Attorney Leslie J. Anderson filed the Initial Joint Staff Memorandum to which was attached the February 22, 2007 Initial Internal Memorandum prepared by C. Sue Stephenson, Utility Analyst I, Water and Wastewater Division, and Joe Marakovits, Technical Analyst III, Engineering Division. Staff reported that, since the project does not involve a rate increase, the District has requested a waiver of the Rule 42 Exhibit filing requirement. Staff agreed with the District's request for a waiver as long as the District assented to provide the minimum financial information required by Staff. Ms. Anderson agreed with Technical Staff's recommendation that the Commission grant the District's request for a waiver of the filing of a Rule 42 Exhibit with the condition that the District agree to provide Staff with any financial information Staff believes it needs to review the

application. Ms. Anderson recommended that the case be referred to the Division of Administrative Law Judges.

On March 13, 2007, the District filed an Affidavit of Publication from The Herald Dispatch, a newspaper duly qualified by the Secretary of State, published and generally circulated in Cabell County, which reflected that the Notice of Filing had been published on February 7, 2007.

By Commission Order dated March 15, 2007, the Commission referred the proceeding to the Division of Administrative Law Judges with a decision due date of on or before June 21, 2007, if there had been no public protest to the application in thirty (30) days after the required notice had been provided, or on or before September 4, 2007, if a public protest had been received within thirty (30) days after the required notice had been provided.

On April 23, 2007, the District filed a letter dated April 9, 2007, from the West Virginia Department of Environmental Protection (WVDEP). The letter indicated that the WVDEP approved the plans and specifications for the project in question.

By Procedural Order dated April 27, 2007, Staff was required to file its final recommendations on or before May 7, 2007. The requirement to file a Rule 42 exhibit was waived as long as the District agreed to provide Staff with all financial information necessary for Staff to timely conduct its review.

On May 3, 2007, Ms. Anderson filed the Final Joint Staff Memorandum to which was attached the April 27, 2007 Final Internal Memorandum prepared by Mr. Marakovits and Ms. Stephenson. The project consists of two (2) contracts. The first contract is to construct a new 9,460 square foot service building extension and the second contract is to construct a new wet well adjacent to the existing wet well, a new valve vault, new pumps and electrical controls, spare pumps, new guide rails and chains, new fencing and all necessary valves and other appurtenances. The total construction cost, estimated at $696,150, appeared to be reasonable to Staff. Staff opined that the total project cost of $998,000, or $227 per customer, was very reasonable for a sewer project. Staff indicated that the need for the project had been adequately documented. The original plans and specifications for the project have been approved by the WVDEP. The project appears to comply with the Commission's Sewer Rules regarding engineering requirements. Operation and maintenance expenses are not expected to increase due to the project.

Financial Staff reported that the project is to be financed through a State Revolving Fund (SRF) loan in the amount of $998,000 at an interest rate of zero percent (0%) per annum for a term of thirty (30) years with a one-half percent (½%) annual administrative fee. The SRF loan will require annual payments of approximately $33,266 for the principal and $4,990 for the administrative fee. The SRF loan requires the District to fund a ten percent (10%) debt reserve of $3,327 annually. Since there are no adjustments to operation and maintenance expenses as a result of the project, the only expenses attributable to the project are the annual debt service and reserve requirements which total $41,583. There is no need to increase rates since the District's existing surplus at per books is sufficient to absorb the additional debt-related expenses

associated with the project. Staff's cash flow analysis demonstrates that the District has a surplus of $149,969 and debt service coverage of 136.07%. Staff recommended that, since the project, as proposed, is financially feasible, the project should be approved.

Staff specifically recommended that: (a) the District's certificate of convenience and necessity to construct the facilities in question in the amount of $998,000 be approved; (b) the project financing, consisting of an SRF loan in an amount not to exceed $998,000 for a period of thirty (30) years at zero percent (0%) interest and an administrative fee of one-half (½%) per annum, be approved; (c) if there are any changes in the plans and/or scope of the project, or where a change in financing affects rates, the District be required to file to reopen the certificate case for adjustments and approval; (d) if there is a change in project costs which does not affect rates, the District must file an affidavit signed by its CPA verifying that rates are unaffected; (e) the District submit a certified copy of the bid tabulations for all contracts as soon as they become available; and (f) the District submit a copy of the certificate of substantial completion issued for each contract as soon as it becomes available.

By letter dated May 3, 2007, the Commission's Executive Secretary served the Staff recommendations upon the District and cautioned the District that failure to respond to Staff's recommendations within ten (10) days may result in a decision in the case based on the original filing and the other documents in the Commission's case file, without further hearing or notice.

As of the date of this Recommended Decision, the District has not filed a written response to Staff's final recommendations.

As of the date of this Order, no protests have been filed.

FINDINGS OF FACT

1. On February 5, 2007, the Pea Ridge Public Service District filed an application for a certificate of convenience and necessity to replace and upgrade an existing lift station and construct a service building. The District also requested the Commission's approval to borrow an amount up to $1,200,000. (See, February 5, 2007 filing).

2. The estimated project cost of $998,000 is to be funded by a loan from the State Revolving Fund at zero percent (0%) interest with a one-half percent (½%) annual administrative fee for a term of thirty (30) years. (See, February 5, 2007 filing).

3. The District gave notice of the filing of its certificate application in accordance with the Commission's requirements by publishing a Notice of Filing on February 7, 2007, in The Herald Dispatch, a newspaper duly qualified by the Secretary of State, published and of general circulation in Cabell County. (See, Affidavit of Publication filed March 13, 2007).

4. No protests were received to the certificate application within the thirty-day response period, which expired on March 9, 2007, or as of the date of this Order. (See, case file generally).

5. The District's Lift Station #3, which is the subject of the project, currently has inadequate wet well capacity, corrosion problems and control panel operational problems. The District's existing service building is not adequate to accommodate the District's increased operating staff and equipment. (Application filed February 5, 2007; Final Joint Staff Memorandum and attachment filed May 3, 2007).

6. Commission Staff recommended that the District's certificate application to replace and upgrade the lift station and construct a service building and the associated financing, consisting of a $998,000 loan from the State Revolving Fund for a period of thirty (30) years at zero percent (0%) interest and an administrative fee of one-half percent (½%) per annum, be approved; if there are any changes in the plans and/or scope of the project, or if a change in financing affects rates, the District obtain Commission approval of such changes prior to commencing construction; if there is a change in project costs which does not affect rates, the District file an affidavit signed by its CPA verifying that rates are unaffected; the District submit a certified copy of the bid tabulations for all contracts as soon as they become available; and the District submit a copy of the certificate of substantial completion issued for each contract as soon as it becomes available. (See, Final Joint Staff Memorandum with attachment filed May 3, 2007).

7. The Commission's Executive Secretary sent the District a letter in which the District was cautioned that failure to respond to Staff's recommendations within ten (10) days may result in a decision in the case based on the original filing and the other documents in the case file without further hearing or notice. (See, filing dated May 3, 2007).

8. As of the date of this Recommended Decision, the District has not filed a written response to Staff's recommendations. (See, case file generally).

CONCLUSIONS OF LAW

1. The public convenience and necessity require the issuance of a certificate of convenience and necessity to the Pea Ridge Public Service District to replace and upgrade an existing lift station and to construct the service building.

2. It is reasonable to approve the project financing, consisting of a loan from the State Revolving Fund, not to exceed $998,000, at zero percent (0%) interest with a one-half percent (½%) annual administrative fee for a term of thirty (30) years.

3. It is reasonable to approve the Staff recommendations that the District submit to the Commission: (1) a certified copy of the tabulation of bids for all construction contracts associated with the project; and (2) a certificate of substantial completion for each contract, when each becomes available.

ORDER

IT IS, THEREFORE, ORDERED that the application filed herein on February 5, 2007, by the Pea Ridge Public Service District, for a

certificate of convenience and necessity to replace and upgrade an existing lift station and to construct a service building be, and hereby is, granted.

IT IS FURTHER ORDERED that the financing for the project, consisting of a loan from the State Revolving Fund, not to exceed $998,000, at a zero percent (0%) interest rate, plus a one-half percent (½%) administrative fee, for a 30-year term, be, and hereby is, approved.

IT IS FURTHER ORDERED that the Pea Ridge Public Service District be, and hereby is, directed to submit a certificate of substantial completion for each contract of the project from its engineer as soon as it becomes available.

IT IS FURTHER ORDERED that the Pea Ridge Public Service District be, and hereby is, directed to file a copy of the engineer's certified tabulation of bids for the project within ten (10) days of the opening date.

IT IS FURTHER ORDERED that, if there are any changes in the plans, scope or financing of the project or if a change in cost affects rates, the Pea Ridge Public Service District obtain Commission approval of such changes prior to commencing construction.

IT IS FURTHER ORDERED that, if there are changes in the project costs that do not affect rates, the Pea Ridge Public Service District shall file herein an affidavit duly executed by its accountant verifying that the District's rates and charges are not affected.

IT IS FURTHER ORDERED that, if this project requires the use of Division of Highways' rights-of-way, the Pea Ridge Public Service District comply with all rules and regulations of the Division of Highways regarding use of those rights-of-way.

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

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

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

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

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

Commission sooner than five (5) days after approval of such waiver by the Commission.

Deborah Yost VanDervort
Administrative Law Judge

DYV:s
070139aa.wpd

Affidavit of Filing

AFFIDAVIT OF PUBLICATION

040754

STATE OF WEST VIRGINA,
COUNTY OF CABELL, TO-WIT:

I, **Sarah Harmon** being first duly sworn, depose and say that I am Legal Clerk for The Herald-Dispatch, a corporation, who publishes at Huntington, Cabell County, West Virginia, the newspaper: The Herald-Dispatch, an independent newspaper, the morning seven days each week, Monday through Sunday including New Year's Day, Memorial Day, the Fourth of July, Labor Day, Thanksgiving and Christmas; that I have been duly authorized by the Board of Directors of such corporation and the newspaper mentioned herein; that the legal advertisement attached in the left margin of this affidavit and made a part hereof and bearing number **LH-640070** was duly published in

The Herald-Dispatch

one time, once a week for _____ successive weeks, commencing with its issue of the **07** day of **February**, **2007** and ending with the issue of the **07** day of **February**, **2007** and was posted at the East door of the Cabell County Courthouse on **07** day of **February**, **2007**: that said legal advertisement was published on the following dates:
; 2/7/07

that the cost of publishing said annexed advertisement as aforesaid was **$126.00**; that such newspaper in which such legal advertisement was published has been and in now published regularly, at least as frequently as once a week for at least fifty weeks during the calendar year as prescribed by its mailing permit, and has been so published in the municipality of Huntington, Cabell County, West Virginia , for at least one year immediately preceding the date on which the legal advertisement set forth herein was delivered to such newspaper for publication; that such newspaper is a newspaper of "general circulation" as defined in Article 3, chapter 59, of the West Virginia Code, within the publication area or areas of the municipality of Huntington, Cabell and Wayne Counties, West Virginia, and that such newspaper is circulated to the general public at a definite price or consideration, that such newspaper on each date published consists of not less than four pages with out a cover; and that it is a newspaper to which the general public resorts for passing events of a political, religious, commercial and social nature, and for current happenings, announcements, miscellaneous reading matters, advertisements and other notices.

Taken, subscribed and sworn to before me in my said county this 8th day of February 2007.

My Commission expires June 6, 2012

Constance S. Rappold
Notary Public
Cabell County
West Virgnina

Sarah Harmon

PUBLIC SERVICE COMMISSION OF WEST VIRGINIA
CHARLESTON

Entered by the PUBLIC SERVICE COMMISSION OF WEST VIRGINIA in the City of Charleston on the 5th day of February, 2007.

CASE NO.
07-0139-PSD-CN

PEA RIDGE PUBLIC SERVICE DISTRICT
Barboursville, WV
25504
Application for a certificate of convenience and necessity for the purpose of replacing and upgrading an existing lift station and extension and construction of service building and approval of related financing thereto.

NOTICE OF FILING

WHEREAS, on February 5, 2007, Pea Ridge Public Service District, Barboursville, Cabell County, filed an application, duly verified, for a Certificate to construct certain additions and improvements to the Pea Ridge Public Service District in Cabell County. The application is on file with and available for public inspection at the Public Service Commission, 201 Brooks Street, in Charleston, West Virginia.

WHEREAS, the Pea Ridge Public Service District (District) estimates that the total construction costs for the proposed project is $998,000.00. The costs will be financed as follows: (1) long term financing from the State Revolving Fund in the amount of $998,000.00 at an interest rate of 0% annum with a ½% annual administrative fee for a term of thirty (30) years, The District is seeking the approval of the Public Service Commission of the State of West Virginia for permission to borrow an amount not-to-exceed $1,200,000.00.

WHEREAS, the District has determined that, given the amount borrowed and the terms of the loan, there will be no increase in rates, and thus the rates currently on file with the Public Service Commission will remain in place.

Pursuant to 24-2-11, West Virginia Code, IT IS ORDERED that the Pea Ridge Public Service District give notice of the filing of said application, by publishing a copy of this order once in a newspaper duly qualified by the Secretary of State, published and of general circulation in Cabell County, making due return to this Commission of proper certification of publication immediately after publication. Anyone desiring to protest or intervene should file a written protest or notice of intervention within 30 days following the date of this publication unless otherwise modified by Commission order. Failure to timely protest or intervene can affect your right to protest aspects of this certificate case, including any associate rate increases, or to participate in future proceedings. All protests or requests to intervene should briefly state the reason for the protest of intervention. Requests to intervene must comply with the Commission's rules on intervention set forth in the Commission's Rules of Practice and Procedure. All protests and interventions should be addressed to Sandra Squire, Executive Secretary, P. O. Box 812, Charleston, West Virginia 25323.

IT IS FURTHER ORDERED that if no protests are received within said thirty (30) day period, the Commission may waive formal hearing and grant the application based on the evidence submitted with said application and its review thereof.

Sandra Squire
Executive Secretary

LH#640070
2/7/2007

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

FINAL
03-23-03
By Commission Order

Entered: March 14, 2003

CASE NO. 02-1213-PSD-CN

PEA RIDGE PUBLIC SERVICE DISTRICT,
a public utility.
Application for a certificate of convenience and necessity for the addition and replacement of new lines, to construct lift stations, to upgrade existing lift station, to install manholes, to abandon an aerated lagoon and Richmond Sewer Treatment Plant, to upgrade two existing wastewater treatment plants and to construct an office building and for approval of an Interutility Agreement with the City of Huntington.

RECOMMENDED DECISION

PROCEDURE

On August 16, 2002, Pea Ridge Public Service District (District), a public sewer utility, filed a duly verified application for a certificate of convenience and necessity to construct and operate certain additions and improvements to the District's wastewater treatment system in Cabell County, West Virginia. The District estimated that construction will cost approximately $12,323,400, and will be financed by the issuance of Revenue Bonds through the West Virginia State Revolving Fund in an amount not to exceed $12,223,400 and a loan from the Water Development Authority in an amount not to exceed $100,000. The District also requested increased rates and charges in order to fund and maintain this project.

This matter had been properly filed for prefiling notice on July 5, 2002. On July 19, 2002, the District filed a duly executed affidavit of publication demonstrating publication of a formal Notice of Prefiling (Tariff Form No. 13) on July 9 and 16, 2002, in The Herald-Dispatch, a newspaper duly certified by the Secretary of State, published and of general circulation in Cabell County, West Virginia. Said notice was also posted at the Cabell County Courthouse on July 9, 2002.

By a formal Notice of Filing entered August 16, 2002, the Public Service Commission required the District to provide public legal notice of this application by publishing a copy of said Notice once in a newspaper duly qualified by the Secretary of State, published and of general circulation in Cabell County, West Virginia, and to make due return to the Commission of proper proof of publication. The Notice of Filing contained the increased rates and charges requested by the

Public Service Commission
d West Virginia
Charleston

District and made provision for the filing of written statements of protest, objection or intervention within thirty (30) days of publication.

On August 30, 2002, the District filed a duly executed affidavit of publication demonstrating publication of the Notice of Filing on August 23, 2002, in The Herald-Dispatch, all in accordance with the Commission's Order entered August 16, 2002.

Pursuant to public legal notice, numerous statements and petitions of protest have been filed in this matter.

On September 12, 2002, the District filed the duly executed affidavit of Dina B. Foster, General Manager of the Pea Ridge Public Service District, demonstrating compliance with Rule 10.3.d of the Commission's Rules of Practice and Procedure. Attached to this filing was a copy of the direct notice to customers of the requested rate increase as printed on the District's August billing.

On September 17, 2002, Commission Staff filed its Initial Joint Staff Memorandum in this matter. Staff briefly detailed the nature of this project and listed the documents or approvals needed to complete this application. Noting the numerous protests already filed, Staff recommended that this application be set for hearing after Staff files its final recommendations in this case.

By a Commission Referral Order entered September 17, 2002, this certificate application was referred to the Division of Administrative Law Judges for further proceedings with a decision due date of March 14, 2003.

On October 31, 2002, the District filed its first amendment to this application showing revised project costs of $12,398,400.

On November 22, 2002, a Procedural Order was entered which scheduled this matter for hearing to be held on December 17, 2002, in Barboursville, Cabell County, West Virginia. This Order also required the District to provide public legal notice of the hearing by causing to be published a prepared Notice of Hearing, once a week for two consecutive weeks in a newspaper duly qualified by the Secretary of State, published and of general circulation in Cabell County, West Virginia, and to make due return of proof of publication to the Commission.

On December 2, 2002, the District filed a second formal revision to its Rule 42 Exhibit and construction budget. The revisions were based on the need for additional borrowing and increased construction costs.

On December 5, 2002, a Final Joint Staff Memorandum was filed by Commission Staff which contained the Staff Report of Jack Miller, Utilities Analyst, and Joseph A. Marakovits, Technical Analyst III. Staff recommended that the District be granted an interim rate increase.

On December 13, 2002, Staff filed a Final Joint Staff Memorandum concerning the District's certificate application. Staff pointed out that this project would improve service for the District's 3,900 existing

customers and would bring service to approximately 438 new customers in several areas of Cabell County. Staff recommended approval of this project and increased rates and charges to support it.

On December 19, 2002, the District filed a duly executed affidavit of publication demonstrating publication of the prepared Notice of Hearing on December 3 and 10, 2002, in The Herald-Dispatch, all in accordance with the Procedural Order entered November 22, 2002.

Also, on December 19, 2002, a letter was filed in this matter which confirmed the intention of the West Virginia Department of Environmental Protection (DEP) to provide an increased loan for this project, in the amount of $12,429,500, from the State Revolving Fund. The exact terms for the loan would be established after bids for the project have been received.

The hearing in this matter convened as scheduled on December 17, 2002, in Barboursville, West Virginia, with all parties in attendance. The Pea Ridge Public Service District appeared and was represented by its attorney Ronald J. Flora. Commission Staff appeared and was represented by Staff Attorney Ronald E. Robertson, Jr. Numerous Protestants and customers of the District were present as well. On. January 16, 2003, an accurate transcript of these proceedings, consisting of 152 pages of testimony, was filed with the Commission and is denoted herein as (Tr., PP-).

EVIDENCE

At hearing, statements of public protest were taken first. Leon Coldiron is a forty-year resident of Guyan Estates and Secretary for the Guyan Estates Committee for Fair Sewage Rates. Mr. Coldiron is an Industrial Engineer and discussed what he believes to be fair rates as a function, or percentage, of water rates. Huntington and Barboursville residents pay a sewage bill equal to thirty-five to forty percent of their water bill. If this project is built and the increased rates approved, District customers will pay in excess of one hundred percent of the water bill as sewer rates. He finds it disappointing that county government would proceed with a twelve million dollar project during a time of economic recession and not apply for more grant funding. He believes that the number of new customers to be added by the project is grossly understated. He also does not think the District intends to upgrade the Guyan Estates sewer system, as indicated in the application. Guyan Estates is a "cash cow" for the District; therefore, Mr. Coldiron would like it to be operated as a separate entity. He does not think the District needs a new office or any new employees and that the debt load from this project is too high. In short, this application should be denied. (Tr., pp. 9-13).

Alexander Skirpan complained that the previous rate increase for Guyan Estates was approved without sufficient public notice. He does not read the legal ads. He does not understand why the private utility company that previously operated the Guyan Estates sewer system was denied rate increases by the Commission. The residents of Guyan Estates cannot afford a lawyer and the Public Service Commission Consumer

Advocate Division would not represent them either. He believes Guyan Estates should be part of the Barboursville system, but Barboursville turned them down. The District's manager spends too much money and has done little for Guyan Estates. He also believes that, because the District's manager used to work at the Public Service Commission, Commission personnel should be recused from working on this case. Economic times are hard and the District should not build a new building when a new double wide trailer would give the District three times the space it currently has. He admits the current office trailer needs a new floor. Projected expenses should be cut ten percent, like state government. Commission Staff did not reduce the District's requested rates enough and he believes that is collusion. District employees do not deserve a seven percent pay raise, when senior citizens only get a 1.4% increase. He stated that the use of two different test years by the District and Staff makes it impossible for customers to compare and understand what is going on. He also does not understand how many actual customers the District has. There is a 205 customer difference between the District's count and Staff's count. (Tr., pp. 14-26).

Michael Katrinic is a resident of East Pea Ridge and does not believe the Pea Ridge system was ever intended to include Guyan Estates or reach the Ohio River Road. He is retired and utility rate increases are not easy to accommodate financially. (Tr., pp. 26-27).

Kenneth Brown is a resident of Guyan Estates. He does not think the District's financial statement and the audited balance sheet match. He believes the District needs a new accounting system, and that adjusted expenses are not legitimate. He also receives improper bills on a regular basis, but the District blames its computer system. Guyan Estates has had a 200% increase in sewer rates in the last two years and the residents are upset. He also believes the District has mishandled a State grant to extend its collection system along Route 10. He admits that this proposed project needs to be done and the sewer lagoon removed. The EPA will force the pond to be done away with eventually. He believes the rate increase should be limited to the length of time it takes to pay the bonds off. (Tr., pp. 28-33).

James Blake is a customer of the District and has a couple of pieces of rental property. He is concerned that the District will not prorate bills when tenants leave or move in at odd times. He apparently receives two bills for the same billing period when tenants leave. He is also concerned about the District's lack of planning for storm water. He believes this will lead to further increases later. He believes a moratorium on new projects is in order, until the impact of the EPA storm water policies becomes known. He also does not think the District needs an office building. The county needs a regional or countywide sewer system. (Tr. pp. 34-39).

Larry Legge is a resident of Guyan Estates. He attends the District's monthly meetings and does not believe that any of the District officials have any ulterior motives in this matter. He believes that the District should investigate combining with the Town of Barboursville. Recent activities of the Cabell County Commission and the Public Service Commission make it more logical for the Town of Barboursville to serve one side of the river and the District to serve the other. The river

crossing in this project could be a maintenance problem. He believes the District has failed to make system improvements that were supposedly funded by a previous rate increase and now those same improvements are included in this project. When incorporated into the District, Guyan Estates customers experienced a 273% rate increase and now face further increases if this project is approved. If these same increases were applied to a loaf of bread, it would cost $4.38. An $18,000 car would cost $78,840. However, he agrees that the District needs a larger office and better salaries. (Tr. pp. 39-49).

At this point in the proceeding, the District initiated its case-in-chief by calling public finance lawyer John Stump as its first witness. Mr. Stump's law firm is bond counsel for Pea Ridge Public Service District. Mr. Stump explained that this project will be funded by a small loan from the West Virginia Water Development Authority (WDA) and a primary loan from the Division of Environmental Protection State Revolving Loan Fund which is ultimately funded by the United States EPA. This loan will be issued at zero percent interest and an administrative fee of one-half percent. The actual rate and term is determined by the level of the expected rates as compared to the service territory's median household income. Mr. Stump then explained that grant funding is generally non-existent for current sewer projects. There was no grant funding available for this project. (Tr., pp. 50-54).

On cross-examination by the Staff Attorney, Mr. Stump reiterated that the current loan package carries an interest rate of zero and an administrative fee of one-half percent. (Tr., pp. 54-55).

On redirect, Mr. Stump clarified that the zero percent interest rate was available only if the project's proposed rates came in at a level above one and one-half percent of median household income. If the rates are less than that, interest will be charged on the loan. The money for the loan has been set aside, or reserved, but the exact terms of the loan will not be determined until the project is near construction. Consequently, no true commitment letter is issued at this stage of the project. The District then introduced a letter stating the DEP's intention to fund the needed loan for this project. (Tr., pp. 55-58).

The District called Keith Lee as its next witness. Mr. Lee is a Sanitarian with the Cabell-Huntington Health Department. He is familiar with the new areas the District intends to serve with this project and believes that there is a need for public sewer service in those areas. There are raw sewage discharges in the areas and the Guyan Estates sewer lagoon is getting old and needs to be eliminated. (Tr., pp. 59-61).

Under cross-examination by the Staff Attorney, Mr. Lee reiterated his professional support for this project. (Tr., 61-62).

The District called Mike Warwick, an engineer with the Division of Water Resources, Department of Environmental Protection, as its next witness. Mr. Warwick is familiar with the Pea Ridge Public Service District and has reviewed the plans and specifications for this project. He believes the project is needed and feasible. He also confirmed that his agency had set aside some $12,000,000 to fund this project and that

the final terms and conditions will be set when actual bids are received. (Tr., pp. 63-66).

On cross-examination by the Staff Attorney, Mr. Warwick confirmed that the plans and specifications for this project had been approved in a letter dated November 8, 2002. (Tr., pp. 66-67). On redirect, Mr. Warwick identified and sponsored the letter dated November 8, 2002, and a NPDES permit modification application as exhibits in this proceeding. (Tr., pp. 68-69).

Again on cross-examination by the Staff Attorney, Mr. Warwick stated that the Protestants' concern about combined sewer overflows (storm water) is simply not an issue with the District's system. (Tr., p. 70).

The District called its certified public accountant, Rod Lowe, as its next witness. Mr. Lowe prepared the District's Rule 42 Exhibit filed in this matter. Mr. Lowe worked in conjunction with another accountant, Michael Griffith. The Rule 42 Exhibit contains certain increased rates and charges required by the District. (Tr., pp. 71-73).

The District called certified public accountant Michael Griffith as its next witness. Mr. Griffith is an experienced public utility accountant and worked in conjunction with Mr. Lowe on the District's Rule 42 Exhibit. Both interim and on-going rates were proposed. He explained that, because this project has taken a long time to develop, the District used data from 2001 as its test year. By the time the application was actually filed, data from 2002 was available and Commission Staff was correct in using that more recent data as its test year. The District agreed with Staff's proposed interim rate increase. Staff has also calculated proposed final rates to be adopted after this project is completed. Mr. Griffith believes that the optimum funding package will be available for this project, if the proposed rates are at least equal to one and one-half percent of median household income. Mr. Griffith stated that the District's proposed tariff will generate rates that meet or exceed the median household income levels required by the funding application. If the District's proposed rates are adopted, it would qualify for the zero percent funding and a half percent administrative fee. Those rates would also be sufficient to fund the annual cost of the project. If the District would fail to qualify for the zero percent loan, an additional $240,000 would be required for annual debt service and overall rates would increase. Mr. Griffith then detailed the actual expected project costs and compared the District's proposed rate to Staff's proposed rate. (Tr., pp. 74-86).

Under cross-examination by the Staff Attorney, Mr. Griffith explained that median household income is taken from census data and is based, as closely as possible, on the District's actual service territory. He confirmed that the Staff-recommended interim rates would be expected to go into effect upon the entry of a final order in this case. The permanent rates would then go into effect when the project is completed. The interim rates address current operations and the permanent rates will fund operations after the project is complete. Mr. Griffith reiterated the long-term financial advantage of the District's slightly higher proposed rate. (Tr., pp. 86-91).

On redirect, Mr. Griffith again restated his professional opinion that, by imposing slightly higher rates initially, the District would obtain advantageous funding which would avoid nearly $240,000 a year in on-going debt service. The District's customers' best interests are served by the adoption of the District's pro forma rates. (Tr., pp. 91-92).

The District called its professional civil engineer, Kenneth P. Moran, **as its** next witness. Mr. Moran is an employee of Thrasher Engineering, which was responsible for the facility planning and engineering design for the District's current project. The project consists of five different contracts which were detailed by Mr. Moran. One contract will bring service to 222 currently unserved customers in the Route 2/Hillsview area and deliver that flow to the City of Huntington for treatment. One contract calls for inflow and infiltration abatement in the Tallwood/Baker areas. The Norway Avenue contract will add 216 new customers and provide significant rehabilitation as well. Another contract is for lift station improvements and new force mains. This work will include the Guyan Estates area and the elimination of the existing sewer lagoon. The new force main will be larger, but will require a lower operating pressure. This should alleviate the high maintenance expense caused by frequent pump repairs. Mr. Moran stated that closure of the Guyan Estates lagoon will cost $475,000, and almost $850,000 will be spent in Guyan Estates all together. (Tr., pp. 93-104).

Mr. Moran then explained that both of the District's treatment plants will be improved during this project and made more efficient. The last contract is for a new office building. The new office will be more appropriately sited and will solve the many short-comings of the current office which is housed in a mobile home. The new building and parking area will cost $315,000. Mr. Moran then gave the design cost estimates for each contract. The total estimated construction cost and contingency is $10,768,400, which Mr. Moran believes is necessary for the operation of the District. (Tr., pp. 104-111).

On cross-examination by the Staff Attorney, Mr. Moran identified the areas receiving new service from this project. (Tr., pp. 111-114).

On redirect, Mr. Moran confirmed that none of the new customers mentioned are coming from the Guyan Estates or J. H. Richmond systems. Those customers are already in the District's customer count. (Tr., pp. 114-115). This concluded the District's case-in-chief.

Commission Staff called Utilities Analyst Jack Miller as its first witness. Mr. Miller was responsible for Staff's review of the interim rates requested by the District. Mr. Miller identified and sponsored the Staff report as an exhibit in this matter, and then explained the process of review. Staff's independently proposed interim rates are very close to what the District's accountants initially requested. The District is currently operating at an annual deficit of $158,643, and is probably overdue for an increase. Mr. Miller also did a two-month billing analysis which showed that, generally, the District is billing correctly. The District currently needs an increase to cover present operations. Staff designed an increased rate structure accordingly. Staff's increased revenue requirement includes reserve funding and $90,000 of

cash flow surplus for plant additions as recommended by the Staff engineer. Operating revenues will increase by 17.96 and result in a positive cash flow position without consideration of the pending project. Mr. Miller believes that the Staff-recommended increase is sufficient, but not excessive. Under the Staff-recommended rates, the minimum bill for 300 cubic feet of usage would be $14.88. (Tr., pp. 116-129).

Under examination by the Administrative Law Judge, Mr. Miller explained that sewer rates are primarily driven by debt and are independent of and not related to water rates. (Tr., pp. 129-130).

Staff called Technical Analyst Joe Marakovits as its next witness. Mr. Marakovits is a long-term and well-experienced employee of the Public Service Commission's Engineering Division. As Mr. Marakovits began his testimony, the District interjected that it was in absolute agreement with Staff's recommended interim rates. Mr. Marakovits explained that his recommendation of $88,000 for cash flow surplus was based on the five-year average of plant additions, necessary vehicle replacements and expected emergency repairs to the recently acquired Richmond system. Pursuant to his review of the plans and specifications of this project, Mr. Marakovits believes that it is both convenient and necessary. He also believes that the District's pro forma adjustments to operation and maintenance expenses, as a result of the project improvements, were understated in one area. Staff increased the accounting adjustment for pumping power, but decreased the adjustment for pump maintenance, since several of the pump stations were being rehabilitated as part of the project. He also reduced the expense for certain treatment chemicals, because the Guyan Estates lagoon was being eliminated. In his review of the plans and specifications for this project, Mr. Marakovits found no apparent violations of Public Service Commission rules and regulations. He also endorses replacement of the District's current office structure and believes the pending design for the new office is appropriate for a utility of this size. Staff also recommended an increase for the District's post-construction tap fee. (Tr., pp. 130-140).

Under cross-examination by the District's attorney, Mr. Marakovits confirmed that Staff recommended approval of an inter-utility agreement between the District and the City of Huntington concerning the treatment of certain sewage flow. He also confirmed that, although a higher tap fee has been recommended, no tap fee will be charged to new customers connected during construction. (Tr., pp. 140-142).

Staff called Utilities Analyst Karen Buckley as its final witness. Ms. Buckley conducted the Staff financial review of the certificate case. She detailed several corrections to the Staff report and stated that the Staff-recommended on-going rates should be approved to be effective for service upon completion of the project. The project funding is now complete with the current expected loan of $12,429,500 from the DEP. Staff was willing to review its recommended rates in view of the qualification requirement for the zero interest loan rate from DEP. (Tr., pp. 143-150).

On cross-examination by Mr. Flora, Ms. Buckley confirmed that her rate calculations for the completed project were based on the assumption that the District would qualify for the zero percent loan. Higher rates

would be required if the District does not qualify for that loan. (Tr., pp. 150-151).

At the conclusion of Staff's case all exhibits were admitted to record. Additionally, closing statements of protest were called for, of which there were none.

On January 10, 2003, Commission Staff filed a Further Final Joint Staff Memorandum in this matter. Staff revised its recommended rates and charges to include an inflow and infiltration reserve and to comply with the Commission's new Tariff Rules. Staff's revised rates would generate annual operating revenues of approximately $2,334,598 and provide a surplus of $69,280, with a debt coverage of 122.76%. These revised rates reflect an increase of .008% over Staff's original recommended rates and should become effective upon completion of this project.

On March 12, 2003, the District filed an original executed copy of the inter-utility agreement between the District and the City of Huntington Sanitary Board concerning the treatment of certain sewage flows, previously recommended for general approval by Commission Staff.

On March 13, 2003, Commission Staff filed its Second Further Final Joint Staff Memorandum in this matter. Staff's filing contained a corrected page 1 of its Revised Staff Recommended Tariff to be substituted for the original page previously filed on January 10, 2003. The corrected tariff clarifies that the minimum monthly bill of $19.35 is equivalent to usage of 300 cubic feet per month.

DISCUSSION

This case consists of two components. The District is experiencing a current cash flow deficit and, as a result, needs immediate rate relief to fund normal operations. Secondly, the District has proposed an extensive construction project in order to bring modern sanitary sewer service to over four hundred unserved households and to modernize and upgrade several parts of its existing system.

As demonstrated in the Staff Report filed in this matter on December 5, 2002, the District is currently operating at an annual cash flow deficit of $158,643. In order to stem this loss, Commission Staff recommended an immediate revenue increase of 17.9%, which will produce additional operating revenues of $256,790, and a cash flow surplus of $90,443. That surplus will fund the annual plant additions and immediate maintenance needs of the District as recommended by the Staff Technical Analyst. This amount of revenue is also sufficient to fund operations, both long-term and short-term debt and the required depreciation reserve, on an interim basis, until the District's project is completed. Staff designed and recommended a new schedule of rates and charges which will recover these increased operating revenues and also recommended its approval. Staff also recommended that the District review its current delinquent accounts, as well as those uncollectible accounts previously written off, for possible collection under current state law. Staff's findings are fully supported by the financial information and adjustments contained in its report. Although the Protestants are clearly opposed to

higher rates, they have produced no reliable evidence of specific unaccounted-for revenue or inefficient operations which would overcome the current cash flow deficit. The District is also in agreement with the interim rate increase recommended by Commission Staff. Consequently, it will be approved to become effective for all service rendered on and after the date this Recommended Decision becomes a final order of the Commission.

The second component of this case is the certificate application for the District's proposed project. The project involves extensions of service to several unserved areas of Cabell County and will add over 400 new customers. Additionally, the project will rehabilitate the majority of the District's pump stations, upgrade several areas of inadequate force mains, make improvements to both treatment plants and provide for the elimination of the out-dated and offensive sewer lagoon serving Guyan Estates. Lastly, this project calls for the construction of a modern, safe office building for the District. The District's office is currently housed in a dilapidated mobile home which can no longer be said to be functional or safe. Several of the Protestants admit that this facility needs to be replaced. The entire project is ambitious and will cost an estimated $12,529,500. However, the District has obtained an extremely advantageous funding package consisting primarily of a loan from the State Revolving Fund in the amount of $12,429,500, at zero percent interest for a term of 40 years. The loan carries a one-half percent administrative fee. Additional funding will consist of a loan from the WDA in the amount of $100,000, with an interest rate of 5.8% for a term of twenty (20) years.

There is no question that this project is necessary. It will add over 400 currently unserved customers and thus eliminate much untreated, or inadequately treated, sewage discharge from the waterways of the area. The elimination of the Guyan Estates lagoon is also long overdue. Additionally, the upgrades to District pump stations, force mains and treatment plants will provide for more efficient and reliable service.

Although the project appears at first to be expensive, it is also convenient. The advantageous funding package, coupled with the District's large customer base, results in long-term rates which are not out of line with similar sewer utilities nor overly burdensome to the District's customers. The majority of the protests to this project arose from the Guyan Estates community. For years that area was served by a private sewer operator who merely collected sewage flows and transported those flows to a large sewer lagoon. Because the operator made few, if any, improvements and treatment was rudimentary, rates remained artificially low at around $9.00 per month. Now that the District has taken over and the collection system must be modernized and incorporated into a modern treatment system, the rates have increased dramatically. This is simply a function of realistic treatment expense compared to the old out-dated lagoon system. It is unfortunate that the residents of Guyan Estates must experience these escalating rates in a relatively short period of time, but modern and effective pollution control requires this result. However, property values and the condition of the air and water in this community will improve accordingly. The Protestants' use of area sewer rates as a percentage of water rates, for purposes of comparison, is completely without support in utility regulatory practice or logic.

Sewer rates are determined by the actual cost of treatment and are independent from, and unrelated to, the cost of water treatment.

For these reasons, the District's application for a certificate of convenience and necessity as filed herein, will be granted and the construction project detailed in that application approved.

FINDINGS OF FACT

1. On August 16, 2002, Pea Ridge Public Service District, a public sewer utility, filed a duly verified application for a certificate of convenience and necessity to construct and operate certain additions and improvements to the District's wastewater treatment system in Cabell County, West Virginia. The District estimated that construction will cost approximately $12,323,400, and would be financed by the issuance of Revenue Bonds through the West Virginia State Revolving Fund in an amount not to exceed $12,223,400 and a loan from the Water Development Authority in an amount not to exceed $100,000. The District also requested increased rates and charges in order to fund and maintain this project. (See, Application filed August 16, 2002).

2. This matter was properly filed for prefiling notice on July 5, 2002. On July 19, 2002, the District filed a duly executed affidavit of publication demonstrating publication of a formal Notice of Prefiling (Tariff Form No. 13) on July 9 and 16, 2002, in The Herald-Dispatch, a newspaper duly certified by the Secretary of State, published and of general circulation in Cabell County, West Virginia. Said notice was also posted at the Cabell County Courthouse on July 9, 2002. (See, Affidavit of Publication filed July 19, 2002).

3. By a formal Notice of Filing entered August 16, 2002, the Public Service Commission required the District to provide public legal notice of this application by publishing a copy of said Notice once in a newspaper duly qualified by the Secretary of State, published and of general circulation in Cabell County, West Virginia, and to make due return to the Commission of proper proof of publication. The Notice of Filing contained the increased rates and charges requested by the District and made provision for the filing of written statements of protest, objection or intervention within thirty (30) days of publication. (See, Notice of Filing entered August 16, 2002).

4. On August 30, 2002, the District filed a duly executed affidavit of publication demonstrating publication of the Notice of Filing on August 23, 2002, in The Herald-Dispatch, all in accordance with the Commission's Order entered August 16, 2002. (See, Affidavit of Publication filed August 30, 2002).

5. On September 12, 2002, the District filed the duly executed affidavit of Dina B. Foster, General Manager of the Pea Ridge Public Service District, demonstrating compliance with Rule 10.3.d of the Commission's Rules of Practice and Procedure. Attached to this filing was a copy of the direct notice to customers of the requested rate increase as printed on the District's August billing. (See, Affidavit of Publication filed September 12, 2002).

6. The District has filed amendments to this application showing revised project costs of $12,529,500. (See, Amendments filed October 31, 2002, and December 2, 2002).

7. The Pea Ridge Public Service District is currently operating with a cash flow deficit of $158,643 for the test year ending June 30, 2002. Staff has recommended an interim increase in revenue of 17.9%, which will produce additional operating revenues of $256,790, with a cash flow surplus of $90,443. Staff has stated that this interim increase is sufficient and not excessive and will fund on-going operations, debt service, depreciation reserve and recommended plant additions and maintenance items. (See, Final Joint Staff Memorandum filed December 5, 2002; Tr., pp. 116-129, 130-140).

8. Commission Technical Staff has recommended an interim cash flow surplus of at least $88,000 for Pea Ridge Public Service District based on average plant additions, necessary vehicle replacement and imminent maintenance needs. (See, Final Joint Staff Memorandum filed December 5, 2002; Tr., pp. 130-140).

9. Commission Staff has designed and recommended an amended Staff Recommended Interim Tariff, which will produce the increased operational revenues needed by the District, to be effective upon the entry of a final order in this case. (See, Final Joint Staff Memorandum filed December 5, 2002; Tr., pp. 116-129).

10. The project which is the subject of this application will provide modern, safe sanitary sewage service to approximately 438 new customers in various locations in Cabell County, rehabilitate and improve sewage collection, transportation and treatment facilities for all District customers, eliminate discharges of raw or inadequately treated sewage from area waterways and eliminate the out-dated, inefficient and dangerous sewer facilities at Guyan Estates and the Richmond systems. (See, Final Joint Staff Memorandum filed December 13, 2002; Tr., pp. 59-61, 93-104, 104-111, 130-140).

11. Pursuant to its review, the West Virginia Department of Environmental Protection has approved the glans and specifications for this project. (See, District Ex. No. 2; Tr., pp. 63-66, 66-67).

12. Commission Staff has reviewed the plans and specifications for this project and found no conflicts with the Commission's rules or regulations concerning engineering requirements. (See, Final Joint Staff Memorandum filed December 13, 2002; Tr., pp. 130-140).

13. This project is estimated to cost $12,529,500, and will be financed by a West Virginia Water Development Authority loan in the amount of $100,000, at an interest rate of 5.8%, for a term of twenty (20) years; and a West Virginia State Revolving Fund loan in the amount of $12,429,500, at a zero percent interest rate and a one-half percent administrative fee, for a term of forty (40) years. (See, Application filed August 16, 2002; Final Joint Staff Memorandum filed December 13, 2002; Tr., pp. 50-54, 143-150).

14. All funding sources for this project have been committed or reserved and are expected to be available for this project. (See, Final Joint Staff Memorandum filed December 13, 2002; Tr., pp. 55-58, 63-66, 143-150; letters filed October 8 and December 19, 2002).

15. Pursuant to its review of this project, Commission Staff has recommended approval of the application filed in this matter and that a certificate of convenience and necessity be issued for said project. (See, Final Joint Staff Memorandum filed December 13, 2002; Tr., pp. 130-140, 143-150).

16. Staff has also recommended the general approval of an inter-utility agreement between the District and the City of Huntington Sanitary Board concerning the treatment of certain sewage flows, without approving the specific terms and conditions in the agreement. Staff has also recommended an increased tap fee for the District. (See, Final Joint Staff Memorandum filed December 13, 2002; Tr., pp. 140-142; Agreement filed March 12, 2003).

17. Commission Staff has recommended approval of increased rates in order to support this project. Staff's revised increased rates will generate annual operating revenues of approximately $2,334,598, with a cash flow surplus of $69,280, and a debt coverage of 122.76°s, which is sufficient to support on-going operations, but is not excessive. (See, Further Final Joint Staff Memorandum filed January 10, 2003).

18. Staff has designed and recommended a Revised Staff Recommended Tariff, to become effective for all service rendered on and after the date the project engineer certifies this project as substantially complete. (See, Further Final Joint Staff Memorandum filed January 10, 2003).

19. Pursuant to public legal notice numerous statements of protest were filed in this matter; however, the Protestants did not produce any reliable evidence that the District does not require interim rate relief, or that this proposed project is not convenient and necessary. (See, letters and petitions filed August 19, 20, 22, 26 and 30, 2002, September 3, 6, 18, 19 and 24, 2002, December 19, 2002 and February 3, 2003; Tr., pp. 9-13, 14-26, 26-27, 28-33, 34-39, 39-49).

CONCLUSIONS OF LAW

1. The Pea Ridge Public Service District is currently operating with a cash flow deficit and is in need of interim rate relief as recommended by Commission Staff.

2. The proposed construction project detailed in this application is necessary because it will provide modern, safe sanitary sewer service to 438 new customers in Cabell County, West Virginia; rehabilitate and improve sewage collection, transportation and treatment facilities for all District customers; eliminate discharges of raw or inadequately treated sewage from area waterways; and eliminate the outdated, inefficient and dangerous sewer facilities at Guyan Estates and the Richmond systems.

3. The proposed construction project detailed in this application is convenient because a reasonable and advantageous funding package has been arranged and the resulting increased rates are not unduly burdensome to the District's customers.

ORDER

IT IS, THEREFORE, ORDERED that the Pea Ridge Public Service District shall be authorized to charge and collect the increased rates and charges, attached hereto as Appendix A, for all service rendered on and after the date this Recommended Decision becomes a final order of the Commission.

IT IS **FURTHER** ORDERED that the application filed by Pea Ridge Public Service District on August 16, 2002, shall be approved, and that a certificate of convenience and necessity shall be issued for the construction and operation of the extension and improvement project detailed in said application.

IT IS FURTHER ORDERED that the Pea Ridge Public Service District shall be authorized to accept, execute and close on the funding package proposed for the project herein approved, including a loan from the West Virginia Water Development Authority in the amount of $100,000, at an interest rate of 5.8%, for a term of not less than twenty (20) years, and a loan from the West Virginia State Revolving Fund in the amount of $12,429,500, at an interest rate of zero percent and an administrative fee of one-half percent, for a term of forty (40) years.

IT IS FURTHER ORDERED that the Pea Ridge Public Service District is authorized to execute and enter into an inter-utility agreement, attached hereto as Appendix C, with the City of Huntington Sanitary Board for the treatment of certain sewage flows as contemplated in the project approved herein. This authorization is made without approving the specific terms and conditions in the agreement and with the proviso that any unresolved issues concerning the agreement may be the subject of regular proceedings before the Public Service Commission.

IT IS FURTHER ORDERED that the Pea Ridge Public Service District is authorized to charge and collect increased rates and charges in support of the project approved herein, as set out in the Revised Staff Recommended Tariff, attached hereto as Appendix B, for all service rendered on and after the date the District's project engineer certifies the project as substantially complete. The approved rates and charges include an increased post-construction tap fee and a revised leak adjustment.

IT IS FURTHER ORDERED that approval of this project is contingent on the receipt by the District of a modified NPDES permit from the West Virginia Department of Environmental Protection, which shall be filed with the Commission as soon as it is issued.

IT IS FURTHER ORDERED that final bid summaries shall be provided to Commission Staff, and, further, should the bids exceed the estimated construction cost approved herein, or if the plans, scope or terms of financing change, the District shall request a reopening of this case for

subsequent review and approval by the Commission, prior to commencing construction.

IT IS FURTHER ORDERED that the Pea Ridge Public Service District shall file for a formal rate review within eighteen (18) months of the completion of this project.

IT IS FURTHER ORDERED that Pea Ridge Public Service District shall file an original and five (5) copies of its actual tariffs, as approved in this Recommended Decision, within thirty (30) days of their initial use by the District, and, further, that this matter shall be removed from the Commission's docket of open cases.

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

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

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

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

Thomas N. Trent
Administrative Law Judge

TNT:dfs
021213aa.sca.wpd

APPENDIX A

PEA RIDGE PUBLIC SERVICE DISTRICT - SEWER
CASE NO. 02-1213-PSD-CN

STAFF-RECOMMENDED INTERIM TARIFF

APPLICABILITY
Applicable throughout territory served.

AVAILABILITY
Available for sanitary sewer service.

RATE (Based upon the metered amount of water used).
First 300 cubic feet per month $4.96 per 100 cubic feet
Next 3,700 cubic feet per month $4.42 per 100 cubic feet
All Over 4,000 cubic feet per month $4.03 per 100 cubic feet

MINIMUM CHARGE
$14.88 per month

DELAYED PAYMENT PENALTY
The above schedule is net. On all accounts not paid in full when due, ten percent (10%) will be added to the net 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 ----------$250.00

WATER DISCONNECT-RECONNECT FEES/ADMINISTRATIVE FEE
Whenever water service has been disconnected 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, an administrative fee of $20.00 shall be charged.

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

INCREMENTAL LEAK ADJUSTMENT
$0.54 per CCF. To be used when the bill reflects unusual consumption which can be attributed to eligible leakage on customer's side of the meter. This rate shall be applied to all such unusual consumption above the customer's historical average usage.

RETURN CHECK CHARGE
A service charge equal to the actual bank fee assessed to the sewer utility up to a maximum of $15.00 will be imposed upon any customer whose check for payment of charges is returned by the bank due to insufficient funds.

Public Service Commission
of West Virginia
Charleston

PEA RIDGE PUBLIC SERVICE DISTRICT
CASE NO. 02-1213-PSD-CN

REVISED STAFF RECOMMENDED TARIFF
(TO BE EFFECTIVE UPON COMPLETION OF PROJECT)

SCHEDULE I

APPLICABILITY

Applicable throughout territory served.

AVAILABILITY

Available for general domestic, commercial and industrial service.

RATE (Customers with metered water supply).

First	300 cubic feet per month	$6.45 per 100 cubic feet
Next	3,700 cubic feet per month	$5.75 per 100 cubic feet
All Over	4,000 cubic feet per month	$5.24 per 100 cubic feet

MINIMUM CHARGE

No bill will be rendered for less than $19.35 per month, which is the equivalent of 300 cubic feet per month.

UNMETERED CHARGE

$36.72 per month for 602 cubic feet.

DELAYED PAYMENT PENALTY

The above schedule is net. On all accounts not paid in full when due, ten percent (10%) will be added to the net 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

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

A tap fee of $0.00 will be charged to customers applying for service before construction is completed adjacent to the customer's premises in connection with a certificate proceeding before the Commission. This pre-construction tap fee will be invalid after the completion of construction adjacent to the applicant's premises that is associated with a certificate proceeding.

A tap fee of $300.00 will be charged to customers applying for service outside of a certificate proceeding before the Commission for each new tap to the system.

DISCONNECT/RECONNECT/ADMINISTRATIVE FEES

Whenever water service has been disconnected for non-payment of sewer bills in conjunction with a water service termination agreement with WVAWC, a disconnection fee of $20.00 shall be charged; or, in the

Public Service Commission
of West Virginia
Charleston

event the delinquent sewer bill is collected by the water company, an administrative fee of $20.00 shall be charged.

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

INCREMENTAL LEAK ADJUSTMENT

$0.57 per CCF. To be used when the bill reflects unusual consumption which can be attributed to eligible leakage on customer's side of the meter. This rate shall be applied to all such unusual consumption above the customer's historical average usage.

RETURN CHECK CHARGE

A service charge equal to the actual bank fee assessed to the sewer utility up to a maximum of $15.00 will be imposed upon any customer whose check for payment of charges is returned by the bank due to insufficient funds.

SCHEDULE II

SURCHARGE FORMULA TO BE APPLIED IN CASES WHERE
SURFACE DRAINAGE IS CONNECTED TO THE DISTRICT'S SANITARY SYSTEM

APPLICABILITY

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

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

S - the surcharge in dollars
A - the area under roof and/or the area of any other water collection surface connected to the sanitary sewer, in square feet
R - the measured monthly rainfall, in inch.
.0006233 - a conversion factor to change inches of rain x square feet of surface to thousand of gallons of water
.0008333 - a conversion factor to change inches of rain x square feet of surface water to $ per 100 cubic feet
C - the District's approved rate per thousand gallons of metered water usage

The District shall not impose the surcharge unless and until the customer has been notified by certified mail, return receipt requested, or by hand delivery, that it has been established by smoke testing, dye testing, or on-site inspection that rain or surface water is being introduced into the sanitary sewer system at the customer's location, and that the customer has not acted within thirty (30) days from receipt of such notice to divert the water from the sanitary sewer system.

Said surcharge shall be calculated and imposed for each month that said condition continues to exist. Failure to pay the surcharge and/or correct the situation shall give rise to the possible termination of water service in accordance with the Rules and Regulations of the Public Service Commission of West Virginia.

SCHEDULE III

SURCHARGE FORMULA TO BE APPLIED TO A CUSTOMER PRODUCING UNUSUAL WASTE

The charge for the treatment of unusual waste will be calculated on the basis of the following formula:

$$Ci=VoVi+BoBi+SoSi$$

Ci = Charge to unusual users per year
Vo = Average unit cost of transport and treatment chargeable to volume, in dollars per gallons
Vi = Volume of waste water from unusual users, in cubic feet per year
Bo = Average unit cost of treatment, chargeable to Biochemical Oxygen Demand (BOD) in dollars per year
Bi = Weight of BOD from unusual users, in pounds per year
So = Average unit costs of treatment (including sludge treatment chargeable to total solids, in dollars per pound)
Weight in total solids from unusual users, in pounds per year

When an unusual user is to be served, a preliminary study of wastes, and the cost of transport and treatment thereof, will be made. Waste containing material which, in judgement of the Pea Ridge Public Service District, should not be introduced into the sewer system need not be handled by it. The results of this preliminary study will be used to determine the feasibility of the proposed sewer service and the charge thereof, based upon the formula set out above.

Thereafter, unusual sewage will be monitored on a regular basis and at the conclusion of each fiscal *year,* based on the investigation aforesaid and audit of the Pea Ridge Public Service District records, new costs figures will be calculated for use in the above formula. The cost of establishing the monitoring facilities shall be paid by the unusual

user. Based on these audited figures, additional billings covering the past fiscal year will be made for payment by each unusual user, or refund by the Pea Ridge Public Service District, as the case may be. Such audited figures will then be used for the preliminary billing for the next fiscal year, at the end of which an adjustment will be made as aforesaid.

SCHEDULE IV

APPLICABLE INSIDE AND OUTSIDE OF THE
CORPORATE LIMITS OF PEA RIDGE PUBLIC SERVICE DISTRICT

Where the amount of sanitary sewage discharged into the Pea Ridge wastewater collection and/or transmission and/or treatment system by certain industrial plants or plants cannot be accurately determined by the use of the plant's water meter or meters, and said plant cannot install a flow meter to measure such waste, a special formula will be used whereby such plant or plants will pay to the Pea Ridge Public Service District a sewer charge calculated at fifty (50) gallons (7.481 converts to cubic feet) of water per each employee at the plant of each working day.

SCHEDULE V

APPLICABLE

Applicable within the entire territory served.

AVAILABILITY OF SERVICE

Available for wastewater and leachate haulers.

RATES

Commodity Charge - Each hauler shall pay a commodity charge of $10.00 per 1,000 gallons per load. Load shall be two times the actual capacity of the truck or other transport method of delivering wastewater and leachate. Load will be determined or agreed to by the District.

DELAYED PAYMENT PENALTY

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

RETURN CHECK CHARGE

A service charge equal to the actual bank fee assessed to the sewer utility up to a maximum of $15.00 will be imposed upon any customer whose check for payment of charges is returned by the bank due to insufficient funds.

P.S.C. W. Va. No. 14
Canceling P.S.C. W. Va. No. 13

PEA RIDGE PUBLIC SERVICE DISTRICT, a public utility

OF

BARBOURSVILLE, WEST VIRGINIA

RATES, RULES AND REGULATIONS FOR FURNISHING

SEWERAGE AND SEWAGE DISPOSAL SERVICE

in the District area embraced by the Pea Ridge Public Service District, in the Altizer Subdivision, in Cabell County, between Huntington and Barboursville, and in territories formerly served by J. H. Richmond Sewer System, Inc. and Mason Utilities, Inc., West Virginia

Filed with **THE PUBLIC SERVICE COMMISSION**
of
WEST VIRGINIA

Issued March 26, 2003

Effective for service rendered on and after February 25, 2005
or as otherwise provided herein

Issued by authority of an order of
The Public Service Commission of West Virginia
in Case No. 02-1213-PSD-CN final
March 23, 2003 or as otherwise provided herein

Issued by PEA RIDGE PUBLIC SERVICE DISTRICT, a public utility

By____see signature on inside cover____

Title

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Public Service Commission
of W. VA. Tariff Office
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Special Studies Section

P.S.C. W. Va. No. 14
Canceling P.S.C. W. Va. No. 13

PEA RIDGE PUBLIC SERVICE DISTRICT, a public utility

OF

BARBOURSVILLE, WEST VIRGINIA

RATES, RULES AND REGULATIONS FOR FURNISHING

SEWERAGE AND SEWAGE DISPOSAL SERVICE

in the District area embraced by the Pea Ridge Public Service District, in the Altizer Subdivision, in Cabell County, between Huntington and Barboursville, and in territories formerly served by J. H. Richmond Sewer System, Inc. and Mason Utilities, Inc., West Virginia

Filed with **THE PUBLIC SERVICE COMMISSION**
of
WEST VIRGINIA

Issued March 26, 2003

Effective for service rendered on and after completion of the project approved in Case No. 02-1213-PSD-CN

Issued by authority of an order of
The Public Service Commission of West Virginia
in Case No. 02-1213-PSD-CN final
March 23, 2003 or as otherwise provided herein

Issued by PEA RIDGE PUBLIC SERVICE DISTRICT, a public utility

By _____

Chairman
Title

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PEA RIDGE PUBLIC SERVICE DISTRICT (Sewer)

P.S.C. W.Va. Tariff No. 14
Original Sheet No. 1

RULES AND REGULATIONS

I. Rules and Regulations for the Government of Sewerage Utilities, adopted by the Public Service Commission of West Virginia, and now in effect, and all amendments thereto and modifications thereof hereafter made by said Commission.

PEA RIDGE PUBLIC SERVICE DISTRICT (Sewer)

P.S.C. W. Va. No. 14
Original Sheet No. 2

SCHEDULE I

APPLICABILITY

Applicable throughout territory served

(C) AVAILABILITY

Available for general domestic, commercial and industrial service

(C,I) RATE (Customers with metered water supply)

First	300 cubic feet per month	$6.45 per 100 cubic feet
Next	3,700 cubic feet per month	$5.75 per 100 cubic feet
All Over	4,000 cubic feet per month	$5.24 per 100 cubic feet

(C,I) MINIMUM CHARGE

No bill will be rendered for less than $19.35 per month, which is the equivalent of 300 cubic feet per month.

DELAYED PAYMENT PENALTY

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

(C,I) TAP FEE

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

A tap fee of $0.00 will be charged to customers applying for service before construction is completed adjacent to the customer's premises in connection with a certificate proceeding before the Commission. This pre- construction tap fee will be invalid after the completion of construction adjacent to the applicant's premises that is associated with a certificate proceeding.

A tap fee of $300.00 will be charged to customers applying for service outside of a certificate proceeding before the Commission for each new tap to the system.

(C) Indicates change in text
(I) Indicates increase

PEA RIDGE PUBLIC SERVICE DISTRICT (Sewer)

P.S.C. W. Va. No. 14
Original Sheet No. 3

SCHEDULE I (Continued)

(C) DISCONNECT/RECONNECT/ADMINISTRATIVE FEES

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

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

(I) INCREMENTAL LEAK ADJUSTMENT

$0.57 per CCF. To be used when the bill reflects unusual consumption which can be attributed to eligible leakage on the customer's side of the meter. This rate shall be applied to all such unusual consumption above the customer's historical average usage.

(C) RETURNED CHECK CHARGE

A service charge equal to the actual bank fee assessed to the sewer utility up to a maximum of $15.00 will be imposed upon any customer whose check for payment of charges is returned by the bank due to insufficient funds.

(I) Indicates increase
(C) Indicates change in text

PEA RIDGE PUBLIC SERVICE DISTRICT (Sewer)

P.S.C. W. Va. No. 14
Original Sheet No. 4

(N)

SCHEDULE II

SURCHARGE FORMULA TO BE APPLIED IN CASES WHERE SURFACE DRAINAGE IS CONNECTED TO THE DISTRICT'S SANITARY SYSTEM

APPLICABILITY

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

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

S - the surcharge in dollars
A - the area under roof and/or the area of any other water collection surface connected to the sanitary sewer, in square feet
R - the measured monthly rainfall, in inch
.0006233 - a conversion factor to change inches of rain x square feet of surface to thousand of gallons of water
.0008333 - a conversion factor to change inches of rain x square feet of surface water to $\$\_\_$ per 100 cubic feet
C - the District's approved rate per thousand gallons of metered water usage

The District shall not impose the surcharge unless and until the customer has been notified by certified mail, return receipt requested, or by hand delivery, that it has been established by smoke testing, dye testing, or on- site inspection that rain or surface water is being introduced into the sanitary sewer system at the customer's location, and that the customer has not acted within thirty (30) days from receipt of such notice to divert the water from the sanitary sewer system.

Said surcharge shall be calculated and imposed for each month that said condition continues to exist. Failure to pay the surcharge and/or correct the situation shall give rise to the possible termination of water service in accordance with the Rules and Regulations of the Public Service Commission of West Virginia.

(N) Indicates new

PEA RIDGE PUBLIC SERVICE DISTRICT (Sewer)

P.S.C. W. Va. No. 14
Original Sheet No. 5

SCHEDULE III

(N) SURCHARGE FORMULA TO BE APPLIED TO A CUSTOMER PRODUCING UNUSUAL WASTE

The charge for the treatment of unusual waste will be calculated on the basis of the following formula:

$$Ci=VoVi+BoBi+SoSi$$

- Ci = Charge to unusual users per year
- Vo = Average unit cost of transport and treatment chargeable to volume, in dollars per gallons
- Vi = Volume of waste water from unusual users, in cubic feet per year
- Bo = Average unit cost of treatment, chargeable to Biochemical Oxygen Demand (BOD) in dollars per year
- Bi = Weight of BOD from unusual users, in pounds per year
- So = Average unit costs of treatment (including sludge treatment chargeable to total solids, in dollars per pound)
- Si = Weight in total solids from unusual users, in pounds per year

When an unusual user is to be served, a preliminary study of wastes, and the cost of transport and treatment thereof, will be made. Waste containing material which, in judgment of the Pea Ridge Public Service District, should not be introduced into the sewer system need not be handled by it. The results of this preliminary study will be used to determine the feasibility of the proposed sewer service and the charge thereof, based upon the formula set out above.

Thereafter, unusual sewage will be monitored on a regular basis and at the conclusion of each fiscal year, based on the investigation aforesaid and audit of the Pea Ridge Public Service District records, new costs figures will be calculated for use in the above formula. The cost of establishing the monitoring facilities shall be paid by the unusual covering the past fiscal year will be made for payment by each unusual user, or refund by the Pea Ridge Public Service District, as the case may be. Such audited figures will then be used for the preliminary billing for the next fiscal year, at the end of which an adjustment will be made as aforesaid.

(N) Indicates new

PEA RIDGE PUBLIC SERVICE DISTRICT (Sewer)

P.S.C. W. Va. No. 14
Original Sheet No. 6

(N) SCHEDULE IV

APPLICABLE INSIDE AND OUTSIDE OF THE
CORPORATE LIMITS OF PEA RIDGE PUBLIC SERVICE DISTRICT

Where the amount of sanitary sewage discharged into the Pea Ridge wastewater collection and/or transmission and/or treatment system by certain industrial plants or plants cannot be accurately determined by the use of the plant's water meter or meters, and said plant cannot install a flow meter to measure such waste, a special formula will be used whereby such plant or plants will pay to the Pea Ridge Public Service District a sewer charge calculated at fifty (50) gallons (7.481 converts to cubic feet) of water per each employee at the plant of each working day.

(N) SCHEDULE V

APPLICABLE

Applicable within the entire territory served

AVAILABILITY OF SERVICE

Available for wastewater and leachate haulers

RATES

Commodity Charge - Each hauler shall pay a commodity charge of $10.00 per 1,000 gallons per load. Load shall be two times the actual capacity of the truck or other transport method of delivering wastewater and leachate. Load will be determined or agreed to by the District.

DELAYED PAYMENT PENALTY

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

RETURN CHECK CHARGE

A service charge equal to the actual bank fee assessed to the sewer utility up to a maximum of $15.00 will be imposed upon any customer whose check for payment of charges is returned by the bank due to insufficient funds.

(N) Indicates new

PUBLIC SERVICE COMMISSION
OF WEST **VIRGINIA**
CHARLESTON

At a session of the PUBLIC SERVICE COMMISSION OF WEST VIRGINIA in the City of Charleston on the 6th day of August, 2003.

CASE NO. 02-1213-PSD-CN (REOPENED)

PEA RIDGE PUBLIC SERVICE DISTRICT,
Application for a certificate of convenience and necessity for the addition and replacement of new lines, to construct lift stations, to upgrade existing lift station, to install manholes, to abandon an aerated lagoon and Richmond Sewer Treatment Plant, to upgrade two existing wastewater treatment plants and to construct an office building and for approval of an Interutility Agreement with the City of Huntington.

COMMISSION ORDER

On August 16, 2002, Pea Ridge Public Service District ("District") filed an application for a certificate of convenience and necessity to construct and operate certain additions and improvements to the District's wastewater treatment system in Cabell County, West Virginia. The District also requested increased rates and charges to fund and maintain the project.

A Recommended Decision was issued on March 14, 2003 (Final March 23, 2003), which approved increased rates and charges, as well as the District's application for a certificate of convenience and necessity. It was further ordered that the District was authorized to accept, execute and close on the funding package proposed for the project approved, including a loan from the West Virginia Water Development Authority in the amount of $100,000, at an interest rate of 5.8%, for a term of not less than twenty (20) years, and a loan from the West Virginia State Revolving Fund in the amount of $12,429,500, at an interest rate of zero percent and an administrative fee of one-half percent, for a term of forty (40) years.

On July 15, 2003, the District filed a Petition to Reopen this proceeding and requested approval of additional funding needed as the result of a bid overrun. According to the District, the project costs are now estimated at $12,719,500.00, which represents a $250,000 shortfall in anticipated funding. The District attached to its petition a binding Commitment Letter from the West Virginia Infrastructure and Jobs Development Council offering an Infrastructure Fund grant in the amount of $250,000 to the District. As the grant is rate neutral, there would be no rate increase passed to the customers of the District.

On July 22, 2003, Commission Staff ("Staff') filed an Initial and Final Joint Staff Memorandum, noting that the District requested expedited treatment so as to meet an anticipated bond closing date for mid-August, 2003. Staff noted the newly estimated project cost of $12,719,500 and bid overrun of $250,000. Staff recommended the case be reopened and the additional funding in the amount of a $250,000 grant from the West Virginia Infrastructure and Jobs Development Council be approved.

On July 31, 2003, the District filed correspondence with the Commission, noting that it had stated in the reopening of the case that the total project cost was $12,719,500. However, this amount failed to include $60,000 for Bond Council and Accounting. The District again requested expedited treatment, stating the anticipated loan closing date is to be August 19, 2003.

On August 4, 2003, Staff filed a Further Final Joint Staff Memorandum, explaining that the actual cost of the project is $12,779,500. Therefore, Staff recommended approval of the District's request for the additional funding of a $250,000 grant from the West Virginia Infrastructure and Jobs Development Council, with a project cost of $12,779,500.

DISCUSSION

As recommended by Staff, it is reasonable to approve Pea Ridge Public Service District's petition to reopen the case and further approve the additional $250,000 grant from the West Virginia Infrastructure and Jobs Development Council, with a project cost of $12,779,500.

FINDINGS OF FACT

1. On July 15, 2003, the District filed a Petition to Reopen this proceeding and requested approval of additional funding needed as the result of a bid overrun.

2. The District obtained the additional funding, a grant in the amount of $250,000, from the West Virginia Infrastructure and Jobs Development Council.

3. As the additional funding will be received in the form of a grant, there will be no resulting rate increase.

4. On July 22, 2003, Staff filed an Initial and Final Joint Staff Memorandum, noting a newly estimated project cost of $12,719,500 and bid overrun of $250,000. Staff recommended the case be reopened and the additional funding in the amount of a $250,000 grant from the West Virginia Infrastructure and Jobs Development Council be approved.

5. On July 31, 2003, the District filed correspondence with the Commission and noted that the total project cost, quoted as $12,719,500 in the reopening of the case, failed to include $60,000 for Bond Council and Accounting. The District again requested expedited treatment, stating the anticipated loan closing date is to be August 19, 2003.

6. On August 4, 2003, Staff filed a Further Final Joint Staff Memorandum, explaining that the actual cost of the project is $12,779,500. Therefore, Staff recommended approval of the District's request for the additional funding of a $250,000 grant from the West Virginia Infrastructure and Jobs Development Council, with aproject cost of $12,779,500.

CONCLUSION OF LAW

As recommended by Staff, it is reasonable to approve Pea Ridge Public Service District's petition to reopen the case and further approve the additional $250,000 grant from the West Virginia Infrastructure and Jobs Development Council, with a project cost of $12,779,500.

ORDER

IT IS, THEREFORE, ORDERED that the Pea Ridge Public Service District's Petition to Reopen this case is hereby granted.

IT IS FURTHER ORDERED that the Pea Ridge Public Service District's request for approval of additional funding is hereby approved in the amount of a $250,000 grant from the West Virginia Infrastructure and Jobs Development Council, with a project cost of $12,779,500.

IT IS FURTHER ORDERED that if the plans, scope or terms of financing change, the Pea Ridge Public Service District shall request a reopening of this case for subsequent review and approval by the Commission.

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

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

TBSlljm
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A True Copy, Teste:

Sandra Squire

Sandra Squire
Executive Secretary

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PUBLIC SERVICE COMMISSION
OF WEST **VIRGINIA**
CHARLESTON

At a session of the PUBLIC SERVICE COMMISSION OF WEST VIRGINIA in -the-City-o-f-Charleston-on--the-I-I'[IL] -of August,-2-003- ----------

CASE NO. 02-1213-PSD-CN (REOPENED)

PEA RIDGE PUBLIC SERVICE DISTRICT,
Application for a certificate of convenience and necessity for the addition and replacement of new lines, to construct lift stations, to upgrade existing lift station, to install manholes, to abandon an aerated lagoon and Richmond Sewer Treatment Plant, to upgrade two existing wastewater treatment plants and to construct an office building and for approval of an Interutility Agreement with the City of Huntington.

COMMISSION CORRECTIVE ORDER

On August 16, 2002, Pea Ridge Public Service District ("District") filed an application for a certificate of convenience and necessity to construct and operate certain additions and improvements to the District's wastewater treatment system. in Cabell County, West Virginia. The District also requested increased rates and charges to fund and maintain the project.

A Recommended Decision was issued on March 14, 2003 (Final March 23, 2003), which approved increased rates and charges, as well as the District's application for a certificate of convenience and necessity. It was further ordered that the District was authorized to accept, execute and close on the funding package proposed for the project approved, including a loan from the West Virginia Water Development Authority in the amount of $100,000, at an interest rate of 5.8%, for a term of not less than twenty (20) years, and a loan from the West Virginia State Revolving Fund in the amount of $12,429,500, at an interest rate of zero percent and an administrative fee of one-half percent, for a term of forty (40) years.

On July 15, 2003, the District filed a Petition to Reopen this proceeding and requested approval of additional funding which was needed as the result of a bid overrun.

On August 6, 2003, a Commission Order was entered which granted the District's request for approval of additional funding in the amount of a $250,000 grant from the West Virginia Infrastructure and Jobs Development Council, with a project cost of $12,779,500.

On August 8, 2003, the District filed a Motion to Correct Order. According to the District, the term of the West Virginia State Revolving Fund loan[1] should be for a period of thirty (30) years at zero (0%) percent interest. However, the Final Order of August 6, 2003, and the prior Order entered on March 23, 2003, reflect an incorrect term of forty (40) years. The District reiterated that the closing date remains August 19, 2003.

DISCUSSION

It is reasonable to grant Pea Ridge Public Service District's request for a corrective order and revise the term of the West Virginia State Revolving Fund loan from forty (40) years to thirty (30) years.

FINDINGS OF FACT

1. A Recommended Decision was issued on March 14, 2003 (Final March 23, 2003), which approved, among other things, the funding package proposed for the project, including a loan from the West Virginia Water Development Authority in the amount of $100,000, at an interest rate of 5.8%, for a term of not less than twenty (20) years, and a loan from the West Virginia State Revolving Fund in the amount of $12,429,500, at an interest rate of zero percent and an administrative fee of one-half percent, for a term of forty (40) years.

2. On August 6, 2003, a Commission Order was entered which granted the District's request for approval of additional funding in the amount of a $250,000 grant from the West Virginia Infrastructure and Jobs Development Council, with a project cost of $12,779,500.

[1]The District does not state to which of the approved loans it refers. Nevertheless, pursuant to the Recommended Decision, the West Virginia State Revolving Fund was approved for a term of forty (40) years.

3. On August 8, 2003, the District asked that the approved forty (40) year term of the West Virginia State Revolving Fund loan be revised to reflect a term of thirty (30) years.

CONCLUSION OF LAW

It is reasonable to grant Pea Ridge Public Service District's request fora corrective order and revise the term of the West Virginia State Revolving Fund loan from forty (40) years -to-thirty-(-30) years.

ORDER

IT IS, THEREFORE, ORDERED that the Pea Ridge Public Service District's Motion to Correct Order is hereby granted.

IT IS FURTHER ORDERED that the previously approved forty (40) year term of the West Virginia State Revolving Fund loan be revised to reflect a term of thirty (30) years. In all other respects, the Recommended Decision issued on March 14, 2003 (Final March 23, 2003) and Commission Order of August 6, 2003 remain in full force and effect.

IT IS FURTHER ORDERED that if the plans, scope or terms of financing change, the Pea Ridge Public Service District shall request a reopening of this case for subsequent review and approval by the Commission.

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

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

TBS/ljm
021213cb.wpd

A True Copy, Teste:

Sandra Squire
Executive Secretary

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

At a session of the PUBLIC SERVICE COMMISSION OF WEST VIRGINIA, in the City of Charleston on the 18th day of March, 2003.

CASE NO. 02-1213-PSD-CN

PEA RIDGE PUBLIC SERVICE DISTRICT,
a public utility.

Application for a certificate of convenience and necessity for the addition and replacement of new lines, to construct lift stations, to upgrade existing lift station, to install manholes, to abandon an aerated lagoon and Richmond Sewer Treatment Plant, to upgrade two existing wastewater treatment plants and to construct an office building and for approval of an Interutility Agreement with the City of Huntington.

COMMISSION ORDER WAIVING EXCEPTION PERIOD

On August 16, 2002, Pea Ridge Public Service District, a public sewer utility, filed a duly verified application for a certificate of convenience and necessity.

By Recommended Decision entered March 14, 2003, Administrative Law Judge Thomas N. Trent approved the application.

On March 18, 2003, Ronald J. Flora, Counsel for Pea Ridge Public Service District, filed a petition to waive the fifteen day exception period on the Recommended Decision. By telecommunication Staff Attorney Ronald E. Robertson, Jr., indicated that he has no objection to the waiving of the exceptions period.

West Virginia Code §24-1-9 provides a time period of at least twenty (20) days from the date of a recommended order until it become effective. According to West Virginia Code §24-1-9(c), at least fifteen (15) days must be afforded the parties within which to file exceptions. In addition, §24-1-9(e) provides that when no exceptions are filed within the specified time period, the Commission shall have an additional five (5) days within which to stay or postpone the order.

The Commission is therefore of the opinion and belief that the said petition for waiver received by the Commission on March 18, 2003, should be granted.

IT IS, THEREFORE, ORDERED that the requested waiver be, and the same hereby is, granted.

IT IS FURTHER ORDERED that the Administrative Law .fudge's Recommended Decision in this matter become final (5) days after the date of this order.

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

A True Copy, Teste:

Sandra Squire

Sandra Squire
Executive Secretary

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021213sa.wpd

West Virginia Infrastructure & Jobs Development Council

Public Members:
Mark Prince
Hurricane
Dwight Calhoun
Petersburg
Tim Stranko
Morgantown
Dave McComas
Prichard

300 Summers Street, Suite 980
Charleston, West Virginia 25301
Telephone: (304) 558-4607
Facsimile: (304) 558-4609

Jefferson E. Brady, PE
Executive Director

Jefferson.Brady@verizon.net

April 10, 2006

Charles Woolcock, Chairman
Pea Ridge Public Service District
P.O. Box 86
Barboursville, West Virginia 25504

Re: Pea Ridge Public Service District
Sewer Project 2006S-907

Dear Mr. Woolcock:

The West Virginia Infrastructure and Jobs Development Council (the "Council") has reviewed the Pea Ridge Public Service District's (the "District") preliminary application regarding its proposed project to construct a service building extension at WWTP "A" and upgrade and improve Lift Station #3 (the "Project").

Based on the findings of the Sewer Technical Review Committee, the Council has determined that the Project is technically feasible within the guidelines of the Infrastructure and Jobs Development Act. The District should carefully review the enclosed comments of the Technical Review Committee as the District may need to address certain issues raised in said comments as it proceeds with the Project.

Upon consideration of the preliminary application, the Infrastructure Council recommends that the District pursue a $998,000 Clean Water State Revolving Fund loan to fund this project. Please contact the WV Department of Environmental Protection office at (304) 926-0495 for specific information on the steps the District needs to follow to apply for these funds. **Please note that this letter <u>does not</u> constitute funding approval from this agency.**

If you have any questions regarding this matter, please contact Jeff Brady at 558-4607.

Sincerely,

Mark Prince

Enclosure
cc: Mike Johnson, P.E., DEP (w/o enclosure)
Region II Planning & Development Council
Jonathan Carpenter, P.E., Thrasher Environmental, Inc.

PEA RIDGE PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds, Series 2007 A
(West Virginia SRF Program)

CROSS-RECEIPT FOR BONDS AND BOND PROCEEDS

On this 28th day of August, 2007, the undersigned authorized representative of the West Virginia Water Development Authority (the "Authority"), for and on behalf of the Authority, and the undersigned Chairman of Pea Ridge Public Service District (the "Issuer"), for and on behalf of the Issuer, hereby certify as follows:

1. On the date hereof, the Authority received the Sewer Revenue Bonds, Series 2007 A (West Virginia SRF Program), of the Issuer, in the principal amount of 1,043,821, numbered AR-1 (the "Series 2007 A Bonds") issued as a single, fully registered Bond, and dated August 28, 2007.

2. At the time of such receipt, all the Series 2007 A Bonds had been executed by the Chairman and the Secretary of the Issuer by their respective manual signatures, and the official seal of the Issuer had been affixed upon the Bonds.

3. The Issuer has received and hereby acknowledges receipt from the Authority, as the original purchaser of the Series 2007 A Bonds, of $104,530, being a portion of the principal amount of the Series 2007 A Bonds. The balance of the principal amount of the Series 2007 A Bonds will be advanced by the Authority and the West Virginia Department of Environmental Protection to the Issuer as acquisition and construction of the Project progresses.

[Remainder of Page Intentionally Blank]

Dated as of the day and year first written above.

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

By: Barbara B Meadows
Its: Authorized Representative

PEA RIDGE PUBLIC SERVICE DISTRICT

By: _____
Its: Chairman

04.05.07
692580.00004

PEA RIDGE PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds, Series 2007 A
(West Virginia SRF Program)

DIRECTION TO AUTHENTICATE AND DELIVER BONDS

The Huntington National Bank,
as Bond Registrar
Charleston, West Virginia

Ladies and Gentlemen:

On this 28th day of August, 2007, there are delivered to you herewith:

(1) Bond No. AR-1, constituting the entire original issue of Pea Ridge Public Service District Sewer Revenue Bonds, Series 2007 A (West Virginia SRF Program), in the principal amount of $1,043,821 (the "Series 2007 A Bonds") dated August 28, 2007 (the "Bonds"), executed by the Chairman and Secretary of Pea Ridge Public Service District (the "Issuer") and bearing the official seal of the Issuer, authorized to be issued under and pursuant to a Bond Resolution duly adopted by the Issuer on August 23, 2007, and a Supplemental Resolution duly adopted by the Issuer on August 23, 2007 (collectively, the "Bond Legislation");

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

(3) Executed counterparts of a bond purchase agreement for the Series 2007 A Bonds, dated August 17, 2007, by and among the Issuer, the West Virginia Water Development Authority (the "Authority") and the West Virginia Department of Environmental Protection (the "DEP") (the "Bond Purchase Agreement"); and

(4) Executed opinions of nationally recognized bond counsel regarding the validity of the Loan Agreement and the Bonds.

You are hereby requested and authorized to deliver the Series 2007 A Bonds to the Authority upon payment to the Issuer of the sum of $104,530, representing a portion of the principal amount of the Series 2007 A Bonds. Prior to such delivery of the Bonds, you will please cause the Bonds to be authenticated and registered by an authorized officer, as Bond Registrar, in accordance with the forms of Certificate of Authentication and Registration thereon.

[Remainder of Page Intentionally Left Blank]

Dated as of the day and year first written above.

PEA RIDGE PUBLIC SERVICE DISTRICT

By: _____
Its: Chairman

04.05.07
692580.0004

SPECIMEN

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
PEA RIDGE PUBLIC SERVICE DISTRICT
SEWER REVENUE BONDS, SERIES 2007 A
(WEST VIRGINIA SRF PROGRAM)

No. AR-1 $1,043,821

KNOW ALL MEN BY THESE PRESENTS: That on the 28th day of August, 2007, PEA RIDGE PUBLIC SERVICE DISTRICT, a public service district, public corporation and political subdivision of the State of West Virginia in Cabell County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the West Virginia Water Development Authority (the "Authority") or registered assigns the sum of ONE MILLION FORTY-THREE THOUSAND EIGHT HUNDRED TWENTY-ONE DOLLARS ($1,043,821), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as EXHIBIT A hereto and incorporated herein by reference, in quarterly installments on March 1, June 1, September 1 and December 1 of each year, commencing December 1,2008, as set forth on the "Debt Service Schedule" attached as EXHIBIT B hereto and incorporated herein by reference. The SRF Administrative Fee (as defined in the hereinafter described Bond Legislation) shall also be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing December 1, 2008, as set forth on said EXHIBIT B.

This Bond shall bear no interest. Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent").

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and the West Virginia Department of Environmental Protection (the "DEP"), and upon the terms and conditions prescribed by, and otherwise in compliance with, the Bond Purchase Agreement by and among the Issuer, the Authority and the DEP, dated August 17, 2007.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of improvements and extensions to the existing public sewerage system of the Issuer (the "Project"); and (ii) to pay certain costs of issuance of the Bonds of this Series (the

"Bonds") and related costs. The existing public sewerage system of the Issuer, the Project and any further improvements or extensions thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A and Chapter 22C, Article 2 of the West Virginia Code of 1931, as amended (collectively, the "Act"), and a Bond Resolution duly adopted by the Issuer on August 23, 2007, and a Supplemental Resolution duly adopted by the Issuer on August 23, 2007 (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL OTHER RESPECTS, WITH THE ISSUER'S (1) SEWER REFUNDING REVENUE BONDS, SERIES 2004, DATED MARCH 1, 2004, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $2,620,000 (THE "SERIES 2004 BONDS"); (2) SEWER REVENUE BONDS, SERIES 2003 B (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), DATED AUGUST 19, 2003, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $100,000 (THE "SERIES 2003 B BONDS"); (3) SEWER REVENUE BONDS, SERIES 2003 A (WEST VIRGINIA SRF PROGRAM), DATED AUGUST 19, 2003, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $12,429,500 (THE "SERIES 2003 A BONDS"); (4) SEWERAGE SYSTEM DESIGN REVENUE BONDS, SERIES 2000 (WEST VIRGINIA SRF PROGRAM), DATED MARCH 7, 2000, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $477,000 (THE "SERIES 2000 BONDS"); AND (5) SEWER REVENUE BONDS, SERIES 1992 (WEST VIRGINIA SRF PROGRAM), DATED DECEMBER 28, 1992, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,250,000 (THE "SERIES 1992 BONDS") (COLLECTIVELY, THE "PRIOR BONDS").

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, on a parity with the pledge of Net Revenues in favor of the holders of the Prior Bonds and from monies in the reserve account created under the Bond Legislation for the Bonds (the "Series 2007 A Bonds Reserve Account") and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest, if any, on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute an indebtedness of the Issuer within the meaning of any 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 2007 A Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to

provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with or junior to the Bonds, including the Prior Bonds; provided however, that so long as there exists in the Series 2007 A Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest, if any, which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with or junior to the Bonds, including the Prior Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Bond Legislation, only upon the books of The Huntington National Bank, Charleston, West Virginia, as registrar (the "Registrar"), by the registered owner, or by its attorney duly authorized in writing, upon the surrender of this Bond, together with a written instrument of transfer satisfactory to the Registrar, duly executed by the registered owner or its attorney duly authorized in writing.

Subject to the registration requirements set forth herein, this Bond, under the provision of the Act is, and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia.

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law and the Bond Legislation, shall be applied solely to payment of the costs of the Project and costs of issuance hereof described in the Bond Legislation, and there shall be and hereby is created and granted a lien upon such monies, until so applied, in favor of the registered owner of this Bond.

In accordance with the requirements of the United States Department of Agriculture for the issuance of parity obligations, the Bonds will be in default should any proceeds of the Bonds be used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and at the issuance of this Bond do exist, have happened, and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of the Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the Net Revenues of the System

has been pledged to and will be set aside into said special fund by the Issuer for the prompt payment of the principal of this Bond.

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

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, PEA RIDGE PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairman and its corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Bond to be dated the day and year first written above.

[SEAL]

SPECIMEN

Chairman

ATTEST:

SPECIMEN

Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 2007 A Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: August 28, 2007.

THE HUNTINGTON NATIONAL BANK,
as Registrar

SPECIMEN

Authorized Officer

EXHIBIT A

RECORD OF ADVANCES

	AMOUNT	DATE		AMOUNT	DATE
(1)	$ 104,530	August 28, 2007	(18)	$	
(2)	$		(19)	$	
(3)	$		(20)	$	
(4)	$		(21)	$	
(5)	$		(22)	$	
(6)	$		(23)	$	
(7)	$		(24)	$	
(8)	$		(25)	$	
(9)	$		(26)	$	
(10)	$		(27)	$	
(11)	$		(28)	$	
(12)	$		(29)	$	
(13)	$		(30)	$	
(14)	$		(31)	$	
(15)	$		(32)	$	
(16)	$		(33)	$	
(17)	$		(34)	$	

TOTAL $_____

EXHIBIT B

DEBT SERVICE SCHEDULE

$1,043,821

Pea Ridge Public Service District

30 Years, 0% Interest Rate, 0.5% Administrative Fee

Closing Date: August 28, 2007

Debt Service Schedule

Date	Principal	Coupon	Total P+I
09/01/2007	-	-	-
12/01/2007	-	-	-
03/01/2008	-	-	-
06/01/2008	-	-	-
09/01/2008	-	-	-
12/01/2008	8,699.00	-	8,699.00
03/01/2009	8,699.00	-	8,699.00
06/01/2009	8,699.00	-	8,699.00
09/01/2009	8,699.00	-	8,699.00
12/01/2009	8,699.00	-	8,699.00
03/01/2010	8,699.00	-	8,699.00
06/01/2010	8,699.00	-	8,699.00
09/01/2010	8,699.00	-	8,699.00
12/01/2010	8,699.00	-	8,699.00
03/01/2011	8,699.00	-	8,699.00
06/01/2011	8,699.00	-	8,699.00
09/01/2011	8,699.00	-	8,699.00
12/01/2011	8,699.00	-	8,699.00
03/01/2012	8,699.00	-	8,699.00
06/01/2012	8,699.00	-	8,699.00
09/01/2012	8,699.00	-	8,699.00
12/01/2012	8,699.00	-	8,699.00
03/01/2013	8,699.00	-	8,699.00
06/01/2013	8,699.00	-	8,699.00
09/01/2013	8,699.00	-	8,699.00
12/01/2013	8,699.00	-	8,699.00
03/01/2014	8,699.00	-	8,699.00
06/01/2014	8,699.00	-	8,699.00
09/01/2014	8,699.00	-	8,699.00
12/01/2014	8,699.00	-	8,699.00
03/01/2015	8,699.00	-	8,699.00
06/01/2015	8,699.00	-	8,699.00
09/01/2015	8,699.00	-	8,699.00
12/01/2015	8,699.00	-	8,699.00
03/01/2016	8,699.00	-	8,699.00
06/01/2016	8,699.00	-	8,699.00
09/01/2016	8,699.00	-	8,699.00
12/01/2016	8,699.00	-	8,699.00
03/01/2017	8,699.00	-	8,699.00
06/01/2017	8,699.00	-	8,699.00
09/01/2017	8,699.00	-	8,699.00
12/01/2017	8,699.00	-	8,699.00
03/01/2018	8,699.00	-	8,699.00
06/01/2018	8,699.00	-	8,699.00

$1,043,821
Pea Ridge Public Service District
30 Years, 0% Interest Rate, 0.5% Administrative Fee
Closing Date: August 28, 2007

Debt Service Schedule

Date	Principal	Coupon	Total P+I
09/01/2018	8,699.00	-	8,699.00
12/01/2018	8,699.00	-	8,699.00
03/01/2019	8,699.00	-	8,699.00
06/01/2019	8,699.00	-	8,699.00
09/01/2019	8,699.00	-	8,699.00
12/01/2019	8,699.00	-	8,699.00
03/01/2020	8,699.00	-	8,699.00
06/01/2020	8,699.00	-	8,699.00
09/01/2020	8,699.00	-	8,699.00
12/01/2020	8,699.00	-	8,699.00
03/01/2021	8,699.00	-	8,699.00
06/01/2021	8,699.00	-	8,699.00
09/01/2021	8,699.00	-	8,699.00
12/01/2021	8,699.00	-	8,699.00
03/01/2022	8,699.00	-	8,699.00
06/01/2022	8,699.00	-	8,699.00
09/01/2022	8,699.00	-	8,699.00
12/01/2022	8,699.00	-	8,699.00
03/01/2023	8,699.00	-	8,699.00
06/01/2023	8,699.00	-	8,699.00
09/01/2023	8,699.00	-	8,699.00
12/01/2023	8,699.00	-	8,698.00
03/01/2024	8,698.00	-	8,698.00
06/01/2024	8,698.00	-	8,698.00
09/01/2024	8,698.00	-	8,698.00
12/01/2024	8,698.00	-	8,698.00
03/01/2025	8,698.00	-	8,698.00
06/01/2025	8,698.00	-	8,698.00
09/01/2025	8,698.00	-	8,698.00
12/01/2025	8,698.00	-	8,698.00
03/01/2026	8,698.00	-	8,698.00
06/01/2026	8,698.00	-	8,698.00
09/01/2026	8,698.00	-	8,698.00
12/01/2026	8,698.00	-	8,698.00
03/01/2027	8,698.00	-	8,698.00
06/01/2027	8,698.00	-	8,698.00
09/01/2027	8,698.00	-	8,698.00
12/01/2027	8,698.00	-	8,698.00
03/01/2028	8,698.00	-	8,698.00
06/01/2028	8,698.00	-	8,698.00
09/01/2028	8,698.00	-	8,698.00
12/01/2028	8,698.00	-	8,698.00
03/01/2029	8,698.00	-	8,698.00
06/01/2029	8,698.00	-	8,698.00

$1,043,821

Pea Ridge Public Service District

30 Years, 0% Interest Rate, 0.5% Administrative Fee

Closing Date: August 28, 2007

Debt Service Schedule

Date	Principal	Coupon	Total P+I
09/01/2029	8,698.00	-	8,698.00
12/01/2029	8,698.00	-	8,698.00
03/01/2030	8,698.00	-	8,698.00
06/01/2030	8,698.00	-	8,698.00
09/01/2030	8,698.00	-	8,698.00
12/01/2030	8,698.00	-	8,698.00
03/01/2031	8,698.00	-	8,698.00
06/01/2031	8,698.00	-	8,698.00
09/01/2031	8,698.00	-	8,698.00
12/01/2031	8,698.00	-	8,698.00
03/01/2032	8,698.00	-	8,698.00
06/01/2032	8,698.00	-	8,698.00
09/01/2032	8,698.00	-	8,698.00
12/01/2032	8,698.00	-	8,698.00
03/01/2033	8,698.00	-	8,698.00
06/01/2033	8,698.00	-	8,698.00
09/01/2033	8,698.00	-	8,698.00
12/01/2033	8,698.00	-	8,698.00
03/01/2034	8,698.00	-	8,698.00
06/01/2034	8,698.00	-	8,698.00
09/01/2034	8,698.00	-	8,698.00
12/01/2034	8,698.00	-	8,698.00
03/01/2035	8,698.00	-	8,698.00
06/01/2035	8,698.00	-	8,698.00
09/01/2035	8,698.00	-	8,698.00
12/01/2035	8,698.00	-	8,698.00
03/01/2036	8,698.00	-	8,698.00
06/01/2036	8,698.00	-	8,698.00
09/01/2036	8,698.00	-	8,698.00
12/01/2036	8,698.00	-	8,698.00
03/01/2037	8,698.00	-	8,698.00
06/01/2037	8,698.00	-	8,698.00
09/01/2037	8,698.00	-	8,698.00
12/01/2037	8,698.00	-	8,698.00
03/01/2038	8,698.00	-	8,698.00
06/01/2038	8,698.00	-	8,698.00
09/01/2038	8,698.00	-	8,698.00
Total	**$1,043,821.00**	-	**$1,043,821.00** *

*Plus $657.81 one-half percent Administrative Fee paid quarterly. Total fee over life of loan is $78,937.20.

(Form of)

ASSIGNMENT

FOR VALUE RECEIVED the undersigned sells, assigns, and transfers unto _____ the within Bond and does hereby irrevocably constitute and appoint _____, Attorney to transfer the said Bond on the books kept for registration of the within Bond of the said Issuer with full power of substitution in the premises.

Dated: _____, _____.

_____

In the presence of:

_____

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

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

Writer's Contact Information

August 28, 2007

Pea Ridge Public Service District
Sewer Revenue Bonds, Series 2007 A
(West Virginia SRF Program)

Pea Ridge Public Service District
Barboursville, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

West Virginia Department of
Environmental Protection
Charleston, West Virginia

Ladies and Gentlemen:

We have served as bond counsel in connection with the issuance by Pea Ridge Public Service District (the "Issuer"), a public service district, public corporation and political subdivision created and existing under the laws of the State of West Virginia, of its $1,043,821Sewer Revenue Bonds, Series 2007 A (West Virginia SRF Program), dated the date hereof (the "Bonds").

We have examined the law and certified copies of proceedings and other papers relating to the authorization of a bond purchase agreement dated August 17, 2007, including all schedules and exhibits attached thereto (the "Bond Purchase Agreement"), by and among the Issuer, the West Virginia Water Development Authority (the "Authority") and the West Virginia Department of Environmental Protection (the "DEP"), and the Bonds, which are to be purchased by the Authority in accordance with the provisions of the Bond Purchase Agreement. The Bonds are originally issued in the form of one Bond, registered as to principal only to the Authority, bearing no interest, with principal payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing December 1, 2008, and to and including September 1, 2038, all as set forth in the "Schedule Y" attached to the Bond Purchase Agreement and incorporated in and made a part of the Bonds.

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

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We have also examined the applicable provisions of the Act, the Bond Resolution duly adopted by the Issuer on August 23, 2007, as supplemented by a Supplemental Resolution duly adopted by the Issuer on August 23, 2007 (collectively, the "Bond Legislation"), pursuant to and under which Act and Bond Legislation the Bonds are authorized and issued, and the Bond Purchase Agreement has been entered into. The Bonds are subject to redemption prior to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Bond Legislation and the Bond Purchase Agreement. All capitalized terms used herein and not otherwise defined herein shall have the same meanings set forth in the Bond Legislation and the Bond Purchase Agreement when used herein.

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

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

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

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

4. The Bonds have been duly authorized, issued, executed and delivered by the Issuer to the Authority and are valid, legally enforceable and binding special obligations of the Issuer, payable from the Net Revenues of the System referred to in the Bond Legislation and secured by a first lien on and pledge of the Net Revenues of the System, on a parity with respect to liens, pledge and source of and security for payment with the Issuer's Prior Bonds in accordance with the terms of the Bonds and the Bond Legislation.

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

6. The Bonds have not been issued on the basis that the interest, if any, thereon is or will be excluded from the gross income of the owners thereof for federal income tax purposes. We express no opinion regarding the excludability of such interest from the gross income of the owners thereof for federal income tax purposes or other federal tax consequences arising with respect to the Bonds.

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

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

Very truly yours,

STEPTOE & JOHNSON PLLC

692580.00004

CH885214.2

Ronald J. Flora
ATTORNEY AT LAW
1115 SMITH STREET
MILTON, WEST VIRGINIA 25541

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FAX (304) 743-4120
E-MAIL: lawro77@aol.com

Jennifer R. Smith / CLA

August 28, 2007

Pea Ridge Public Service District
Sewer Revenue Bonds, Series 2007 A
(West Virginia SRF Program)

Pea Ridge Public Service District
Barboursville, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

West Virginia Department of
Environmental Protection
Charleston, West Virginia

Steptoe & Johnson PLLC
Charleston, West Virginia

Ladies and Gentlemen:

I am counsel to Pea Ridge Public Service District, a public service district, in Cabell County, West Virginia (the "Issuer"). As such counsel, I have examined copies of the approving opinions of Steptoe & Johnson PLLC, as bond counsel, a bond purchase agreement for the Series 2007 A Bonds dated August 17, 2007 (the "Bond Purchase Agreement"), including all schedules and exhibits attached thereto, by and among the Issuer, the West Virginia Water Development Authority (the "Authority") and the West Virginia Department of Environmental Protection ("DEP"), the Bond Resolution duly adopted by the Issuer on August 23, 2007, as supplemented by the Supplemental Resolution duly adopted by the Issuer on August 23, 2007 (collectively, the "Bond Legislation"), orders of The County Commission of Cabell County relating to the Issuer and the appointment of members of the Public Service Board of the Issuer, and other documents, papers, agreements, instruments and certificates relating to the above-captioned Bonds of the Issuer (the "Bonds"). All capitalized terms used herein and not otherwise defined herein shall have the same meaning set forth in the Bond Legislation and the Bond Purchase Agreement when used herein.

I am of the opinion that:

1. The Issuer is duly created and validly existing as a public service district and as a public corporation and political subdivision of the State of West Virginia.

2. The Bond Purchase Agreement have been duly authorized, executed and delivered by the Issuer and, assuming due authorization, execution and delivery by the other parties thereto, constitute valid and binding agreements of the Issuer enforceable in accordance with their terms.

3. The members and officers of the Public Service Board of the Issuer have been duly, lawfully and properly appointed and elected, have taken the requisite oaths, and are authorized to act in their respective capacities on behalf of the Issuer.

4. The Bond Legislation has been duly adopted by the Issuer and is in full force and effect.

5. The execution and delivery of the Bonds and the Bond Purchase Agreement and the consummation of the transactions contemplated by the Bonds, the Bond Purchase Agreement and the Bond Legislation and the carrying out of the terms thereof, do not and will not, in any material respect, conflict with or constitute, on the part of the Issuer, a breach of or default under any ordinance, order, resolution, agreement or other instrument to which the Issuer is a party or by which the Issuer or its properties are bound or any existing law, regulation, court order or consent decree to which the Issuer is subject.

6. The Issuer has received all permits, licenses, approvals, consents, exemptions, orders, certificates and authorizations necessary for the creation and existence of the Issuer, the issuance of the Bonds, the acquisition and construction of the Project, the operation of the System and the imposition of rates and charges for use of the System, including, without limitation, the receipt of all requisite orders, certificates and approvals from The County Commission of Cabell County, the DEP,and the Public Service Commission of West Virginia including Recommended Decision dated March 14, 2003 which became Final Order of the Public Service Commission of West Virginia on March 23, 2003 approving the rates and charges for the system, and 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 Recommended Decision of the Public Service Commission of West Virginia entered on May 17, 2007, in Case No. 07-0139-PSD-CN which became final order on May 27, 2007, among other things, granting to the Issuer a certificate of public convenience and necessity for the Project and the financing for the Project. The time for appeal of the Final Order has expired prior to the date hereof without any appeal. Such Order is not subject to any appeal, further hearing, reopening or rehearing by any customer, protestant, intervenor or other person not a party to such Order.

7. The Issuer has duly published a notice of the acquisition and construction of the Project, the issuance of the Bonds and related matters, as required under Chapter 16, Article 13A, Section 25 of the West Virginia Code of 1931, as amended, and has duly complied with the provisions thereof.

8. To the best of my knowledge, there is no litigation, action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by the Bond Purchase Agreement, the Bond Legislation, the acquisition and construction of the Project, the operation of the System, the validity of the Bonds or the collection or pledge of the Net Revenues therefor.

9. I have ascertained that all successful bidders have made the required provisions for all insurance and payment and performance bonds and verified such insurance policies and bonds for accuracy. Based upon my review of the contracts, the surety bonds and the policies or other evidence of insurance coverage in connection with the Project, I am of the opinion that such surety bonds and policies (1) are in compliance with the contracts; (2) are adequate in form, substance and amount to protect the various interests of the Issuer; (3) have been executed by duly authorized representatives of the proper parties; (4) meet the requirements of the Act, the Bond Legislation and the Bond Purchase Agreement; and (5) all such documents constitute valid and legally binding obligations of the parties thereto in accordance with the terms, conditions and provisions thereof.

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

Very truly yours,

Ronald J. Flora
Attorney at Law

Ronald J. Flora
ATTORNEY AT LAW
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Jennifer R. Smith / CLA

August 28, 2007

Pea Ridge Public Service District
Post Office Box 86
Barboursville, West Virginia 25504

West Virginia Department of Environmental Protection
1356 Hansford Street
Charleston, West Virginia 25301

Thrasher Engineering
Post Office Box 2431
Charleston, West Virginia 25329

Re: Final Title Opinion for Pea Ridge Public Service District

Ladies and Gentlemen:

I am counsel to the Pea Ridge Public Service District (the "Issuer") in connection with a proposed project for the Construction and Extension of a Garage Facility situate on the District's "A" Plant real property and the upgrade of Lift Station #3 (the "Project"). I provide this final title opinion on behalf of the Issuer to satisfy the requirements of the West Virginia Department of Environmental Protection (the "DEP") for the Project. Please be advised of the following:

1. I am of the opinion that the Issuer is a duly created and validly existing public service district possessed with all the powers and authority granted to public service districts under the laws of the State of West Virginia to construct, operate and maintain the Project as approved by the Bureau for Public Health.

2. The Issuer has obtained all necessary permits and approvals for the construction of the Project.

3. I have investigated and ascertained the location of, and am familiar with the legal description of, the necessary sites, including easements and/or rights of way, required for the Project as set forth in the plans for the Project prepared by Thrasher Engineering, the consulting engineers for the Project.

4. I have examined the records on file in the Office of the Clerk of the County Commission of Cabell County, West Virginia, the county in which the Project is to be located, and, in my opinion, the Issuer has acquired one hundred percent (100%) of the legal title or such other estate or interest in all of the necessary site components for the Project, including all easements and/or rights of way sufficient to assure undisturbed use and possession for the purpose of construction, operation and maintenance for the estimated life of the Project.

5. All deeds, easements and rights of way which have been acquired to date by the Issuer have been duly recorded in the Office of the Clerk of the County Commission of Cabell County to protect the legal title to and interest of the Issuer.

NAME:		**DEED BK/PG# (Source)**	**ESMT BK/PAGE # (Acquisition)**
1.	Lift Station #3 Site	1160/30	Deed to Pea Ridge PSD (August 2, 2006)
2.	A Plant (Garage Site)	679/556	Condemnation Order (August 20, 1969)

Very truly yours,

Ronald J. Flora
Attorney at Law
West Virginia State Bar #1227
1115 Smith Street
Milton, West Virginia 25541
(304) 743-5354
(304) 743-4120 (facsimile)

RJF/js

PEA RIDGE PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds, Series 2007 A
(West Virginia SRF Program)

GENERAL CERTIFICATE OF ISSUER AND ATTORNEY ON:

1. TERMS
2. NO LITIGATION
3. GOVERNMENTAL APPROVALS AND BIDDING
4. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS
5. CERTIFICATION OF COPIES OF DOCUMENTS
6. INCUMBENCY AND OFFICIAL NAME
7. LAND AND RIGHTS-OF-WAY
8. MEETINGS, ETC.
9. CONTRACTORS' INSURANCE, ETC.
10. BOND PURCHASE AGREEMENT
11. RATES
12. PUBLIC SERVICE COMMISSION ORDER
13. SIGNATURES AND DELIVERY
14. BOND PROCEEDS
15. PUBLICATION OF NOTICE OF BORROWING AND PSC FILING
16. SPECIMEN BONDS
17. CONFLICT OF INTEREST
18. CLEAN WATER ACT
19. PROCUREMENT OF ENGINEERING SERVICES
20. EXECUTION OF COUNTERPARTS

We, the undersigned CHAIRMAN and the undersigned SECRETARY of the Public Service Board of Pea Ridge Public Service District in Cabell County, West Virginia (the "Issuer"), and the undersigned COUNSEL TO THE ISSUER, hereby certify this 28th day of August, 2007 in connection with the Issuer's Sewer Revenue Bonds, Series 2007 A (West Virginia SRF Program), dated the date hereof (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 meaning as set forth in the Bond Resolution of the Issuer duly adopted August 23 2007, and the Supplemental Resolution duly adopted August 23, 2007 (collectively, the "Bond Legislation").

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

3. GOVERNMENTAL APPROVALS AND BIDDING: All applicable and necessary approvals, permits, exemptions, consents, authorizations, registrations and certificates required by law for the acquisition and construction of the Project, the operation of the System, including, without limitation, the imposition of rates and charges, and the issuance of the Bonds have been duly and timely obtained and remain in full force and effect. Competitive bids for the acquisition and construction of the Project have been solicited in accordance with Chapter 5, Article 22, Section 1 of the West Virginia Code of 1931, as amended, which bids remain in full force and effect.

4. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS: There has been no adverse change in the financial condition of the Issuer since the approval, execution and delivery by the Issuer of the Bond Purchase Agreement, and the Issuer has met all conditions prescribed in the Bond Purchase Agreement. The Issuer has or can provide the financial, institutional, legal and managerial capabilities necessary to complete the Project.

There are outstanding obligations of the Issuer which will rank on a parity with the Series 2007 A Bonds as to liens, pledge and source of and security for payment, being the Issuer's (i) Sewer Refunding Revenue Bonds, Series 2004, dated March 1, 2004, issued in the original aggregate principal amount of $2,620,000; (ii) Sewer Revenue Bonds, Series 2003 B (West Virginia Water Development Authority), dated August 19, 2003, issued in the original aggregate principal amount of $100,000 (the "Series 2003 B Bonds"); (iii) Sewer Revenue Bonds, Series 2003 A (West Virginia SRF Program), dated August 19, 2003, issued in the original aggregate principal amount of $12,429,500 (the "Series 2003 A Bonds"); (vi) Sewerage System Design Revenue Bonds, Series 2000 (West Virginia SRF Program), dated March 7, 2000, issued in the original aggregate principal amount of $477,000 (the "Series 2000 Bonds"); and (v) Sewer Revenue Bonds, Series 1992 (West Virginia SRF Program), dated December 28, 1992, issued in the original aggregate principal amount of $1,250,000 (the "Series 1992 Bonds")(hereinafter collectively, the "Prior Bonds").

The Issuer has obtained a certificate of an Independent Certified Public Accountant stating that the coverage and parity tests of the Prior Bonds are met and the written consent of the Holders of the Prior Bonds to the issuance of the Series 2007 Bonds on a parity with the Prior Bonds. Other than the Prior Bonds, there are no Outstanding bonds or obligations of the Issuer which are secured by revenues or assets of the System. The Issuer is in compliance with all the covenants of the Prior Bonds and the Prior Resolutions.

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

Bond Resolution

Supplemental Resolution

Series 2007 A Bond Purchase Agreement

Public Service Commission Orders

Infrastructure and Jobs Development Council Approval

County Commission Orders Creating the District and Public Service Commission Order relating thereto

County Commission Orders Appointing Current Boardmembers

Oaths of Office of Current Boardmembers

Rules of Procedure

Affidavit of Publication on Borrowing

Minutes of Current Year Organizational Meeting

Minutes on Adoption of Bond Resolution and Supplemental Resolution

NPDES Permit

Department of Environmental Protection Approval of Plans and Specifications

Prior Resolutions

Evidence of Insurance

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

Name	Commencement of Office	Termination of Office
Charles Woolcock	September 5, 2002	August 31, 2007
Samuel J. Cutler	September 12, 2005	September11, 2011
Earl Blankenship	February 8, 2007	February 7, 2013

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

Chairperson	-	Charles Woolcock
Vice Chairman	-	Samuel Cutler
Secretary	-	Earl Blankenship

The duly appointed and acting counsel to the Issuer is Ronald Flora, Esquire, Milton, West Virginia.

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

8. MEETINGS, ETC.: All actions, ordinances, 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 the acquisition, construction, operation and financing of the Project and the System were authorized or adopted at regular or special meetings of the Governing Body of the Issuer duly and regularly called and held pursuant to the Rules of

Governing Body of the Issuer duly and regularly called and held pursuant to the Rules of Procedure of the Governing Body and all applicable statutes, including, particularly and without limitation, Chapter 6, Article 9A of the West Virginia Code of 1931, as amended, and a quorum of duly elected or appointed, as applicable, qualified and acting members of the Governing Body was present and acting at all times during all such meetings. All notices required to be posted and/or published were so posted and/or published.

9. CONTRACTORS' INSURANCE, ETC.: All contractors have been required to maintain Worker's Compensation, public liability and property damage insurance, and builder's risk insurance where applicable, in accordance with the Bond Legislation. All insurance for the System required by the Bond Legislation and Bond Purchase Agreement is in full force and effect.

10. BOND PURCHASE AGREEMENT: As of the date hereof, (i) the representations of the Issuer contained in the Bond Purchase Agreement is true and correct in all material respects as if made on the date hereof; (ii) the Bond Purchase Agreement does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; (iii) to the best knowledge of the undersigned, no event affecting the Issuer has occurred since the dates of the Bond Purchase Agreement which should be disclosed for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information in the Bond Purchase Agreement not misleading; and (iv) the Issuer is in compliance with all covenants, terms and representations in the Bond Purchase Agreement.

11. RATES: The Issuer has received the Recommended Decision of the Public Service Commission of West Virginia entered on March 14, 2003 which became Final Order on March 23, 2003, in Case No. 02-1213-PSD-CN, approving the rates and charges for the services of the System, and has adopted a resolution prescribing such rates and charges. The rates will became effective for service on or after February 25, 2005.

12. PUBLIC SERVICE COMMISSION ORDER: The Issuer has received the Recommended Decision of the Public Service Commission of West Virginia entered on May 17, 2007 which became Final Order on May 27, 2007, among other things, granting to the Issuer a certificate of public convenience and necessity for the Project and approving the financing for the Project. The time for appeal of the Order has expired prior to the date hereof without any appeal.

13. SIGNATURES AND DELIVERY: On the date hereof, the undersigned Chairman did officially sign all of the Bonds of the aforesaid issue, consisting upon original issuance of a single Bond, numbered AR-1 dated the date hereof, by his or her manual signature, and the undersigned Secretary did officially cause the official seal of the Issuer to be affixed upon said Bonds and to be attested by his or her manual signature, and the Registrar did officially authenticate and deliver the Bonds to a representative of the

Authority as the original purchaser of the Bonds under the Bond Purchase Agreement. Said official seal is also impressed above the signatures appearing on this certificate.

14. BOND PROCEEDS: On the date hereof, the Issuer received $104,530 from the Authority and the DEP, being a portion of the principal amount of the Series 2007 A Bonds. The balance of the principal amount of the Bonds will be advanced to the Issuer as acquisition and construction of the Project progresses.

15. PUBLICATION OF NOTICE OF BORROWING AND PSC FILING: The Issuer has published any required notice with respect to, among other things, the acquisition and construction of the Project, anticipated user rates and charges, the issuance of the Bonds and filing of a formal application for a certificate of public convenience and necessity with the Public Service Commission of West Virginia, in accordance with Chapter 16, Article 13A, Section 25 of the Official West Virginia Code of 1931, as amended.

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

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

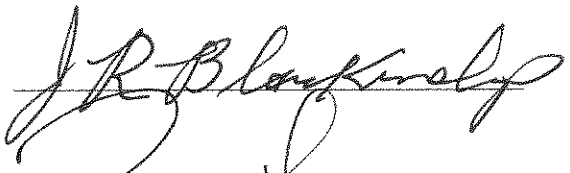
18. CLEAN WATER ACT: The Project as described in the Bond Resolution complies with Sections 208 and 303(e) of the Clean Water Act.

19. PROCUREMENT OF ENGINEERING SERVICES: The Issuer has complied in all respects with the requirements of Chapter 5G, Article 1 of the West Virginia Code of 1931, as amended, in the procurement of engineering services to be paid from proceeds of the Bonds.

20. EXECUTION OF COUNTERPARTS: This document may be executed in one or more counterparts, each of which shall be deemed an original and all of which shall constitute but one and the same document.

WITNESS our signatures and the official seal of PEA RIDGE PUBLIC SERVICE DISTRICT on this 28th day of August, 2007.

[CORPORATE SEAL]

SIGNATURE	OFFICIAL TITLE
	Chairman
	Secretary
	Counsel to Issuer

04.04.07
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PEA RIDGE PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds, Series 2007 A
(West Virginia SRF Program)

ENGINEER'S CERTIFICATE

I, Kenneth P. Moran, Registered Professional Engineer, West Virginia License No. 11309, of Thrasher Engineering, Inc., Clarksburg, West Virginia, hereby certify this 28th day of August, 2007:

1. My firm is engineer for the acquisition and construction of certain improvements and extensions (the "Project") to the existing public sewerage system (the "System") of Pea Ridge Public Service District (the "Issuer"), to be constructed primarily in Cabell County, West Virginia, which acquisition and construction are being financed in part by the proceeds of the above-captioned bonds ('the "Bonds") of the Issuer. Capitalized terms used herein and not defined herein shall have the same meaning set forth in the Bond Resolution, duly adopted by the Issuer on August 23, 2007, as supplemented by the Supplemental Resolution duly adopted by the Issuer on August 23, 2007, and the Bond Purchase Agreement for the Series 2007 A Bonds, by and among the Issuer, the West Virginia Water Development Authority (the "Authority") and the West Virginia Department of Environmental Protection "(DEP"), dated August 17, 2007 (the "Bond Purchase Agreement").

2. The Bonds are being issued for the purposes of (i) paying the costs of acquisition and construction of the Project; and (ii) paying costs of issuance and related costs.

3. To the best of my knowledge, information and belief, (i) within the limits and in accordance with the applicable and governing contractual requirements relating to the Project, the Project will be constructed in general accordance with the approved plans, specifications and designs prepared by my firm and approved by the DEP and any change orders approved by the Issuer, the DEP and all necessary governmental bodies; (ii) the Project, as designed, is adequate for its intended purpose and has a useful life of at least 32 years, if properly constructed, operated and maintained, excepting anticipated replacements due to normal wear and tear; (iii) the Issuer has received bids for the acquisition and construction of the Project which are in an amount and otherwise compatible with the plan of financing set forth in the Schedule A attached hereto as Exhibit A and in reliance upon the opinion of Issuer's counsel Ron Flora, Esquire, of even date herewith, all successful bidders have made required provisions for all insurance and payment and performance bonds and such insurance

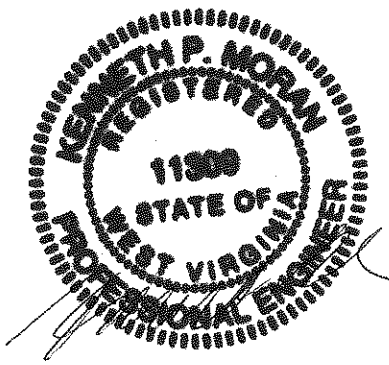
policies or binders and such bonds have been verified for accuracy; (iv) the successful bidders received any and all addenda to the original bid documents; (v) the bid documents relating to the Project reflect the Project as approved by the DEP and the bid forms provided to the bidders contain the critical operational components of the Project; (vi) the successful bids include prices for every item on such bid forms; (vii) the uniform bid procedures were followed; (viii) the Issuer has obtained all permits required by the laws of the State of West Virginia and the United States necessary for the acquisition and construction of the Project and the operation of the System; (ix) in reliance upon the certificate of the Issuer's certified public accountant, Griffith and Associates, of even date herewith, the rates and charges for the System as adopted by the Issuer and approved by the West Virginia Public Service Commission will be sufficient to comply with the provisions of the Bond Purchase Agreement; (x) the net proceeds of the Bonds, together with all other monies on deposit or to be simultaneously deposited and irrevocably pledged thereto and the proceeds of grants, if any, irrevocably committed therefor, are sufficient to pay the costs of acquisition and construction of the Project approved by the DEP; and (xi) attached hereto as Exhibit A is the final amended "Schedule B - Final Total Cost of Project, Sources of Funds and Cost of Financing" for the Project.

WITNESS my signature and seal the day and year first written above

THRASHER ENGINEERING, INC

(SEAL)

Kenneth P. Moran, P.E.
West Virginia License No. 11309



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SCHEDULE B
Pea Ridge Public Service District

A. COST OF PROJECT	TOTAL	CWSRF
1 Construction		
a Contract 1 Verascon	169,115.00	169,115.00
b. Contract 2 Corder Builders	635,000.00	635,000.00
c. Contract	0.00	0.00
d. Equipment	0.00	0.00
2 Technical Services (Thrasher)		
Planning	11,000.00	11,000.00
Design	68,000.00	68,000.00
Eng. During Construction	18,000.00	18,000.00
Special Services	14,500.00	14,500.00
Inspection Services	58,000.00	58,000.00
3 Legal & Fiscal	7,500.00	7,500.00
4 Administrative	7,000.00	7,000.00
5 Sites & Other Lands	0.00	0.00
6. Contingency	40,206.00	40,206.00
7. TOTAL of Lines 1 through 6	1,028,321.00	1,028,321.00
B. COST OF FINANCING		
8 Funded Reserve		
9 Other Costs		
a. Registrar fees	500.00	500.00
b Bond Counsel (Steptoe & Johnson)	15,000.00	15,000.00
10 Cost of Financing (lines 8 through 9)	15,500.00	15,500.00
11 Total Cost of Project	1,043,821.00	1,043,821.00
C. SOURCES OF FUNDS		
12 Federal Grants		
13 State Grants		
14 Other Grants		
15 Any Other Source		
16 TOTAL Lines 12 trough 15	0.00	0.00
17 Net Proceeds from Bond Issue	1,043,821.00	1,043,821.00

Pea Ridge Public Service District — Date 8/23/07

Thrasher Engineering — Date 8/27/07

August 28, 2007

Pea Ridge Public Service District
Sewer Revenue Bonds, Series 2007 A
(West Virginia SRF Program)

Pea Ridge Public Service District
Barboursville, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

West Virginia Department of Environmental Protection
Charleston, West Virginia

Based upon the sewer rates and charges set forth in the Recommended Decision dated March 14, 2003 which became Final Order on March 23, 2003 of the Public Service Commission of West Virginia in Case No. 02-1213-PSD-CN, and projected operation and maintenance expenses and anticipated customer usage as furnished to me by Pea Ridge 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 (i) provide for all reasonable expenses of operation, repair and maintenance of the System and (ii) to leave a balance each Fiscal Year equal to at least 115% of the maximum amount required in any Fiscal Year for payment of principal of and interest on the Series 2007 A Bonds and all other obligations secured by or payable from such revenues, including the Issuer's (i) Sewer Refunding Revenue Bonds, Series 2004, dated March 1, 2004, issued in the original aggregate principal amount of $2,620,000; (ii) Sewer Revenue Bonds, Series 2003 B (West Virginia Water Development Authority), dated August 19, 2003, issued in the original aggregate principal amount of $100,000 (the "Series 2003 B Bonds"); (iii) Sewer Revenue Bonds, Series 2003 A (West Virginia SRF Program), dated August 19, 2003, issued in the original aggregate principal amount of $12,429,500 (the "Series 2003 A Bonds"); (vi) Sewerage System Design Revenue Bonds, Series 2000 (West Virginia SRF Program), dated March 7, 2000, issued in the original aggregate principal amount of $477,000 (the "Series 2000 Bonds"); and (v) Sewer Revenue Bonds, Series 1992 (West Virginia SRF Program), dated December 28, 1992, issued in the original aggregate principal amount of $1,250,000 (the "Series 1992 Bonds")(hereinafter collectively, the "Prior Bonds").

It is further our opinion that (i) the Net Revenues actually derived from the System during any 12 consecutive months, within the 18 months immediately preceding the date of the actual issuance of the Series 2007 A 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 the Series 2007 A 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, the Series 2007 A Bonds; and (ii) the Net Revenues actually derived from the System during the fiscal year preceding the date of the actual issuance of the Series 2007 A Bonds, plus the increased annual Net Revenues expected to be received after the date of issuance of the Series 2007 A Bonds are not less than 115% of the greatest amount of debt service to be paid on the Prior Bonds and the Series 2007 A Bonds for the fiscal year or any succeeding fiscal year.

Very truly yours,

Michael D. Griffith, CPA

MDG/dk

Michael D. Griffith, CPA
michaelgriffithcpa@verizon.net
950 Little Coal River Road Alum Creek, WV 25003
Phone: (304) 756.3600 Facsimile: (304) 756.2911

PEA RIDGE PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds, Series 2007 A
(West Virginia SRF Program)

CERTIFICATE AS TO USE OF PROCEEDS

The undersigned Chairman of the Public Service Board of Pea Ridge Public Service District in Cabell County, West Virginia (the "Issuer"), being one of the officials of the Issuer duly charged with the responsibility for the issuance of $1,043,821 Sewer Revenue Bonds, Series 2007 A (West Virginia SRF Program) of the Issuer, dated August 28, 2007 (the "Bonds"), hereby certify this 28th day of August, 2007 as follows:

1. I am one of the officers of the Issuer duly charged with the responsibility of issuing the Bonds. I am familiar with the facts, circumstances and estimates herein certified and duly authorized to execute and deliver this certificate on behalf of the Issuer. Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in the Bond Resolution duly adopted by the Issuer on August 23, 2007 and Supplemental Resolution duly adopted by the Issuer on August 23, 2007 (collectively, the "Bond Resolution"), authorizing the Bonds.

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

3. This certificate is based upon facts, circumstances, estimates and expectations of the Issuer in existence on August 28, 2007, the date on which the Bonds are being physically delivered in exchange for an initial advance of $104,530, being a portion of the principal amount of the Series 2007 A Bonds, and to the best of my knowledge and belief, the expectations of the Issuer set forth herein are reasonable.

4. In the Bond Resolution pursuant to which the Bonds are issued, the Issuer has covenanted that it shall not take, or permit or suffer to be taken, any action with respect to Issuer's use of the proceeds of the Bonds which would cause any bonds, the interest on which is exempt from federal income taxation under Section 103(a) of the Internal Revenue Code of 1986, as amended, and the temporary and permanent regulations promulgated thereunder or under any predecessor thereto (collectively, the "Code"), issued by the West Virginia Water Development Authority (the "Authority"), the West Virginia Department of Environmental Protection (the "DEP") or the West Virginia Infrastructure and Jobs Development Council (the "Council"), as the case may be, from which the proceeds of the Bonds are derived, to lose their status as tax-exempt bonds. The Issuer hereby covenants to take all actions necessary to comply with such covenant.

5. The Series 2007 A Bonds were sold on August 28 2007, to the Authority, pursuant to a bond purchase agreement dated August 17, 2007, by and among the Issuer, the Authority and the DEP, for an aggregate purchase price of $1,043,821 (100% of par), at which time, the Issuer received $104,530 from the Authority and the DEP, being the first advance of the principal amount of the Series 2007 A Bonds. No accrued interest has been or will be paid on the Series 2007 A Bonds. The balance of the principal amount of the Series 2007 A Bonds will be advanced to the Issuer as acquisition and construction of the Project progresses.

6. The Series 2007 A Bonds are being delivered simultaneously with the delivery of this certificate and are issued for the purposes of (i) paying the costs of acquisition and construction of improvements and extensions to the existing public sewerage system of the Issuer (the "Project"); and (ii) paying certain costs of issuance and related costs.

7. Within 30 days after the delivery of the Bonds, the Issuer shall enter into agreements which require the Issuer to expend at least 5% of the net sale proceeds of the Bonds on the Project, constituting a substantial binding commitment. The acquisition and construction of the Project and the allocation of the net sale proceeds of the Bonds to expenditures of the Project shall commence immediately and shall proceed with due diligence to completion, and with the exception of proceeds deposited in the Series 2007 A Bonds Reserve Account, if any, all of the proceeds from the sale of the Bonds, together with any investment earnings thereon, will be expended for payment of costs of the Project on or before August 1, 2008. The acquisition and construction of the Project is expected to be completed by March 1, 2008.

8. The total cost of the Project is estimated at $1,043,821. Sources and uses of funds for the Project are as follows:

SOURCES	
Proceeds of the Series 2007 A Bonds	$1,043,821
Total Sources	$1,043,821
USES	
Costs of Acquisition and Construction of the Project	$1,028,321
Costs of Issuance	$ 15,500
Total Uses	$1,043,821

9. Pursuant to Article V of the Bond Resolution, the following special funds or accounts have been created or continued relative to the Series 2007 A Bonds:

(1) Revenue Fund;

(2) Renewal and Replacement Fund;

(3) Series 2007 A Bonds Construction Trust Fund;

(4) Series 2007 A Bonds Sinking Fund;

(5) Series 2007 A Bonds Reserve Account;

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

(1) Series 2007 A Bond proceeds in the amount of $-0- will be deposited in the Series 2007 A Bonds Sinking Fund as capitalized interest and applied to payment of interest on the Series 2007 A Bonds during acquisition and construction of the Project and for a period not to exceed six months following completion thereof.

(2) Series 2007 A Bonds proceeds in the amount of $-0- will be deposited in the Series 2007 A Bonds Reserve Account.

(3) The balance of the proceeds of the Series 2007 A Bonds will be deposited in the Series 2007 A Bonds Construction Trust Fund as received from time to time and applied solely to payment of costs of the Project, including costs of issuance of the Series 2007 A Bonds and related costs.

11. Monies held in the Series 2007 A Bonds Sinking Fund will be used solely to pay principal of and interest, if any, on the Series 2007 A Bonds and will not be available to meet costs of acquisition and construction of the Project. All investment earnings on monies in the Series 2007 A Bonds Sinking Fund and Series 2007 A Bonds Reserve Account, if any, will be withdrawn therefrom and deposited into the Series 2007 A Bonds Construction Trust Fund during construction of the Project, and following completion of the Project, will be deposited, not less than once each year, in the Revenue Fund, and such amounts will be applied as set forth in the Bond Resolution.

12. Work with respect to the acquisition and construction of the Project will proceed with due diligence to completion. The acquisition and construction of the Project

is expected to be completed within 6 months of the date hereof.

13. The Issuer will take such steps as requested by the Authority to ensure that the Authority's bonds meet the requirements of the Code.

14. With the exception of the amount deposited in the Series 2007 A Bonds Sinking Fund for payment of interest, if any, on the Bonds and the amount deposited in the Series 2007 A Bonds Reserve Account, if any, all of the proceeds of the Bonds will be expended on the Project within 12 months from the date of issuance thereof.

15. The Issuer does not expect to sell or otherwise dispose of the Project in whole or in part prior to the last maturity date of the Bonds.

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

17. All property financed with the proceeds of the Bonds will be owned and held by (or on behalf of) a qualified governmental unit.

18. No proceeds of the Bonds will be used, directly or indirectly, in any trade or business carried on by any person who is not a governmental unit.

19. The original proceeds of the Bonds will not exceed the amount necessary for the purposes of the issue.

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

21. The Bonds are not federally guaranteed.

22. The Issuer has retained the right to amend the Bond Resolution authorizing the issuance of the Bonds if such amendment is necessary to assure that the Bonds remain public purpose bonds.

23. The Issuer has either (a) funded the Series 2007 A Bonds Reserve Account at the maximum amount of principal and interest, if any, which will mature and become due, respectively, on the Bonds in the then current or any succeeding year with the proceeds of the Bonds, or (b) created the Series 2007 A Bonds Reserve Account which will be funded with equal payments made on a monthly basis over a 10-year period until such Series 2007 A Bonds Reserve Account hold an amount equal to the maximum amount of principal and interest which will mature and become due, respectively, on the Bonds in the then current or any succeeding year. Monies in the Series 2007 A Bonds Reserve Account and the Series 2007 A Bonds Sinking Fund will be used solely to pay principal of and

interest, if any, of the Bonds and will not be available to pay costs of the Project.

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

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. The Issuer will comply with instructions as may be provided by the Authority, at any time, regarding use and investment of proceeds of the Bonds, rebates and rebate calculations.

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

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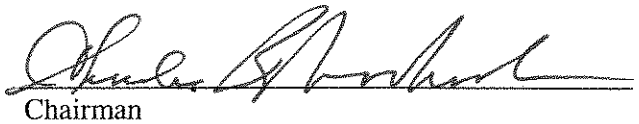
WITNESS my signature on day and year first written above.

PEA RIDGE PUBLIC SERVICE DISTRICT

By: 
Its: Chairman

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NOTICE OF PUBLIC HEARING OF A
PROPOSED PUBLIC SERVICE DISTRICT.

The County Court of Cabell County, West Virginia, will, on the 3rd day of May, 1957 at 10:00 A. M. in the Courtroom thereof in the Courthouse of said County at Huntington, West Virginia, hold a public hearing upon the question of establishing a public service district in said County to be known as the Pea Ridge Public Sewer District, and which district is described as follows:

Beginning at the South East Huntington Corporation Line where it strikes the Guyandotte River; thence with the south side of the said Guyandotte River and with its meanders in an easterly direction to the West Corporation Line of the Village of Barboursville; thence continuing with the westerly and northerly side of the said Guyandotte River in a southerly and westerly direction to West Virginia Route No. 10, also known as the Davis Creek Road; thence in a southerly direction to alternate West Virginia Route No. 10 or Sixteenth Street Road and continuing thence to Norwood Road; thence with the said Norwood Road to the South Huntington Corporation Line; thence in an easterly and northerly direction with the said Huntington Corporation Line to the place of beginning.

Dated this 3rd day of April, 1957.

Ford & Arthur
Clerk of the County Court of Cabell County, West Virginia

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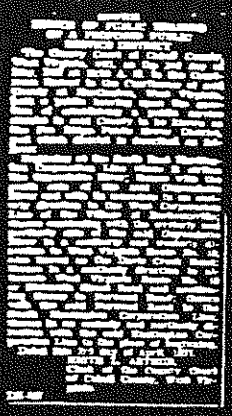


CERTIFICATE OF PUBLICATION

I, Frances Pancake, Legal Clerk of the HUNTINGTON PUBLISHING COMPANY, publisher of the following newspapers of general circulation at Huntington, Cabell County, West Virginia, viz: THE HUNTINGTON ADVERTISER, published the evening of every week day; THE HERALD-DISPATCH, published the morning of every week day; and THE HERALD-ADVERTISER, published every Sunday morning, do hereby certify that the attached

Legal Notice LH-567

was published in [illegible] / The Herald-Dispatch / [illegible]

One [illegible] / [illegible] / times one [illegible] day

commencing with the issue of April 4, 1957

and ending with the issue of April 9, 1957

and that the same was duly posted at the East front door of the Courthouse of Cabell County, West Virginia, on the date of the first publication thereof; that the price for publishing the same, computed in accordance with the provisions of Chapter 59, Article 1, Section 34 of the West Virginia Code of 1937, is $6.60

[illegible]

[illegible] Clerk of
Huntington Publishing Company

STATE OF WEST VIRGINIA, }
COUNTY OF CABELL, } SS

Taken, sworn to and subscribed before me by Frances Pancake

this 5th day of April, 1957

My commission expires March 20, 1958

[illegible]
Notary Public, Cabell County, West Virginia

ENTER April 9, 1957
Frank Herman
PRES.
[illegible]
COMM.
[illegible]
COMM.
COMMISSIONERS' RECORD
BOOK NO. PAGE NO.

Huntington, West Virginia
May 3, 1957.

The County Court of Cabell County, West Virginia, met in regular session pursuant to law and to the rules of said Court at the County Court House, Cabell County, West Virginia, at 10:00 o'clock A. M. The meeting was called to order and the roll being called there were present Frank Heiner, President, presiding, and the following named Commissioners: Theodore A. Cavendish and G. Y. Neal;

Absent: None.

*** *** ***

This being the date fixed by prior action of the County Court for conducting the public hearing on the creation of the proposed Pea Ridge Public Service District, as contemplated and provided for in a resolution and order adopted by the County Court on April 3rd, 19 57, the President announced that all persons residing in or owning or having any interest in property in such proposed public service district desiring to be heard for or against the creation of said district would be heard and all such interested persons desiring to be heard were given full opportunity.

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

"RESOLUTION AND ORDER creating the Pea Ridge Public Service District in Cabell County, West Virginia",

and moved that all rules otherwise requiring deferred consideration or several readings be suspended and said proposed resolution and order be adopted. G. Y. Neal seconded the motion and after due consideration the President put the question on the motion and the roll being called, the following voted:

Aye: Frank Heiner, G. Y. Neal and Theodore A. Cavendish;

Nay: None.

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

G. Y. Waal introduced and read to be read a proposed resolution and order, entitled:

"A RESOLUTION AND ORDER appointing members to the public service board of the Pea Ridge Public Service District",

and moved that all rules otherwise requiring deferred consideration or several readings be suspended and said proposed resolution and order be adopted. Theodore A. Cavendish seconded the motion and after due consideration the President put the question on the motion and the roll being called, the following voted:

Aye: Frank Heiner, G. Y. Waal and Theodore A. Cavendish;

Nay: None.

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

*** *** ***

On motion and vote the meeting adjourned.

Frank Heiner
President

ATTEST:

Keith L. Arthur
Clerk

SEAL

A RESOLUTION AND ORDER appointing members to the public service board of the Pea Ridge Public Service District.

*** *** ***

WHEREAS, the County Court of Cabell County, West Virginia, did heretofore by resolution and order adopted May 3, 1957, create the Pea Ridge Public Service District; and

WHEREAS, under the provisions of Article 13A of Chapter 16 of the West Virginia Code the powers of said public service district shall be vested in and exercised by a public service board; and

WHEREAS, since there is no city, incorporated town or other municipal corporation included within said district, it is provided by said Article 13A of Chapter 16 of the West Virginia Code that this County Court shall appoint three members of said board, who shall be persons residing within the district:

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

Section 1. That the County Court of Cabell County, West Virginia, hereby finds and determines that Anthony Gebhardt, Eugene Childers, and Travis Wells, are persons residing within the said Pea Ridge Public Service District, and the aforesaid persons are hereby appointed as members of the public service board of said district and their respective terms of office shall be as follows:

Anthony Gebhardt, for a term of six years from the first day of the month in which this resolution and order is adopted;

Eugene Childers, for a term of four years from the first day of the month in which this resolution and order is adopted; and

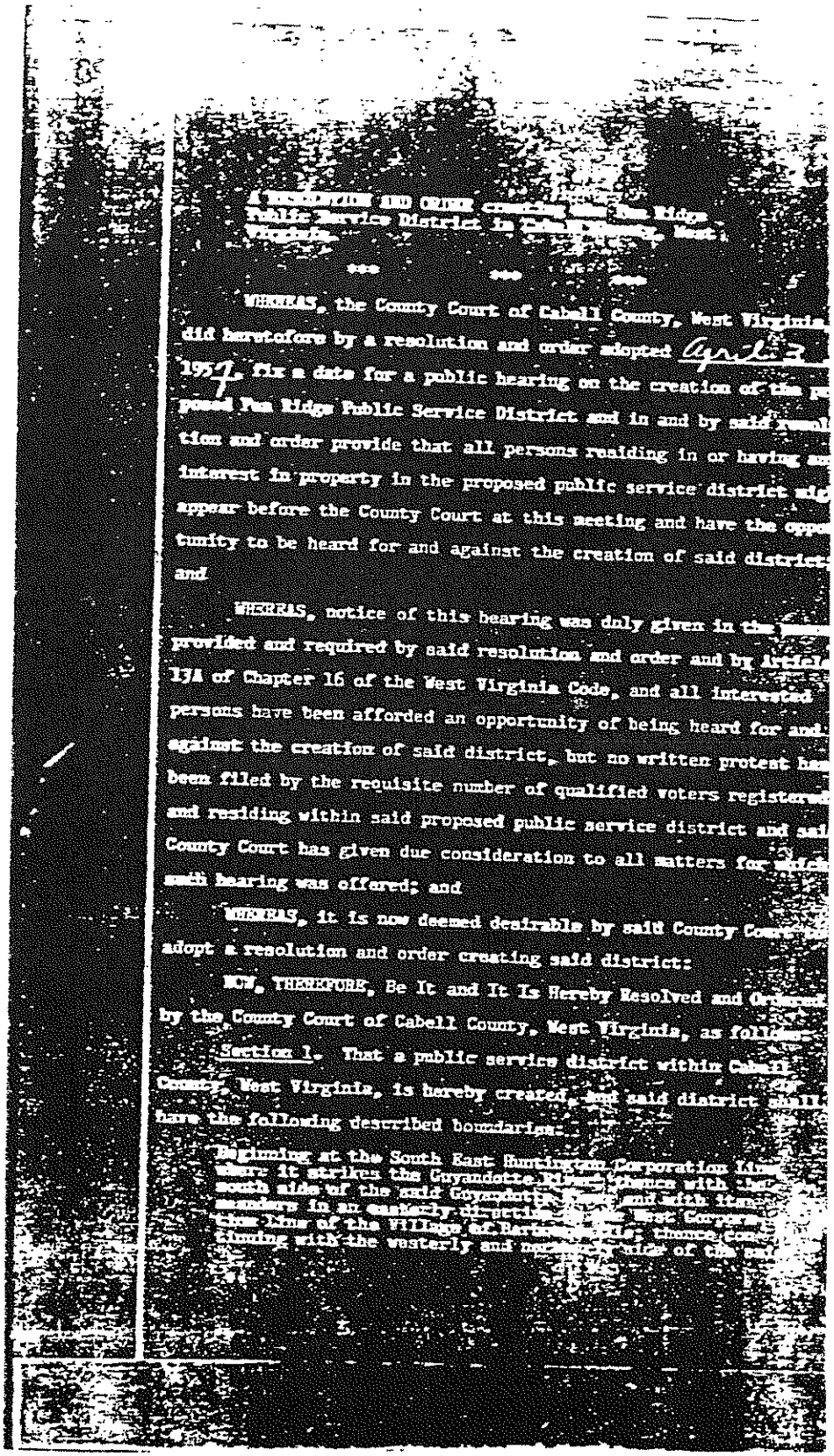
Travis Wells, for a term of two years from the first day of the month in which this resolution and order is adopted.

Section 2. The aforesaid persons shall meet as soon as practicable, at the office of the Clerk of said County Court and shall qualify by taking an oath of office, and thereafter said appointees constituting the initial public service board of the Pea Ridge Public Service District shall meet and organize in compliance with the provisions of Article 12A of Chapter 16 of the West Virginia Code.

ADOPTED BY THE COUNTY COURT May 3, 57.

President

Keith L. Arthur



Guyandotte River in a southerly and westerly direction to West Virginia Route No. 10, also known as the Davis Creek Road; thence in a southerly direction to alternate West Virginia Route No. 10 or Sixteenth Street Road and continuing thence to Norwood Road; thence with the said Norwood Road to the South Huntington Corporation Line; thence in an easterly and northerly direction with the said Huntington Corporation Line to the place of beginning.

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

Section 3. That the County Court of Cabell County, West Virginia, has determined that the territory within Cabell County, West Virginia, having the hereinabove described boundaries, is so situated that the construction or acquisition by purchase or otherwise and the maintenance, operation, improvement and extension of sewerage services within such territory by said public service district is feasible and will be conducive to the preservation of public health, comfort and convenience of such area.

ADOPTED BY THE COUNTY COURT May 3 19[illegible]

Grant Harris
President

ATTEST:

Faith L Arthur
Clerk

SEAL

STATE OF WEST VIRGINIA }
COUNTY OF CABELL } ss.

I, Keith Arthur, hereby certify that I am the duly qualified and acting Clerk of the County Court of Cabell County, West Virginia, and that the foregoing constitutes a true, correct and complete transcript of the proceedings of said County Court as had under date of May 3, 1957, and resolutions and orders then adopted relating to the creating of the Eva Ridge Public Service District, and appointment of members to the public service board of said district.

IN WITNESS WHEREOF, I have hereto affixed my official signature and seal of said Court at Huntington, West Virginia, this 3rd day of May, 1957.

Keith L Arthur
County Court Clerk

THE PETITION OF THE PEA RIDGE PUBLIC SERVICE DISTRICT, A PUBLIC CORPORATION, AND THE PETITION OF APPROXIMATELY ONE HUNDRED PROPERTY OWNERS TO REVISE AND CHANGE THE BOUNDARY LINE OF THE TERRITORY EMBRACED IN THE PEA RIDGE PUBLIC SERVICE DISTRICT, PURSUANT TO ARTICLE 13A OF CHAPTER 16, OF THE CODE OF WEST VIRGINIA, AS AMENDED.

TO THE COUNTY COURT OF CABELL COUNTY, WEST VIRGINIA:

THE PEA RIDGE PUBLIC SERVICE DISTRICT, a public corporation, duly created by the County Court of Cabell County, West Virginia, pursuant to Chapter 16, of the West Virginia Code and the property owners who have signed the petition attached hereto, do hereby petition the County Court of Cabell County, West Virginia, to revise and change the boundary lines of the said territory limits by adding the territorial limits described below pursuant to the provisions of Article 13A of Chapter 16 of the Code of West Virginia, as amended:

> Beginning at the Southeast Monel Park Public Service District Line where it strikes the Guyandotte River, then with the south side of the said Guyandotte River and with its meanderers in an easterly direction to the west line of the Pea Ridge Public Service District at Russell Creek; thence continuing with the westerly line of Pea Ridge Public Service District in a southerly district to Campbell Park, thence in a westerly direction meandering along the north watershed to the east line of Monel Park Public Service District line; thence in a northerly directionwith the easterly line of Monel Park Public Service District to the place of beginning.

The purpose of the change in the territorial limits of the Pea Ridge Public Service District is to enable the said Pea Ridge Public Service District to construct or acquire by purchase or otherwise, and maintain, operate, improve and extend properties and sewage service within said territory and also outside such territory to the extent permitted by law.

The petitioners represent to the County Court that this additional area can best be serviced by the Pea Ridge Public Service District and that such service can be furnished more economically than an independent public service district.

The territory described above does not include within its limits the territory of any other public service district organized under the law hereinbefore referred to, nor does such territory include within its limits any city, incorporated town or other municipal corporation.

The undersigned petitioners will, upon demand, deposit with the County Court of Cabell County, the costs of publication of the notice of public hearing as required by law.

J. H. Milam, Inc., Consulting Engineers, 1214 Myers Avenue, Dunbar, West Virginia, prepared a map embracing the territory to be annexed and added to the Pea Ridge Public Service District which is described hereinabove. A copy of the said map is hereto attached and made part of this petition.

WHEREFORE, the petitioners request the County Court of Cabell County, to revise and change a boundary line of the Pea Ridge Public Service District in accordance with this petition.

Signed this 20 day of April, 1965.

PEA RIDGE PUBLIC SERVICE DISTRICT

By: _____
Anthony C. Gebhardt, Chairman

Edward H. Greene

Edward H. Greene, Secretary of the
Pea Ridge Public Service District

KEITH I. ARTHUR
APR 21 8 31 AM 1965
CABELL COUNTY CLERK

We, the undersigned property owners, desire to join the Pea Ridge Public Service District for the purpose of obtaining a sewer system.

Call

NAME	ADDRESS
Mrs. Howard J. Thacker O.C. Institute, Inc.	1111 Norway Ave. Huntington Phone 736-4207
Thelma V. Owen, M.D.	Sarabell Drive
[illegible]	1115 Norway Ave.
[illegible]	[illegible]
[illegible]	[illegible]
Mrs. Homer Waugh	987 Norway Ave.
[illegible]	[illegible]
Mrs. Max Culp	1007 Norway Ave.
Tom [illegible]	1009 Norway Ave.
Marjorie Heaney	1020 Norway Ave.
Mrs. Lyle Johnson	1101 Norway Ave.
Mr. J. E. Vance	1102 Norway Ave.

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NAME	ADDRESS
Clyde Dean	1104 Norway
Arthur N. [illegible]	[illegible] Norway [illegible]
C. J. Cleveland	1110 Norway [illegible]
L. V. [illegible]	302 [illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
R. S. Freda	1110 NORWAY AVE.
[illegible]	306 Rosehill Court
Mrs. Edward C. [illegible]	209 [illegible]
Wm. R. R. Miller	1622 [illegible]
Mr. Bernie Lowe	1103 Norway Ave.
Elizabeth Hill	1122 Norway Ave

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NAME	ADDRESS
Pilgrim Tabernacle Church	3464 Rueblo East
Mr. & Mrs. W. E. Rowe	1123 R. Norway Ave
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
Muriel McGinnis	1135 Norway Ave
[illegible]	1133 Norway Ave.
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	1131 Norway Ave
[illegible]	1131 Norway Ave
[illegible]	[illegible]
[illegible]	[illegible]

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NAME	ADDRESS
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible] Rhoads	1542 [illegible]
[illegible]	1816 [illegible]
[illegible]	[illegible]
[illegible]	135[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	1139 [illegible]
[illegible]	[illegible]
[illegible]	1345 [illegible] East [illegible]
Mr Tom Harmon	1278 East [illegible]
Mr [illegible] Sh[illegible]	1372 [illegible]
Mrs Mr Morris Harshberger	1352 East [illegible] Park

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[illegible] NAME	1190 E. Campfield PK ADDRESS
[illegible] NAME	[illegible] ADDRESS
[illegible] NAME	[illegible] ADDRESS
[illegible] NAME	[illegible] ADDRESS
[illegible] NAME	[illegible] ADDRESS
D C Hanson NAME	1425 [illegible] ADDRESS
[illegible] NAME	[illegible] ADDRESS
[illegible] NAME	[illegible] ADDRESS
[illegible] NAME	[illegible] ADDRESS
[illegible] NAME	[illegible] ADDRESS
Homer C. Feligan NAME	1361 [illegible] ADDRESS
[illegible] NAME	[illegible] ADDRESS
[illegible] NAME	[illegible] ADDRESS
Lucille [illegible] NAME	1102 [illegible] ADDRESS
[illegible] Caudwell NAME	151 Morgan [illegible] ADDRESS
Lloyd Green NAME	1163 Mckway AVE ADDRESS

NAME	ADDRESS
[illegible]	1172 [illegible]
[illegible]	1119 [illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
Homer Blanchard	1502 E. Campbell Pk
[illegible]	[illegible]
[illegible]	1128 Harvey Ave
[illegible]	[illegible]
[illegible]	1139 [illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	1630 Campbell Ave

NAME	ADDRESS
[illegible]	[illegible]
Mrs. S. A. [illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
C. R. [illegible]	1734 [illegible]
[illegible]	[illegible]

A RESOLUTION AND ORDER FIXING A DATE OF HEARING TO REVISE, CHANGE AND ENLARGE THE BOUNDARY LINE OF PEA RIDGE PUBLIC SERVICE DISTRICT IN CABELL COUNTY, WEST VIRGINIA, AND PROVIDING FOR THE PUBLICATION OF A NOTICE OF SUCH HEARING

WHEREAS, there has heretofore been filed in the office of the Clerk of the County Court of Cabell County, West Virginia, a petition to this County Court to revise, change and enlarge the boundary line of Pea Ridge Public Service District by adding the following territory in Cabell County, West Virginia:

> Beginning at the Southeast Monel Park Public Service District Line where it strikes the Guyandotte River, then with the south side of the said Guyandotte River and with its meanderers in an easterly direction to the west line of the Pea Ridge Public Service District at Russell Creek; thence continuing with the westerly line of Pea Ridge Public Service District in a southerly direction to Campbell Park; thence in a westerly direction meandering along the north watershed to the east line of Monel Park Public Service District line; thence in a northerly direction with the easterly line of Monel Park Public Service District to the place of beginning, and

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

WHEREAS, pursuant to the provisions of Article 13A of Chapter 16 of the West Virginia Code, as amended, this County Court, upon presentation of such petition, is required to fix a date of hearing to revise, change and enlarge the public service district;

NOW, THEREFORE, be it and it is hereby resolved and ordered by the County Court of Cabell County, West Virginia, as follows:

Section 1: That the County Court of Cabell County, West Virginia, hereby finds and declares that there has been filed in the office of the County Court Clerk and presented by said County Court Clerk to this County Court, a petition to revise, change and enlarge the boundary line of Pea Ridge Public Service District by adding the following territory:

Beginning at the Southeast Monel Park Public Service District Line where it strikes the Guyandotte River, then with the south side of the said Guyandotte River and with its meanderers in an easterly direction to the west line of the Pea Ridge Public Service District at Russell Creek; thence continuing with the westerly line of Pea Ridge Public Service District in a southerly district to Campbell Park; thence in a westerly direction meandering along the north watershed to the east line of Monel Park Public Service District line; thence in a northerly direction with the easterly line of Monel Park Public Service District to the place of beginning.

in Cabell County, West Virginia, which petition contains a description sufficient to identify the territory to be embraced within the proposed public service district, and said County Court further finds and declares that said petition in all respects meets the requirements of Article 13A, Chapter 16 of the West Virginia Code, as amended.

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

a. The name and corporate title of said public service district is the Pea Ridge Public Service District.

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

Beginning at the Southeast Monel Park Public Service District Line where it strikes the Guyandotte River, then with the south side of the said Guyandotte River and with its meanderers in an easterly direction to the west line of the Pea Ridge Public Service District at Russell Creek; thence continuing with the westerly line of Pea Ridge Public Service District in a southerly district to Campbell Park; thence in a westerly direction meandering along the north watershed to the east line of Monel Park Public Service District line; thence in a northerly direction with the easterly line of Monel Park Public Service District to the place of beginning.

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

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

Section 3: That on May 15, 1965, at the hour of 10:00 o'clock A. M., this County Court shall meet in the County Court House at Huntington, West Virginia, for the purpose of conducting a public hearing on the revising and enlarging of the public service district, at which time and place all persons residing in or owning or having any interest in property in the public service district may appear before this County Court and shall have an opportunity to be heard for and against the revising and enlarging of said district, and at such hearing, this County Court shall consider and determine the feasibility of the revising and enlarging of the public service district.

Section 4: That the County Court Clerk is hereby authorized and directed to cause notice of such hearing to be published on April 30, 1965, in the HUNTINGTON ADVERTISER, a newspaper of general circulation published in Cabell County, the petitioners having satisfactorily indemnified the payment of the costs and expenses of publishing such notice.

April 27, 1965

The County Court of Cabell County, West Virginia, met in Regular session the 27th day of April, 1965 at 10:00 A. M. Present: Sam McConkey, Commissioner; Frank Black, Commissioner; _____, Commissioner. Absent Fred Lunsford, Commissioner.

Thereupon the Clerk of the County Court of Cabell County, West Virginia presented to the Court a petition of Pea Ridge Public Service District and property owners of Cabell County, asking to revise, charge and enlarge the Pea Ridge Public Service District in the area described therein, and asking that the County Court adopt a proposed resolution and enter an order fixing a date of hearing, on the revising, changing and enlarging of the said district as set forth in said petition.

Frank Black introduced and caused to be read a proposed resolution and order entitled:

"A RESOLUTION AND ORDER FIXING A DATE OF HEARING TO REVISE, CHANGE AND ENLARGE THE BOUNDARY LINE OF PEA RIDGE PUBLIC SERVICE DISTRICT IN CABELL COUNTY, WEST VIRGINIA, AND PROVIDING FOR THE PUBLICATION OF A NOTICE OF SUCH HEARING"

Mr. Frank Black moved that said resolution and order be adopted. Mr. Sam McConkey seconded the motion, and after due consideration, the President put the question on the motion and the roll being called the following voted:

Aye: Sam McConkey Commissioner

Frank Black, Commissioner

_____, Commissioner

Nay: _____

Whereupon the President declared the motion duly carried and said resolution and order duly adopted. On motion and vote, the meeting was adjourned.

Keith L. Arthur
Clerk

Sam McConkey
Commissioner

Frank Black
Commissioner

NOTICE OF PUBLIC HEARING OF A PROPOSED CHANGE IN THE BOUNDARY LINE OF THE PEA RIDGE PUBLIC SERVICE DISTRICT BY ENLARGING THE SAID TERRITORY

THE COUNTY COURT OF CABELL COUNTY, WEST VIRGINIA, will, on the 15th day of May, 1965, at 10:00 a.m. in the Courtroom thereof in the Court House of the said County at Huntington, West Virginia, hold a public hearing upon the question of revising, changing and enlarging the boundary line of Pea Ridge Public Service District and the description of the territory to be added to the present Pea Ridge Public Service District is as follows:

Beginning at the Southeast Mosel Park Public Service District Line where it strikes the Guyandotte River, then with the south side of the said Guyandotte River and with its meanderers in an easterly direction to the west line of the Pea Ridge Public Service District at Russell Creek; thence continuing with the westerly line of Pea Ridge Public Service District in a southerly direction to Campbell Park; thence in a westerly direction, meandering along the north watershed to the east line of Mosel Park Public Service District line; thence in a northerly direction with the easterly line of Mosel Park Public Service District to the place of beginning.

Dated this 27th day of April, 1965.

Keith L. Arthur

Clerk of the County Court of Cabell County, West Virginia

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A RESOLUTION AND ORDER REVISING, CHANGING AND ENLARGING THE BOUNDARY LINE OF PEA RIDGE PUBLIC SERVICE DISTRICT IN CABELL COUNTY, WEST VIRGINIA

*** *** ***

WHEREAS, the County Court of Cabell County, West Virginia, did heretofore by resolution and order adopt on the 27th day of April, 1965, a date for a public hearing on a petition by the Pea Ridge Public Service District to revise, change and enlarge the boundary line of Pea Ridge Public Service District in Cabell County, West Virginia, as set forth by that certain petition filed with the Clerk of the County Court of Cabell County, West Virginia, on the 21st day of April, 1965, and by the said resolution and order provide that all persons residing in or having any interest in property in the proposed territory to be annexed might appear before the County Court of Cabell County, West Virginia, on the 15th day of May, 1965, at 10:00 o'clock A. M. in the Courtroom thereof in the Court House of the said County of Cabell, at Huntington, West Virginia, and have the opportunity to be heard for and against the said petition; and

WHEREAS, notice of this hearing was duly given in the manner as provided and required by said resolution and order and by the Article 13-A of Chapter 16 of the West Virginia Code, and all interested persons had been offered an opportunity of being heard for and against the said petition; and

WHEREAS, the Pea Ridge Public Service District, by its chairman, Anthony Gebhardt, and its attorney, Edward H. Greene, proposed and moved the County Court that the petition be amended and that the territory to be annexed shall have the following described boundaries:

BEGINNING at the westerly line of the Pea Ridge Public Service Dist[illegible] and the right-of-way line of I-64 and continuing a[illegible]g the right-of-way line of I-64 in a westerly direction to a point approximately 200 feet west of Cedar Crest Drive; thence in a northerly direction to a public alley between Norway Avenue and Cedar Crest

BOOK 30 PAGE 577

Drive; thence in a westerly direction along Rite Drive to Norway Avenue; thence crossing Norway Avenue north along the crest of the hill approximately 300 feet; thence in an easterly direction approximately 900 feet; thence in a northerly direction to Guyan River; thence in an easterly direction along Guyan River to the westerly boundary lines of the now existing Pea Ridge Public Service District, as shown on the attached map outlined in green; and

WHEREAS, Monel Park Public Service District has withdrawn its objections to the annexation; and

WHEREAS, the Court finds that there are no persons or public service districts now objection to the annexation; and

WHEREAS, it now deemed desirable by the County Court to adopt a resolution and order revising, changing and enlarging the boundary lines of the Pea Ridge Public Service District as heretofore described:

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

Section 1. That the Pea Ridge Public Service District boundary line be revised, changed and enlarged as described as follows:

BEGINNING at the westerly line of the Pea Ridge Public Service District and the right-of-way line of I-64 and continuing along the right-of-way line of I-64 in a westerly direction to a point approximately 200 feet west of Cedar Crest Drive; thence in a northerly direction to a public alley between Norway Avenue and Cedar Crest Drive; thence in a westerly direction along Rite Drive to Norway Avenue; thence crossing Norway Avenue north along the crest of the hill approximately 300 feet; thence in an easterly direction approximately 900 feet; thence in a northerly direction to Guyan River; thence in an easterly direction along Guyan River to the westerly boundary lines of the now existing Pea Ridge Public Service District, as shown on the attached map outlined in green; and

Section 2. That the County Court of Cabell County, West Virginia, has determined that the territory to be incorporated in the Pea Ridge Public

BOOK 30 PAGE 578

Service District is within Cabell County, West Virginia, having the hereinabove described boundaries is so situated that the construction and acquisition by purchase or otherwise and the maintenance, operation, improvement and extention of sewage services within such territory by the said Public Service District is feasible and will be conductive to the preservation of the public health, comfort and convenience of such area.

ADOPTED BY THE COUNTY COURT ON THE 23rd DAY OF June, 1965.

President

ATTEST:

Clerk

Huntington, West Virginia

June 23, 1965

The County Court of Cabell County, West Virginia, met in regular session pursuant to law and to the rules of said Court at the County Court House, Cabell County, West Virginia, at 10:00 o'clock A. M. The meeting was called to order and the roll being called, there were present Fred Lonsford, President, presiding, and the following named Commissioners: Frank Black and Sam McConkey

Absent: None.

*** *** ***

The County Court then further discussed the petition of the Pea Ridge Public Service District to revise, change and enlarge its boundary lines and the Court noting that the public hearing was held on the 15th day of May, 1965, thereupon Frank Black introduced and caused to be read a proposed resolution and order entitled:

"A RESOLUTION AND ORDER REVISING, CHANGING AND ENLARGING THE BOUNDARY LINES OF PEA RIDGE PUBLIC SERVICE DISTRICT, CABELL COUNTY, WEST VIRGINIA,"

and moved that all rules and otherwise requiring deferred consideration or several readings be suspended and the said proposed resolution and order be adopted. Sam McConkey seconded the motion and after due consideration the President put the question on the motion, and the roll being called, the following voted:

Aye: Fred Lonsford, Frank Black, and Sam McConkey

Nay: None

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

*** *** ***

On motion and vote the meeting adjourned.

President

ATTEST:

Clerk

Exhibit (F)

SEP 0 8 2005
281

At a Regular Session of the County Commission of Cabell County, West Virginia, held at the Courthouse thereof, on the 8th day of September, 2005, the following order was made and entered:

IN THE MATTER OF THE APPOINTMENT OF SAMUEL J. CUTLER TO THE PEA RIDGE PUBLIC SERVICE DISTRICT

The following Resolution was offered by:

Robert L. Bailey, President:

RESOLVED: That the County Commission of Cabell County, West Virginia do and it hereby does appoint Samuel J. Cutler, as a member to the Pea Ridge Public Service District for a term beginning September 12, 2005, and ending September 11, 2011, with the understanding that said appointment does not become effective until such time as said Appointee takes the required Oath of Office; and

FURTHER RESOLVED: That the Clerk of this Commission is hereby directed to send a Certified Copy of this Order to Samuel J. Cutler, 5970 East Pea Ridge Road, Drive, Huntington, West Virginia, 25705 and one to the Pea Ridge Public Service District, P. O. Box 86, Barboursville, West Virginia 25504.

The adoption of the foregoing Resolution having been moved by:

W. Scott Bias, Commissioner, and duly seconded by;
Nancy Cartmill, Commissioner, the vote thereon was as follows:

Bob Bailey, President	aye
W. Scott Bias, Commissioner	aye
Nancy Cartmill, Commissioner	nay

Whereupon, Bob Bailey, President, declared said Resolution duly adopted; and, it is therefore **ADJUDGED** and **ORDERED** that said Resolution be, and the same is, hereby adopted.

Bob Bailey
Bob Bailey, President

W Scott Bias
W. Scott Bias, Commissioner

Nancy Cartmill, Commissioner

STATE OF WEST VIRGINIA
CABELL COUNTY CLERK
I, KAREN S. COLE, CABELL COUNTY CLERK, DO HEREBY CERTIFY THAT THE FOREGOING IS A TRUE COPY, FROM THE RECORDS OF MY AFORESAID OFFICE.
GIVEN UNDER MY HAND THIS 8th
DAY OF September 2005
KAREN S. COLE, CABELL COUNTY CLERK
BY: Ann Reed
DEPUTY CLERK

CABELL COUNTY CLERK
COMMISSIONERS' Clerk 11
Date/Time: 10/09/2002 12:07
Inst #: 145845
Book/Page: 163- / 413-
Recd/Tax: .00 .00

Exhibit (B)

SEP 5 2002

243

At a Regular Session of the County Commission of Cabell County, West Virginia, held at the Courthouse thereof on the 5th day of September 2002, the following order was made and entered:

IN THE MATTER OF THE APPOINTMENT OF CHARLES R. WOOLCOCK AS A COMMISSIONER TO THE PEA RIDGE PUBLIC SERVICE DISTRICT

The following resolution was offered by:

L. D. Egnor, President

RESOLVED: That the County Commission of Cabell County does hereby appoint Charles R. Woolcock as a Commissioner to the Pea Ridge Public Service District, effective immediately, for a term that will end August 31, 2007.

FURTHER RESOLVED: That the Clerk of the Commission is hereby directed to send a Certified Copy of this Order to Chalres R. Woolcock whose address is 53 Setzer Drive, Barboursville, West Virginia, 25504, and one to the Pea Ridge Public Service District Office, P. O. Box 86, Barboursville, West Virginia 25504.

The adoption of the foregoing resolution having been moved by: Robert L. Bailey, Commissioner, and duly seconded by: Earl "JR" Blankenship, Commissioner, the vote thereon was as follows:

L. D. Egnor, President	aye
Bob Bailey, Commissioner	aye
Earl "JR" Blankenship, Commissioner	aye

Whereupon, L. D. Egnor, President, declared said resolution duly adopted and it is therefore ADJUDGED and ORDERED that said resolution be, and the same is hereby adopted as so stated above.

L. D. Egnor, President

Bob Bailey, Commissioner

Earl "JR" Blankenship, Commissioner

STATE OF WEST VIRGINIA
CABELL COUNTY CLERK
I, KAREN S. COLE, CABELL COUNTY CLERK, DO HEREBY CERTIFY THAT THE FOREGOING IS A TRUE COPY, FROM THE RECORDS OF MY AFORESAID OFFICE.
GIVEN UNDER MY HAND THIS 11th DAY OF April 2003
KAREN S. COLE, CABELL COUNTY CLERK
BY: Dylan Eskew
DEPUTY CLERK

Exhibit (B)

FEB 0 8 2007
024

At a Regular Session of the County Commission of Cabell County, West Virginia, held at the Courthouse thereof, on the 8th day of February, 2007, the following order was made and entered:

IN THE MATTER OF THE APPOINTMENT OF EARL J.R. BLANKENSHIP AS A MEMBER OF THE PEA RIDGE PUBLIC SERVICE DISTRICT

The following Resolution was offered by:

W. Scott Bias, President:

RESOLVED: That the County Commission of Cabell County, West Virginia do and it hereby does appoint Earl J.R. Blankenship, as a Member to the Pea Ridge Public Service District for a Six Year Term beginning immediately and ending February 7, 2013, with the understanding that said appointment does not become effective until such time as said Appointee takes the required Oath of Office; and

FURTHER RESOLVED: That the Clerk of this Commission is hereby directed to send a Certified Copy of this Order to Mr. Blankenship at 4901 West Pea Ridge Road, Huntington, West Virginia 25705, and one to the Pea Ridge Public Service District, P. O. Box 86, Barboursville, WV 25504.

The adoption of the foregoing Resolution having been moved by: Robert L. Bailey, Commissioner, and duly seconded by: W. Scott Bias, President, the vote thereon was as follows:

W. Scott Bias, President	aye
Bob Bailey, Commissioner	aye
Nancy Cartmill, Commissioner	nay

Whereupon, W. Scott Bias, President, declared said Resolution duly adopted; and it is therefore **ADJUDGED** and **ORDERED** that said Resolution be, and the same is, hereby adopted.

W. Scott Bias, President

Bob Bailey, Commissioner

Nancy Cartmill, Commissioner

STATE OF WEST VIRGINIA
CABELL COUNTY CLERK
I, KAREN S. COLE, CABELL COUNTY CLERK, DO HEREBY CERTIFY THAT THE FOREGOING IS A TRUE COPY, FROM THE RECORDS OF MY AFORESAID OFFICE.
GIVEN UNDER MY HAND THIS 8th DAY OF February, 2007
KAREN S. COLE, CABELL COUNTY CLERK
BY: Ann Reed
DEPUTY CLERK

OATH OF APPOINTED OFFICERS

STATE OF WEST VIRGINIA,

COUNTY OF CABELL, TO-WIT:

*I, **Earl J.R. Blankenship**, who was on the **8th** day of **February, 2007**, duly appointed by the Cabell County Commission, of Cabell County, West Virginia and approved by said Commission, as a member of the **Pea Ridge Public Service District** to serve at the will and pleasure of said Commission, do solemnly swear that I will support the Constitution of the United States, the Constitution of the State of West Virginia, and that I will faithfully discharge the duties of said appointed office, to the best of my skill and judgment.*

Given under my hand this the ____ day of 8-007, _____

Earl J Blankenship

(Seal)

*Taken, sworn to and subscribed before me, the undersigned authority, in and for Cabell County, West Virginia, by **Karen S. Cole, County Clerk**, this the 8th day of February, 2007.*

Teresa Powell, Chief Dep.

Cabell County Clerk

APPROVED: _____

W Scott Bias PRESIDENT

Bob Bailey COMMISSIONER

Nancy Cartmill COMMISSIONER

BOOK NO. _____ PAGE NO. _____

CABELL COUNTY CLERK
COMMISSIONERS' Clerk 23
Date/Time: 03/06/2007 13:40
Inst #: 258683
Book/Page: 172- / 408-
Recd/Tax: .00 .00

OATH OF APPOINTED OFFICERS

STATE OF WEST VIRGINIA,

COUNTY OF CABELL, TO-WIT:

I, ***Samuel J. Cutler****, who was on the* ***8th*** *day of* ***September,*** ***2005****, duly appointed by the Cabell County Commission, of Cabell County, West Virginia and approved by said Commission, as a member of the* ***Pea Ridge Public Service District*** *to serve at the will and pleasure of said Commission, do solemnly swear that I will support the Constitution of the United States, the Constitution of the State of West Virginia, and that I will faithfully discharge the duties of said appointed office,to the best of my skill and judgment.*

Given under my hand this the 13 *day of* September, 2005

Samuel J. Cutler

(Seal)

Taken, sworn to and subscribed before me, the undersigned authority, in and for Cabell County, West Virginia, by ***Karen S. Cole, County Clerk****, this the* 13th *day of* September, 2005.

APPROVED:

Bob Bailey

W Scott Bias

COMMISSIONER

Teresa Powell, Chief Deputy
Cabell County Clerk

BOOK NO. _____ PAGE NO. _____

CABELL COUNTY CLERK
COMMISSIONERS' Clerk 06
Date/Time: 09/27/2005 09:33
Inst #: 224721
Book/Page: 169- /
Rcpd/Tax: 720- .00
720- .00

EXHIBIT "B"

CABELL COUNTY CLERK
COMMISSIONERS' Clerk 11
Date/Time: 10/09/2002 12:07
Inst #: 145845
Book/Page: 163 / 414-
Recd/Tax: .00 .00

OATH OF APPOINTED OFFICERS

STATE OF WEST VIRGINIA,

COUNTY OF CABELL, TO-wit:

I, **Charles R. Woolcock**, who was on the 5th day of September, 2002, duly appointed by the Cabell County Commission of Cabell County, West Virginia and approved by said Commission, as a member of the **Pea Ridge Public Service District**, do solemnly swear that I will support the Constitution of the United States, the Constitution of the State of West Virginia, and that I will faithfully discharge the duties of said appointed office of the **Pea Ridge Public Service District**, to the best of my skill and judgment.

Given under my hand this the 5th day of September, 2002.

_____(SEAL)

Taken, sworn to and subscribed before me, the undersigned authority, in and for Cabell County, West Virginia, by Charles R. Woolcock, this the 5th day of September, 2002.

OFFICIAL SEAL
NOTARY PUBLIC
STATE OF WEST VIRGINIA
G. JEAN ESKEW
Cabell Co. Clerk's Office
750 5th Ave., Ste. 100
Huntington, WV 25701
My Commission Expires March 30, 2011

_____
NOTARY PUBLIC

RULES OF PROCEDURE

PEA RIDGE PUBLIC SERVICE DISTRICT

ARTICLE I

NAME AND PLACE OF BUSINESS

Section 1. Name: PEA RIDGE PUBLIC SERVICE DISTRICT.

Section 2. The principal office of this Public Service District will be Iocated at 500 Nova Street, Barboursville, Cabell County, West Virginia.

Section 3. The Common Seal of the District shall consist of 2 concentric circles between which circles shall be inscribed Pea Ridge Public Service District, and in the center "seal" as follows:

Section 4: The fiscal year of the District shall begin on July 1 of each year and shall end on the following June 30.

ARTICLE II

PURPOSE

This District is organized exclusively for the purposes set forth in Chapter 16, Article 13A of the Code of West Virginia of 1931, as amended (the "Act").

ARTICLE III

MEMBERSHIP

Section 1. The members of the Public Service Board of this District shall be those persons appointed by The County Commission of Cabell County, West Virginia, or otherwise appointed pursuant to the Act, who shall serve for such terms as may be specified in the order of the County Commission or otherwise.

Section 2. Should any member of the Public Service Board resign or otherwise become legally disqualified to serve as a member of the Public Service Board, the Secretary shall immediately notify the County Commission or other entity provided under the Act and request the appointment of a qualified person to fill such vacancy. Prior to the end of the term of any member of the Public Service Board, the Secretary shall notify the County Commission or other entity provided under the Act of the pending termination and request the County Commission or other entity provided under the Act to enter an order of appointment or re-appointment to maintain a fully qualified membership of the Public Service Board.

ARTICLE IV

MEETINGS OF THE PUBLIC SERVICE BOARD

Section 1. The members of the Public Service Board of this District shall hold regular monthly meetings every second Monday at such place and hour as the members shall determine from time to time. If the day stated shall fall on a legal holiday, the meeting shah be held on the following day. Special meetings of the Public Service Board may be called at any time by the Chairman or by a quorum of the Board.

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

Section 3. Unless otherwise agreed, notice to members of regular meetings shall not be required. Unless otherwise waived, notice of each special meeting of the membership shall be given to all members by the Secretary by fax, telephone, mail or other satisfactory means at least 3 days before the date fixed for such special meeting. The notice of any special meeting shall state briefly the purposes of such meeting and the nature of the business to be transacted thereat, and no business other than that stated in the notice or incidental thereto shall be transacted at any such special meeting.

PUBLIC NOTICE OF MEETINGS

Section 4. Pursuant to Section 3, Article 9A, Chapter 6 of the West Virginia Code of 1931, as amended (1999 Revision), notice of the date, time, place and agenda of all regularly scheduled meetings of such Public Service Board, and the date, time, place and purpose of all special meetings of such ..Public Service Board, shall be made available, in advance, to the public and news media (except in the event of an emergency requiring immediate action) as follows:

A. Regular Meetings. A notice shall be posted and maintained by the Secretary of the Public Service Board of the Public Service District at the front door or bulletin board of the Cabell County Courthouse and at the front door or bulletin board of the place fixed for regular meetings of the Public Service Board of the date, time and place fixed and entered of record by the Public Service Board for the holding of regularly scheduled meetings. In addition, a copy of the agenda for each regularly scheduled meeting shall be posted at the same locations by the Secretary of the Public Service Board not less than 72 hours before such regular meeting is to be held. If a particular regularly scheduled meeting is cancelled or postponed, a notice of such cancellation or postponement shall be posted at the same locations as soon as feasible after such cancellation or postponement has been determined.

B. Special Meetings. A notice shall be posted by the Secretary of the Public Service Board at the front door or bulletin board of the Cabell County Courthouse and at the front door or bulletin board of the place fixed for the regular meetings of the Public Service Board not less than 72 hours before a pecialiy scheduled meeting is to be held, stating the date, time, place and purpose for which such special meeting shall be held. If the special meeting is cancelled, a notice of such cancellation shall be posted at the same locations as soon as feasible after such cancellation has been determined.

ARTICLE V

OFFICERS

Section 1. The officers of the Public Service Board shall be a Chairman, a Secretary and a Treasurer. The Chairman shall be elected from the members of the Public Service Board. The Secretary and Treasurer need not be members of the Public Service Board, and may be the same person.

Section 2. The officers of the Public Service Board shall be elected each year by the members at the first meeting held in such year. The officers so elected shall serve until the next annual election by the membership and until their successors are duly elected and qualified. Any vacancy occurring among the officers shall be filled by the members of the Public Service Board at a regular or special meeting. Persons selected to fill vacancies shall serve until the following January meeting of the Board when their successors shall be elected hereinabove provided.

ARTICLE VI

DUTIES OF OFFICERS

Section 1. When present, the Chairman shall preside as Chairman at all meetings of the Public Service Board. The Chairman shall, together with the Secretary, sign the minutes of all meetings at which he or she shall preside. The Chairman shall attend generally to the executive business of the Board and exercise such powers as may be conferred by the Board, by these Rules of Procedure, or as prescribed by law. The Chairman shall execute, and if necessary, acknowledge for record, any deeds, deeds of trust, contracts, notes, bonds, agreements or other papers necessary, requisite, proper or convenient to be executed by or on behalf of the Board when and if directed by the members of the Board.

Section 2. The Secretary shall keep a record of all proceedings of the Board which shall be available for inspection as other public records. The Secretary shall, together with the Chairman, sign the minutes of the meetings at which he or she is present. The Secretary shall have charge of the minute book, be the custodian of the Common Seal of the District and all deeds and other writings and papers of the Board. The Secretary shall also perform such other duties as he or she may have under law by virtue of the office or as may be conferred from time to time by the members of the Board, these Rules of Procedure or as prescribed by law.

Section 3. The Treasurer shall be the lawful custodian of all funds of the District and shall disburse funds of the District on orders authorized or approved by the Board. The Treasurer shall keep or cause to be kept proper and accurate books of accounts and proper receipts and vouchers for all disbursements made by or through him and shall prepare and submit such reports and statements of the financial condition of the Board as the members may from time to time prescribe. He shall perform such other duties as may be required of him by law or as may be conferred upon him by the members of the Board, these Rules of Procedure or as prescribed by law.

Section 4. If the Chairman, Secretary or Treasurer is absent from any meeting, the remaining members of the Board shall select a temporary chairman, secretary

or treasurer, as necessary, who shall have all of the powers of the absent officer during such period of absence.

ARTICLE VII

AMENDMENTS TO RULES OF PROCEDURE

These Rules of Procedure may be altered, changed, amended, repealed or added to at any regular or special meeting of the Board by a majority vote__of the entire Board, or at any regular or special meeting of the members when a quorum is present in person and a majority of those present vote for the amendment; but no such change, alteration, amendment, repeal or addition shall be made at any special meeting unless notice of the intention to propose such change, alteration, amendment, repeal or addition and a clear statement of the substance thereof be included in the written notice calling such meeting.

These Rules of Procedure shall replace any and all previous rules of procedure, bylaws or similar rules heretofore adopted by the District.

Adopted this 18th day of August, 2003.

PEA RIDGE PUBLIC SERVICE DISTRICT

P.O. Box 86
Barboursville, WV 25504

(304) 736-6711
Fax (304) 736-4954

Chairman
Charles R. Woolcock
Vice Chairman
Michael T. Seaton
Sec. / Treas.
Samuel J. Cutler
General Manager
Dina B. Foster

Pea Ridge Public Service District
Regular Board Meeting Minutes January 8, 2007

The regularly scheduled meeting of Pea Ridge Public Service District took place at 500 Nova Street, Huntington WV on January 8, 2007.

Chairman Charles Woolcock called the meeting to order at 4:33 p.m. Those present included Chairman Charles Woolcock, Vice-Chairman Michael Seaton, Sec/Treasurer Samuel Cutler, General Manager Dina Foster, Office Clerk Mollie Maynard, Attorney Ron Flora, Field Personnel Bryan Chapman and Ken Moran, Jonathan Carpenter of Thrasher Engineering.

Public Comment and Sign in Sheet:
There were no visitors or comments from the public.

Annul Election of the Board Officers:
A motion was made by Samuel Cutler and seconded by Michael Seaton to retain the same position of office as being Charles Woolcock – Chairman, Michael Seaton - Vice-Chairman and Samuel Cutler – Sec/Treasurer. Motion carried.

Approval of the December 11, 2006 Regular Board Meeting Minutes:
A copy of each of the meeting minutes was provided to all Board members for their consideration. A motion was made by Michael Seaton and seconded by Charles Woolcock approving the minutes of the meeting as written. Motion carried.

Project Update:
Ken Moran presented the Board with updated plans for the new service building, to be reviewed by the Board, Dina Foster and the field personal. Also plans for the pump station were given to Bryan Chapman for review and approval.

Jonathan Carpenter presented phase II of the Route 2 Extension to include two package plants and an addition of 315 residential, 20 commercial customers totaling 335 additional customers. The Board directed Thrasher Engineering to proceed with the planning, and cost estimates for phase I & II of the Route 2 extension.

Charles Woolcock provided information on the upcoming plans of the Cabell County Commission concerning the future of the District.

Financial Update:
Copies of all new purchase information, a Period Ending Accounts Payable journal as well as unaudited financial statements for December 2006 were provided to each Board member. Also a list of all checks written from December 11, 2006 thru January 4, 2007, payroll and deposit information were supplied at an earlier date for the consideration of the Board.

A motion was made by Samuel Cutler and seconded by Michael Seaton to approve an additional accounts payable amount of $23,501.21. This amount was incurred and paid as a December 2006 expense. Motion carried.

A motion to write off the Bad Debit balances as of June 30, 2004 in the amount of $26,745.40 was made by Charles Woolcock and seconded by Michael Seaton. Motion carried.

A motion to pay Scott Hutchinson Enterprises in the amount of $13,205.42 for the balance owed to complete the contract for the Island Estates Sub-Division was made by Michael Seaton and seconded by Samuel Cutler. Motion carried.

Accounts Payable:
Current Accounts Payable information was presented to the Board for their review. A motion was made by Charles Woolcock and seconded by Samuel Cutler to pay accounts payable invoices in the amount of $107,547.35. Motion carried.

Taps:
Dina Foster presented the Board with two new tap applications. A motion was made by Charles Woolcock and seconded by Michael Seaton to approve the tap application for Bob Beamer at the Eastern Heights Shopping Plaza. Motion Carried

The second tap application for Mark Perry at 5919 Mahood Road was rejected by the Board at this time. The Board directed Dina Foster to send Mr. Perry a letter explaining that he would need a separate tap for each apartment and we would need to provide a new design drawing.

Manager's Report:
At this time a Manager's Report was presented to the Board by Dina Foster covering the activities of the District from December 11, 2006 thru January 5, 2007, a copy of which is attached.

A motion was made by Samuel Cutler and seconded by Michael Seaton to increase attorney fees from $130.00 to $150.00 an hour per request by Ronald J. Flora, Attorney at Law office. Motion Carried.

Field Report:
Bryan Chapman presented the Board with the field report covering the dates from December 11, 2006 thru January 5, 2007, a copy of which is attached.

A motion was made by Charles Woolcock and seconded by Samuel Cutler to send Michael Christopher and JD Wilson to a two day seminar in Charleston on Troubleshooting and Preventive Maintenance at the District expense. Motion Carried.

All Other Matters that may legally come before the Board:
Samuel Cutler brought up the size of the generators owned by the District being adequate enough to carry the system in case of an emergency. There was much discussion.

There being no further business to discuss the meeting was adjourned at 6:33pm.
A motion to dismiss was made by Charles Woolcock and seconded by Samuel Cutler.
Motion carried.

Submitted by
Mollie B. Maynard
Mollie B Maynard
Office Clerk
Dina B. Foster
Dina B Foster
General Manager

PEA RIDGE PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds, Series 2007 A
(West Virginia SRF Program)

EXCERPT OF MINUTES ON ADOPTION OF BOND RESOLUTION
AND SUPPLEMENTAL RESOLUTION

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

*** *** ***

The Public Service Board of Pea Ridge Public Service District met in special session, pursuant to notice duly posted, on the 23rd day of August, 2007, in Cabell County, West Virginia, at the hour of 2:00 P.M.

PRESENT: Charles Woolcock
Earl Blankenship
Samuel J. Cutler

ABSENT: NONE

Charles Woolcock, Chairman, presided, and Earl Blankenship, acted as Secretary. The Chairman announced that a quorum of members was present and that the meeting was open for any business properly before it.

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

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC SEWERAGE SYSTEM OF PEA RIDGE PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF $1,043,821 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 2007 A (WEST VIRGINIA SRF PROGRAM), PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING BOND PURCHASE AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE

TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

and caused the same to be read and there was discussion. Thereupon, on motion duly made by Mr. Cutler and seconded by Mr Woolcock, it was ordered that the said Bond Resolution be adopted and be in full force and effect on and from the date hereof. Mr Blankenship voted no expressing his objection to the size of the building included in the Project.

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

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNTS, DATES, MATURITY DATES, REDEMPTION PROVISIONS, INTEREST RATES, INTEREST AND PRINCIPAL PAYMENT DATES, SALE PRICES AND OTHER TERMS OF THE SEWER REVENUE BONDS, SERIES 2007 A (WEST VIRGINIA SRF PROGRAM) OF PEA RIDGE PUBLIC SERVICE DISTRICT; APPROVING AND RATIFYING THE BOND PURCHASE AGREEMENT RELATING TO SUCH BONDS AND THE SALE AND DELIVERY OF SUCH BONDS TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; DESIGNATING A REGISTRAR, PAYING AGENT AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

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

*** *** ***

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

CERTIFICATION

I hereby certify that the foregoing is a true copy of the minutes of Pea Ridge Public Service District and that such actions remain in full force and effect and have not been amended, rescinded, superseded, repealed or changed.

WITNESS my signature on this 28th day of August, 2007.

Secretary

692580.00004

WV MUNICIPAL BOND COMMISSION
#8 Capitol Street
Terminal Building, Suite 500
Charleston, WV 25301
(304) 558-3971

NEW ISSUE REPORT FORM

Date of Report: August 28, 2007

(See Reverse for Instructions)

ISSUE: Pea Ridge Public Service District, Sewer Revenue Bonds, Series 2007 A (West Virginia SRF Program)

ADDRESS: Post Office Box 268, Kenova, West Virginia 25530 COUNTY: Cabell

PURPOSE OF ISSUE: New Money: X
Refunding: _____

REFUNDS ISSUE(S) DATED: N/A

ISSUE DATE: August 28 2007

CLOSING DATE: August 28, 2007

ISSUE AMOUNT: $1,043,821

RATE: 0% interest; 0.5% administrative fee

1ST DEBT SERVICE DUE: December 1, 2008

1ST PRINCIPAL DUE: December 1, 2008

1ST DEBT SERVICE AMOUNT: $8,699

PAYING AGENT: Municipal Bond Commission

BOND COUNSEL: Steptoe & Johnson PLLC
Contact Person: John C. Stump, Esquire
Phone: (304) 353-8196

UNDERWRITERS COUNSEL: Jackson Kelly PLLC
Contact Person: Samme Gee, Esquire
Phone: (304) 340-1318

CLOSING BANK: The First State Bank
Contact Person: Osten Mathisen
Phone: 304.736.5271

ESCROW TRUSTEE: _____
Contact Person: _____
Phone: _____

KNOWLEDGEABLE ISSUER CONTACT
Contact Person: Dena Foster
Position: Manager
Phone: (304) 453.1571

OTHER: WV Department of Environmental Protection
Contact Person: Rosalie Brodersen
Function: Section Manager
Phone: (304) 926-0499

DEPOSITS TO MBC AT CLOSE:
By: _____ Wire
_____ Check

____ Accrued Interest: $_____
____ Capitalized Interest: $_____
____ Reserve Account: $_____
____ Other: _____ $_____

REFUNDS & TRANSFERS BY MBC AT CLOSE
By: _____ Wire
_____ Check
_____ IGT

____ To Escrow Trustee: $_____
____ To Issuer $_____
____ To Cons. Invest. Fund $_____
____ To Other: _____ $_____

NOTES: The Series 2007 A Bonds Reserve Account will be funded over 10 years.

FOR MUNICIPAL BOND COMMISSION USE ONLY:
DOCUMENTS REQUIRED: _____
TRANSFERS REQUIRED: _____

CH898164.1

PEA RIDGE PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds, Series 2007 A
(West Virginia SRF Program)

ACCEPTANCE OF APPOINTMENT AS DEPOSITORY BANK

The First State Bank, Barboursville, West Virginia, hereby accepts appointment as Depository Bank in connection with the Bond Resolution of Pea Ridge Public Service District (the "Issuer") adopted August 23, 2007, and the Supplemental Resolution of the Issuer adopted August 23, 2007 (collectively, the "Bond Legislation"), authorizing issuance of the Issuer's Sewer Revenue Bonds, Series 2007 A (West Virginia SRF Program), dated August 28, 2007, issued in the principal amount of $1,043,821 (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 on this 28th day of August, 2007.

THE FIRST STATE BANK.

By: _____
Its Authorized Officer

692580.00004

PEA RIDGE PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds, Series 2007 A
(West Virginia SRF Program)

ACCEPTANCE OF DUTIES AS REGISTRAR

THE HUNTINGTON NATIONAL BANK, Charleston, West Virginia, hereby accepts appointment as Registrar in connection with the Pea Ridge Public Service District Sewer Revenue Bonds, Series 2007 A (West Virginia SRF Program) dated August 28, 2007, issued in the principal amount of $1,043,821 (the "Bonds"), and agrees to perform all duties of Registrar in connection with the Bonds, all as set forth in the Bond Legislation authorizing issuance of the Bonds.

WITNESS my signature on this 28th day of August, 2007.

THE HUNTINGTON NATIONAL BANK

By: _____
Its: Authorized Officer

692580.00004

PEA RIDGE PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds, Series 2007 A
(West Virginia SRF Program)

CERTIFICATE OF REGISTRATION OF BONDS

THE HUNTINGTON NATIONAL BANK, Charleston, West Virginia, as Registrar under the Bond Legislation and Registrar's Agreement providing for the above-captioned Bonds of Pea Ridge Public Service District (the "Issuer"), hereby certifies that on the date hereof, the single, fully registered Sewer Revenue Bond, Series 2007 A (West Virginia SRF Program), of the Issuer, dated August 28, 2007, in the principal amount of $1,043,821, numbered AR-1, was registered as to principal only in the name of "West Virginia Water Development Authority" in the books of the Issuer kept for that purpose at our office, by a duly authorized officer on behalf of The Huntington National Bank, as Registrar.

WITNESS my signature on this 28th day of August, 2007.

THE HUNTINGTON NATIONAL BANK

By: _____
Its: Authorized Officer

08.20.07
692580.00004

PEA RIDGE PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds, Series 2007 A
(West Virginia SRF Program)

REGISTRAR'S AGREEMENT

THIS REGISTRAR'S AGREEMENT, dated as of the 28th day of August, 2007, by and between PEA RIDGE PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia (the "Issuer"), and THE HUNTINGTON NATIONAL BANK, Charleston, West Virginia (the "Registrar").

WHEREAS, the Issuer has, contemporaneously with the execution hereof, issued and sold its $1,043,821 Sewer Revenue Bonds, Series 2007 A (West Virginia SRF Program), in fully registered form (the "Bonds"), pursuant to the Bond Resolution of the Issuer duly adopted August 23, 2007, and the Supplemental Resolution of the Issuer duly adopted August 23, 2007 (collectively, the "Bond Legislation");

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

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

WHEREAS, the Issuer desires to appoint, and by the Bond Legislation and this Registrar's Agreement does appoint, the Registrar to act as Registrar under the Bond Legislation and to take certain other actions hereinafter set forth;

NOW, THEREFORE, it is agreed by and between the parties hereto as follows:

1. Upon the execution of this Registrar's Agreement by the Issuer and the Registrar and during the term hereof, the Registrar does accept and shall have and carry out the powers and duties of Registrar for the Bonds, all as set forth in the Bond Legislation, such duties including, among other things, the duties to authenticate, register and deliver Bonds upon original issuance and when properly presented for exchange or transfer, and shall do so with the intention of maintaining the exclusion of interest on the Bonds from gross income for federal income tax purposes, in accordance with any rules and regulations promulgated by the United States Treasury Department or by the Municipal Securities Rulemaking Board or similar regulatory bodies as the Issuer advises it of and with generally accepted industry standards.

2. The Registrar agrees to furnish the Issuer with appropriate records of all transactions carried out by it as Registrar and to furnish the Issuer with the names and specimen signatures of the Registrar's authorized officers for the purposes of acting as the Registrar and with such other information and reports as the Issuer may from time to time reasonably require.

3. The Registrar shall have no responsibility or liability for any action taken by it at the specific direction of the Issuer.

4. As compensation for acting as Registrar pursuant to this Registrar's Agreement, the Issuer hereby agrees to pay to the Registrar the compensation for services rendered as provided in the annexed schedule.

5. It is intended that this Registrar's Agreement shall carry out and implement provisions of the Bond Legislation with respect to the Registrar. In the event of any conflict between the terms of this Registrar's Agreement and the Bond Legislation, the terms of the Bond Legislation shall govern.

6. The Issuer and the Registrar each warrants and represents that it is duly authorized and empowered to execute and enter into this Registrar's Agreement and that neither such execution nor the performance of its duties hereunder or under the Bond Legislation will violate any order, decree or agreement to which it is a party or by which it is bound.

7. This Registrar's Agreement may be terminated by either party upon 60 days' written notice sent by registered or certified mail to the other party, at the following respective addresses:

ISSUER: Pea Ridge Public Service District
P.O. Box 86
Barboursville, West Virginia 25504
Attn: Chairman

REGISTRAR: The Huntington National Bank
One Huntington Square
Charleston, West Virginia 25301
Attention: Corporate Trust Department

8. The Registrar is hereby requested and authorized to authenticate and deliver the Bonds in accordance with the Bond Legislation.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have respectively caused this Registrar's Agreement to be signed in their names and on their behalf, all as of the day and year first above-written.

PEA RIDGE PUBLIC SERVICE DISTRICT

By: _____
Its: Chairman

THE HUNTINGTON NATIONAL BANK

By: _____
Its: Authorized Officer

04.04.07
692580.00004

EXHIBIT A

Bond Legislation included in bond transcript as Documents Nos. 1 and 2.

SCHEDULE OF COMPENSATION

Private Financial Group
P.O. Box 633 - WE3013
Charleston, West Virginia 25322-0633

Huntington

STATEMENT OF TRUSTEE'S FEES
Invoice Date August 28, 2007

Pea Ridge Public Service District
Account Number 6089001809

Pea Ridge Public Service District
Sewer Revenue Bonds, Series 2007 A
C/o John C. Stump
Steptoe & Johnson, PLLC
P.O. Box 1588
Charleston, WV 25326-1588

SUMMARY OF ACCOUNT

****

FEE CALCULATION FOR August, 2007

****

TOTAL AMOUNT	$	500.00
TOTAL DUE	**$**	**500.00**

* FEE INVOICES ARE PAYABLE WITHIN 30 DAYS. IF PAYMENT *
* IS NOT RECEIVED, FEES WILL BE DEDUCTED FROM THE PLAN *
* .. MAIL CHECK TO: HUNTINGTON NATIONAL BANK, ATTN: BARRY. . *
* .. GRIFFITH, PO BOX 633, CHARLESTON, WV 25322-0633 . . . . . *

IF YOU HAVE ANY QUESTIONS, PLEASE CONTACT
Barry Morgan Griffith at (304)348-5035

STATE OF WEST VIRGINIA
DEPARTMENT OF ENVIRONMENTAL PROTECTION
DIVISION OF WATER AND WASTE MANAGEMENT
601 57TH STREET SE
CHARLESTON, WV 25304-2345

NATIONAL POLLUTANT DISCHARGE ELIMINATION SYSTEM
WATER POLLUTION CONTROL PERMIT

NPDES PERMIT NO.: WV0027413
SUBJECT: Sewage

ISSUE DATE: May 04, 2005
EFFECTIVE DATE : June 03, 2005
EXPIRATION DATE: June 30, 2008
SUPERSEDES: Permit No. WV0027413 dated August 20, 1999; Permit No. WV0050261 dated December 06, 1994; Permit No. WV0084778 dated July 30, 1996

LOCATION: HUNTINGTON (City) Cabell (County) Lower Guyandotte River (Drainage Basin)

See the next page for a list of Outlets.

TO WHOM IT MAY CONCERN:

This is to certify that: PEA RIDGE PSD
PO BOX 86
BARBOURSVILLE, WV 25504

is hereby granted a West Virginia NPDES Water Pollution Control Permit to:
operate and maintain two(2) existing wastewater collection and treatment systems and to operate and maintain two(2) existing wastewater collection systems, each of which are further described as follows:

Former Ohio River PSD Collection System:
A wastewater collection system that consists of 740 linear feet of six(6) inch gravity sewer line, 5,500 linear feet of eight(8) inch gravity sewer line, 50 linear feet of 12 inch gravity sewer line, 20 manholes, necessary cleanouts, two(2) lift stations, 100 linear feet of one and one half (1 1/2) inch force main, 2,500 linear feet of three(3) inch force main and all requisite appurtenances.

These facilities serve an estimated 400 persons and convey wastewater to the City of Huntington Wastewater Treatment Plant for treatment and discharge to the Ohio River at Mile Point 313.2.

Route 2 and Hillview Areas Collection System:
A wastewater collection system that consists of 3,950 linear feet of six(6) inch gravity sewer line, 23,800 linear feet of eight(8) inch gravity sewer line, 1,289 linear feet of one and one half (1 1/2) inch force main, 11,000 linear feet of six(6) in force main, two(2) lift stations, three(3) grinder pump stations, 108 manholes, and requisite appurtenances.

These facilities serve an estimated 225 customers and convey wastewater to the City of Huntington Wastewater Treatment Plant for treatment and discharge to the Ohio River at Mile Point 313.2

Plant "A" Collection and Treatment System.
The existing 850,000 gallon per day wastewater collection and treatment system consists of approximately

22,500 linear feet of six(6) inch gravity sewer line, 116,700 linear feet of eight(8) inch gravity sewer line, 15,700 linear feet of 10 inch gravity sewer line, 3,800 linear feet of 12 inch gravity sewer line, 620 manholes, 19 lift stations, 600 linear feet of two(2) inch force main, 2,026 linear feet of four(4) inch force main, 15,312 linear feet of six(6) inch force main, 7,391 linear feet of eight(8) inch force main, 4,475 linear feet of 10 inch force main and an 850,000 gallon per day treatment system consisting of an aerated grit chamber, a mechanical bar screen, four(4) 214,500 gallon aeration tanks, two(2) 35,200 gallon rectangular clarifiers, two(2) 76,100 gallon circular clarifiers, ultraviolet disinfection units, a 164,700 gallon aerobic digester, a sludge dewatering filter belt press and all necessary appurtenances.

This facility is designed to serve a population equivalent of approximately 8,500 persons in the eastern portion of the Pea Ridge Public Service District and discharge treated wastewater through Outlet No. 001 to the Guyandotte River at Mile Point 6.8.

Plant "B" Collection and Treatment System:
The existing 364,000 gallon per day wastewater collection and treatment system consists of approximately 15,614 linear feet of six(6) inch gravity sewer line, 56,062 linear feet of eight(8) inch gravity sewer line, 2,300 linear feet of 10 inch gravity sewer line, 400 manholes, nine(9) lift stations, 312 linear feet of one and a quarter(1 1/4) inch force main, 1,704 linear feet of one and a half(1 1/2) inch force main, 3,000 linear feet of two(2) inch force main, 3,529 linear feet of four(4) inch force main, 2,544 linear feet of six(6) inch force main and a 364,000 gallon per day treatment facility consisting of four(4) 96,800 gallon aeration tanks, four(4) 15,000 gallon rectangular clarifiers, ultraviolet disinfection units, an aerated sludge holding tank and all necessary appurtenances.

The facility is designed to serve a population equivalent of 3,640 persons in the western portion of the Pea Ridge Public Service District and discharge treated wastewater through Outlet No. 002 to the Guyandotte River at Mile Point 2.8.

This permit is subject to the following terms and conditions :
The information submitted on and with Permit Application No. WV0027413 dated the 23rd day of August 2004 is all hereby made terms and conditions of this Permit with like effect as if all such permit application information were set forth herein and with other conditions set forth in Sections A, B, C, D and Appendix A.

The validity of this permit is contingent upon the payment of the applicable annual permit fee, as required by Chapter 22, Article 11, Section 10 of the Code of West Virginia.

ACORD CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY) 08/21/2007

PRODUCER (304)375-4900 FAX (304)375-5843
Bill Bailey Insurance Agency
701 Highland Avenue
P. O. Box 246
Williamstown, WV 26187

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

INSURED Pea Ridge PSD
P.O. Box 86
Barboursville, WV 25504

INSURERS AFFORDING COVERAGE	NAIC #
INSURER A: American Alternative Insurance	
INSURER B:	
INSURER C:	
INSURER D:	
INSURER E:	

COVERAGES

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. AGGREGATE LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	ADD'L INSRD	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS	
A		GENERAL LIABILITY [X] COMMERCIAL GENERAL LIABILITY [ ] CLAIMS MADE [X] OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: [ ] POLICY [ ] PRO-JECT [ ] LOC	SP9152252-00	07/01/2007	07/01/2008	EACH OCCURRENCE	$ 1,000,000
						DAMAGE TO RENTED PREMISES (Ea occurrence)	$ 100,000
						MED EXP (Any one person)	$ 5,000
						PERSONAL & ADV INJURY	$ 1,000,000
						GENERAL AGGREGATE	$ 3,000,000
						PRODUCTS - COMP/OP AGG	$ 3,000,000
A		AUTOMOBILE LIABILITY [X] ANY AUTO [ ] ALL OWNED AUTOS [ ] SCHEDULED AUTOS [ ] HIRED AUTOS [ ] NON-OWNED AUTOS	SA8053298-00	07/01/2007	07/01/2008	COMBINED SINGLE LIMIT (Ea accident)	$ 1,000,000
						BODILY INJURY (Per person)	$
						BODILY INJURY (Per accident)	$
						PROPERTY DAMAGE (Per accident)	$
		GARAGE LIABILITY [ ] ANY AUTO				AUTO ONLY - EA ACCIDENT	$
						OTHER THAN AUTO ONLY: EA ACC	$
						AGG	$
A		EXCESS/UMBRELLA LIABILITY [X] OCCUR [ ] CLAIMS MADE [ ] DEDUCTIBLE [ ] RETENTION $	SX9250816-00	07/01/2007	07/01/2008	EACH OCCURRENCE	$ 1,000,000
						AGGREGATE	$
							$
							$
							$
		WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? If yes, describe under SPECIAL PROVISIONS below				WC STATU-TORY LIMITS / OTH-ER	
						E.L. EACH ACCIDENT	$
						E.L. DISEASE - EA EMPLOYEE	$
						E.L. DISEASE - POLICY LIMIT	$
		OTHER					

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES / EXCLUSIONS ADDED BY ENDORSEMENT / SPECIAL PROVISIONS

The certificate holder listed below is listed as loss payee.

CERTIFICATE HOLDER

WV Water Development Authority
180 Association Drive
Charleston, WV 25311

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING INSURER WILL ENDEAVOR TO MAIL 30 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO MAIL SUCH NOTICE SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER, ITS AGENTS OR REPRESENTATIVES.

AUTHORIZED REPRESENTATIVE Renee D Shotwell

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west virginia department of environmental protection

Division of Water and Waste Management
601 57th Street SE
Charleston, WV 25304
Phone: (304) 926-0495
FAX: (304) 926-0496

Joe Manchin III, Governor
Stephanie R. Timmermeyer, Cabinet Secretary
www.wvdep.org

April 9, 2007

Mr. Charles Woolcock, Chairman
Pea Ridge PSD
P.O. Box 86
Barboursville, West Virginia 25504

RE: Pea Ridge PSD
Plans and Specifications Approval
Lift Station # 3 and Service Building
SRF No. C-544432

Dear Mr. Woolcock:

The plans and specifications for the above referenced project are hereby approved.

This approval DOES NOT constitute authority to advertise for bids. You will be advised by separate letter from this agency as to when such an advertisement can be initiated.

Any addenda or revisions to the contract documents must be telefaxed to this office for approval and issued to plan holders five (5) days prior to bid opening. Failure to submit addenda in a timely manner will automatically nullify approval to open bids. Any addenda issued inside the five (5) day period prior to the bid opening must include an automatic extension to the bid opening date of a minimum of seven (7) days.

If any questions arise, please contact Mike Warwick, P.E., at (304) 926-0499 Ext 1597.

Sincerely,

Lisa A. McClung
Director

LAM/ mw

cc: Jonathan Carpenter, P.E., Thrasher Environmental

PEA RIDGE PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds, Series 2003 A
(West Virginia SRF Program)
and
Sewer Revenue Bonds, Series 2003 B
(West Virginia Water Development Authority)

BOND RESOLUTION

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PEA RIDGE PUBLIC SERVICE DISTRICT

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC SEWERAGE FACILITIES OF PEA RIDGE PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $12,429,500 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 2003 A (WEST VIRGINIA SRF PROGRAM) AND NOT MORE THAN $100,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 2003 B (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING THE LOAN AGREEMENTS RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF PEA RIDGE PUBLIC SERVICE DISTRICT:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01. Authority for this Resolution. This Resolution (together with any order or resolution supplemental hereto or amendatory hereof, the "Bond Legislation") is adopted pursuant to the provisions of Chapter 16, Article 13A, Chapter 22C, Article 2 and Chapter 22C, Article 1 of the West Virginia Code of 1931, as amended (collectively, the "Act"), and other applicable provisions of law.

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

A. Pea Ridge Public Service District (the "Issuer") is a public service district and a public corporation and political subdivision of the State of West Virginia in Cabell County of said State.

B. The Issuer presently owns and operates a public sewerage system. However, it is deemed necessary and desirable for the health, safety, advantage, convenience and welfare of the inhabitants of the Issuer that there be acquired and constructed certain improvements and extensions to the existing public sewerage system of the Issuer, consisting of extensions of service to over 400 new customers, rehabilitation of the majority of the Issuer's pump stations, upgrade of several areas of inadequate force mains, stations, improvements to two treatment plants, elimination of the sewer lagoon serving Guyan Estates and construction of a new office building, together with all appurtenant facilities (collectively, the "Project"), which constitute properties for the collection, treatment, purification or disposal of liquid or solid wastes, sewage or industrial wastes (the existing public sewerage facilities of the Issuer, the Project and any further improvements or extensions thereto are herein called the "System") in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications have heretofore been filed with the Issuer.

C. The Issuer intends to permanently finance a portion of the costs of acquisition and construction of the Project through the issuance of its revenue bonds to the West Virginia Water Development Authority (the "Authority") pursuant to the Act.

D. It is deemed necessary for the Issuer to issue its Sewer Revenue Bonds, in the total aggregate principal amount of not more than $12,529,500, in the two series, being the Sewer Revenue Bonds, Series 2003 A (West Virginia SRF Program), in the aggregate principal amount of $12,429,500 (the "Series 2003 A Bonds"), and the Sewer Revenue Bonds, Series 2003 B (West Virginia Water Development Authority), in the aggregate principal amount of $100,000 (the "Series 2003 B Bonds"), to permanently finance a portion of the costs of acquisition and construction of the Project (collectively, the "Series 2003 Bonds"). The remaining costs of the Project shall be funded from the sources set forth in Section 2.01 hereof. Said costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest, if any, upon the Series 2003 Bonds prior to and during acquisition and construction of the Project and for a period not exceeding six months after completion of acquisition and construction of the Project; amounts which may be deposited in the respective Reserve Accounts (as hereinafter defined); engineering and legal expenses; expenses for estimates of costs and revenues, expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise, administrative expense, commitment fees, fees and expenses of the Authority, including the SRF Administrative Fee (as hereinafter defined), discount, initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Series 2003 Bonds and such other expenses as may be necessary or incidental to the financing herein authorized, the cost of acquisition and construction of the Project, and the performance of the things herein required or permitted, in connection with any thereof; provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the

Series 2003 Bonds or the repayment of indebtedness incurred by the Issuer for such purposes shall be deemed Costs of the Project, as hereinafter defined.

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

F. It is in the best interests of the Issuer that the Series 2003 A Bonds be sold to the Authority pursuant to the terms and provisions of a bond purchase agreement by and among the Issuer, the Authority and the West Virginia Department of Environmental Protection (the "DEP"), in form satisfactory to the Issuer, the Authority and the DEP (the "SRF Loan Agreement"), and that the Series 2003 B Bonds be sold to the Authority pursuant to the terms and provisions of the loan agreement by and between the Issuer and the Authority (the "WDA Loan Agreement" and, collectively with the SRF Loan Agreement, the "Loan Agreements"), both of which are approved hereby if not previously approved by resolution of the Issuer.

G. There are outstanding obligations of the Issuer which will rank on a parity with the Series 2003 Bonds as to liens, pledge and source of and security for payment, being the Sewer Revenue Bonds, Series 1992 (West Virginia SRF Program), dated December 28, 1992, issued in the original aggregate principal amount of $1,250,000 (the "Series 1992 Bonds"), the Sewer Refunding Revenue Bonds, Series 1994, dated November 1, 1994, issued in the original aggregate principal amount of $3,035,000 (the "Series 1994 Bonds"), and the Sewerage System Design Revenue Bonds, Series 2000 (West Virginia SRF Program), dated March 7, 2000, issued in the original aggregate principal amount of $477,000 (the "Series 2000 Bonds" and, collectively with the Series 1992 Bonds and the Series 1994 Bonds, the "Prior Bonds").

The Series 2003 Bonds shall be issued on a parity with the Prior Bonds. Prior to the issuance of the Series 2003 Bonds, the Issuer will obtain the certificate of an Independent Certified Public Accountant stating that the coverage and parity tests of the Prior Bonds are met and the written consent of the Holders of the Series 1992 Bonds and the Series 2000 Bonds to the issuance of the Series 2003 Bonds on a parity with the Series 1992 Bonds and the Series 2000 Bonds. The Issuer is not required to obtain the consent of the Holders of the Series 1994 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.

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

I. The Issuer has complied with all requirements of West Virginia law and the Loan Agreements relating to authorization of the acquisition, construction and operation of the Project and the System and issuance of the Series 2003 Bonds, or will have so complied prior to issuance of any thereof, including, among other things and without limitation, the approval of the Project and the financing hereof by the West Virginia Infrastructure and Jobs Development Council and the obtaining of a certificate of public convenience and necessity, if necessary, and approval of this financing and necessary user rates and charges described herein from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which will either have expired prior to the issuance of the Series 2003 Bonds or such final order will not be subject to appeal or rehearing.

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

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Series 2003 Bonds by those who shall be the Registered Owners of the same from time to time, this Bond Legislation shall be deemed to be and shall constitute a contract between the Issuer and such Registered Owners, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the Registered Owners of any and all of such Series 2003 Bonds, all which shall be of equal rank and without preference, priority or distinction between any one Bond of a series and any other Bonds of the same series, by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

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

"Act" means, collectively, Chapter 16, Article 13A, Chapter 22C, Article 2 and Chapter 22C, Article 1 of the West Virginia Code of 1931, as amended and in effect on the date of adoption hereof.

"Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser and Registered Owner of the Series 2003 Bonds, or any other agency of the State of West Virginia that succeeds to the functions of the Authority.

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

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

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

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

"Bonds" means, collectively, the Series 2003 A Bonds, the Series 2003 B Bonds, the Prior Bonds, and any bonds on a parity therewith subsequently authorized to be issued hereunder or by another resolution of the Issuer.

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

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

"Closing Date" means the date upon which there is an exchange of the Series 2003 Bonds for all or a portion of the proceeds of the Series 2003 Bonds from the Authority.

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

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

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

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

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

"DEP" means the West Virginia Department of Environmental Protection, or any other agency, board or department of the State that succeeds to the functions of the DEP.

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

"Depreciation Fund" means the Depreciation Fund established by the Prior Resolutions and continued hereby.

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

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

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

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

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

"Gross Revenues" means the aggregate gross operating and non-operating revenues of the System, as hereinafter defined, determined in accordance with generally accepted accounting principles, after deduction of prompt payment discounts, if any, and reasonable provision for uncollectible accounts; provided, that "Gross Revenues" does not include any gains from the sale or other disposition of, or from any increase in the value of, capital assets (including Qualified Investments, as hereinafter defined, purchased pursuant to Article 8.01 hereof), amounts received due to an award of grant moneys or proceeds of any condemnation or insurance award, or any Tap Fees, as hereinafter defined.

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

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

"Investment Property" means

(A) any security (within the meaning of Section 165(g)(2)(A) or (B) of the Code),

(B) any obligation,

(C) any annuity contract,

(D) any investment-type property, or

(E) in the case of a bond other than a private activity bond, any residential rental property for family units which is not located within the jurisdiction of the Issuer and which is not acquired to implement a court ordered or approved housing desegregation plan.

Except as provided in the following sentence, the term "Investment Property" does not include any tax-exempt bond. With respect to an issue other than an issue a part of which is a specified private activity bond (as defined in section 57(a)(5)(C) of the Code), the term "Investment Property" includes a specified private activity bond (as so defined).

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

"Loan Agreements" means, collectively, the SRF Loan Agreement and the WDA Loan Agreement, the form of which shall be approved, and the execution and delivery by the Issuer authorized and directed or ratified, by the Supplemental Resolution.

"Net Proceeds" means the face amount of the Series 2003 Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds, if any, deposited in the respective Series 2003 Bonds Reserve Accounts. 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 2003 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 as defined in Section 148(b) of the Code, that is not a purpose investment.

"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, the SRF Administrative Fee, 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.

"Operation and Maintenance Fund" means the Operation and Maintenance Fund established by the Prior Resolutions and continued hereby.

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

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

"Paying Agent" means the Commission or other entity designated as such for the Series 2003 Bonds in the Supplemental Resolution with the written consent of the Authority and the DEP.

"Prior Bonds" means, collectively, the Series 1992 Bonds, the Series 1994 Bonds and the Series 2000 Bonds as described in Section 1.02G hereof.

"Prior Resolutions" means, collectively, the resolution of the Issuer adopted December 21, 1992, authorizing the Series 1992 Bonds; the resolution of the Issuer adopted September 29, 1994, authorizing the Series 1994 Bonds; and the resolution of the Issuer adopted March 6, 2000, authorizing the Series 2000 Bonds.

"Private Business Use" means use (directly or indirectly) in a trade or business carried on by any person other than a governmental unit; provided that use as a member of the general public shall not be taken into account.

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

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

(a) Government Obligations;

(b) Government Obligations which have been stripped of their unmatured interest coupons, interest coupons stripped from Government Obligations, and

receipts or certificates evidencing payments from Government Obligations or interest coupons stripped from Government Obligations;

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

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

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

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

(g) Repurchase agreements or similar banking arrangements, fully secured by investments of the types described in paragraphs (a) through (e) above or fully insured by the FDIC, with member banks of the Federal Reserve system or 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, including, without limitation, authorized pools of investments operated by such State Board of Investments; and

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

"Registrar" means the Bond Registrar.

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

"Reserve Accounts" means, collectively, the respective reserve accounts established for the Series 2003 A Bonds, the Series 2003 B Bonds and the Prior Bonds.

"Reserve Requirement" means, collectively, the respective amounts required to be on deposit in any reserve account for the Series 2003 A Bonds, the Series 2003 B Bonds and the Prior Bonds.

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

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

"Series 1992 Bonds" means the Sewer Revenue Bonds, Series 1992 (West Virginia SRF Program), of the Issuer as described in Section 1.02G hereof.

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

"Series 2000 Bonds" means the Sewerage System Design Revenue Bonds, Series 2000 (West Virginia SRF Program), of the Issuer as described in Section 1.02G hereof.

"Series 2003 Bonds" means, collectively, the Series 2003 A Bonds and the Series 2003 B Bonds of the Issuer, authorized by this Resolution.

"Series 2003 A Bonds" means the Sewer Revenue Bonds, Series 2003 A (West Virginia SRF Program), of the Issuer, authorized by this Resolution.

"Series 2003 A Bonds Construction Trust Fund" means the Series 2003 A Bonds Construction Trust Fund established by Section 5.01 hereof.

"Series 2003 A Bonds Reserve Account" means the Series 2003 A Bonds Reserve Account established in the Series 2003 A Bonds Sinking Fund pursuant to Section 5.02 hereof.

"Series 2003 A Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 2003 A Bonds in the then current or any succeeding year.

"Series 2003 A Bonds Sinking Fund" means the Series 2003 A Bonds Sinking Fund established by Section 5.02 hereof.

"Series 2003 B Bonds" means the Sewer Revenue Bonds, Series 2003 B (West Virginia SRF Program), of the Issuer, authorized by this Resolution.

"Series 2003 B Bonds Construction Trust Fund" means the Series 2003 B Bonds Construction Trust Fund established by Section 5.01 hereof.

"Series 2003 B Bonds Rebate Fund" means the Series 2003 B Bonds Rebate Fund established by Section 5.01 hereof.

"Series 2003 B Bonds Reserve Account" means the Series 2003 B Bonds Reserve Account established in the Series 2003 B Bonds Sinking Fund pursuant to Section 5.02 hereof.

"Series 2003 B Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 2003 B Bonds in the then current or any succeeding year.

"Series 2003 B Bonds Sinking Fund" means the Series 2003 B Bonds Sinking Fund established by Section 5.02 hereof.

"Sinking Funds" means, collectively, the respective sinking funds established for the Series 2003 A Bonds, the Series 2003 B Bonds and the Prior Bonds.

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

"SRF Loan Agreement" means the Bond Purchase Agreement heretofore entered, or to be entered, into by and among the Authority, the DEP and the Issuer, providing for the purchase of the Series 2003 A Bonds from the Issuer by the Authority, the form of which

shall be approved, and the execution and delivery by the Issuer authorized and directed or ratified, by the Supplemental Resolution.

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

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

"State" means the State of West Virginia.

"Supplemental Resolution" means any resolution or order of the Issuer supplementing or amending this Resolution and, when preceded by the article "the," refers specifically to the supplemental resolution or resolutions authorizing the sale of the Series 2003 Bonds; provided, that any matter intended by this Resolution to be included in the Supplemental Resolution with respect to the Series 2003 Bonds, and not so included, may be included in another Supplemental Resolution.

"Surplus Revenues" means the Net Revenues not required by the Bond Legislation to be set aside and held for the payment of or security for the Series 2003 Bonds, the Prior Bonds or any other obligations of the Issuer, including, without limitation, the Depreciation Fund, the Sinking Funds and the Reserve Accounts.

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

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

"WDA Loan Agreement" means the Loan Agreement heretofore entered, or to be entered, into by and between the Authority and the Issuer, providing for the purchase of the Series 2003 B Bonds from the Issuer by the Authority, the form of which shall be approved, and the execution and delivery by the Issuer authorized and directed or ratified, by the Supplemental Resolution.

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

Chairman or the Secretary shall mean that such Bonds, certificate or other document may be executed or attested by an Acting Chairman or Acting Secretary.

ARTICLE II

AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT

Section 2.01. Authorization of Acquisition and Construction of the Project. There is hereby authorized and ordered the acquisition and construction of the Project, at an estimated cost of $12,779,500, in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed in the office of the Governing Body. The proceeds of the Series 2003 Bonds hereby authorized shall be applied as provided in Article VI hereof, respectively. The Issuer has received bids and will enter into contracts for the acquisition and construction of the Project, in an amount and otherwise compatible with the financing plan submitted to the Authority and the DEP.

The cost of the Project is estimated to be $12,779,500, of which $12,429,500 will be obtained from proceeds of the Series 2003 A Bonds, $100,000 will be obtained from proceeds of the Series 2003 B Bonds, and $250,000 will be obtained from the proceeds of a Grant from the West Virginia Infrastructure and Jobs Development Council.

ARTICLE III

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

Section 3.01. Authorization of Bonds. For the purposes of capitalizing interest on the Series 2003 Bonds, funding a reserve account for the Series 2003 Bonds, paying Costs of the Project not otherwise provided for and paying certain costs of issuance of the Series 2003 Bonds and related costs, or any or all of such purposes, as determined by the Supplemental Resolution, there shall be and hereby are authorized to be issued negotiable Series 2003 Bonds of the Issuer. The Series 2003 A Bonds shall be issued as a single bond, designated as "Sewer Revenue Bonds, Series 2003 A (West Virginia SRF Program)," in an aggregate principal amount of not more than $12,429,500, and shall have such terms as set forth hereinafter and in the Supplemental Resolution. The Series 2003 B Bonds shall be issued as a single bond, designated as "Sewer Revenue Bonds, Series 2003 B (West Virginia Water Development Authority),"in an aggregate principal amount of not more than $100,000, and shall have such terms as set forth hereinafter and in the Supplemental Resolution. The proceeds of the respective Series 2003 Bonds remaining after funding of the respective Series 2003 Bonds Reserve Account (if funded from Bond proceeds), capitalizing interest on the respective Series 2003 Bonds, if any, shall be deposited in or credited to the respective Series 2003 Bonds Construction Trust Fund established by Section 5.01 hereof and applied as set forth in Article VI hereof.

Section 3.02. Terms of Bonds. The Series 2003 Bonds shall be issued in such principal amounts; shall bear interest, if any, at such rate or rates, not exceeding the then legal maximum rate, payable on such dates; shall mature on such dates and in such amounts; and shall be redeemable, in whole or in part, all as the Issuer shall prescribe in a Supplemental Resolution or as specifically provided in the respective Loan Agreements. The Series 2003 Bonds shall be payable as to principal at the office of the Paying Agent, in any coin or currency which, on the dates of payment of principal is legal tender for the payment of public or private debts under the laws of the United States of America. Interest on the Series 2003 Bonds, if any, shall be paid by check or draft of the Paying Agent mailed to the Registered Owner thereof at the address as it appears on the books of the Bond Registrar, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner thereof.

Unless otherwise provided by the Supplemental Resolution, the respective Series 2003 Bonds shall be issued in the form of a single bond, fully registered to the Authority, with a record of advances and a debt service schedule attached, representing the aggregate principal amount of each respective series of Series 2003 Bonds, and shall mature in principal installments, all as provided in the Supplemental Resolution. The Series 2003

Bonds shall be exchangeable at the option and expense of the Registered Owner for another fully registered Bond or Bonds of the same series in aggregate principal amount equal to the amount of said Bonds then Outstanding and being exchanged, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of said Bonds; provided, that the Authority shall not be obligated to pay any expenses of such exchange.

Subsequent series of Bonds, if any, shall be issued in fully registered form and in denominations as determined by a Supplemental Resolution. Such Bonds shall be dated and shall bear interest, if any, as set forth in a Supplemental Resolution.

Section 3.03. Execution of Bonds. The Series 2003 Bonds shall be executed in the name of the Issuer by the Chairman, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the Secretary. In case any one or more of the officers who shall have signed or sealed the Series 2003 Bonds shall cease to be such officer of the Issuer before the Series 2003 Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Series 2003 Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.04. Authentication and Registration. No Series 2003 Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Bond Legislation unless and until the Certificate of Authentication and Registration on such Bond, substantially in the form set forth in Section 3.10 shall have been manually executed by the Bond Registrar. Any such executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Bond Legislation. The Certificate of Authentication and Registration on any Series 2003 Bond shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

Section 3.05. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Series 2003 Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder, in accepting the Series 2003 Bonds shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder shall further be conclusively deemed to have agreed that said Bonds shall be incontestable in the hands of a bona fide holder for value.

So long as the Series 2003 Bonds remain outstanding, the Issuer, through the Bond Registrar as its agent, shall keep and maintain books for the registration and transfer of the Bonds.

The registered Bonds shall be transferable only upon the books of the Bond Registrar, by the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender thereto together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or his duly authorized attorney.

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

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

Section 3.07. Bonds not to be Indebtedness of the Issuer. The Series 2003 Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Net Revenues derived from the operation of the System as herein provided. No holder or holders of the respective Series 2003 Bonds shall ever have the right to compel the exercise

of the taxing power of the Issuer, if any, to pay the respective Series 2003 Bonds or the interest, if any, thereon.

Section 3.08. Bonds Secured by Pledge of Net Revenues; Lien Positions with respect to Prior Bonds. The payment of the debt service of the Series 2003 Bonds shall be secured by a first lien on the Net Revenues derived from the System, on a parity with the lien on such Net Revenues in favor of the Holders of the Prior Bonds. Such Net Revenues in an amount sufficient to pay the principal of and interest on and other payments for the Prior Bonds and the Series 2003 Bonds and to make all other payments provided for in the Bond Legislation, are hereby irrevocably pledged to such payments as they become due.

Section 3.09. Delivery of Bonds. The Issuer shall execute and deliver the Series 2003 Bonds to the Bond Registrar, and the Bond Registrar shall authenticate, register and deliver the Series 2003 Bonds to the original purchasers upon receipt of the documents set forth below:

A. If other than the Authority, a list of the names in which each series of Series 2003 Bonds are to be registered upon original issuance, together with such taxpayer identification and other information as the Bond Registrar may reasonably require;

B. A request and authorization to the Bond Registrar on behalf of the Issuer, signed by an Authorized Officer, to authenticate and deliver the respective Series 2003 Bonds to the original purchasers;

C. An executed and certified copy of the Bond Legislation;

D. Executed copies of the Loan Agreements; and

E. The unqualified approving opinion of bond counsel on the Series 2003 Bonds.

Section 3.10. Form of Bonds. The text of the respective Series 2003 Bonds shall be in substantially the following form, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted hereby, or by any Supplemental Resolution adopted prior to the issuance thereof:

(FORM OF SERIES 2003 A BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
PEA RIDGE PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND, SERIES 2003 A
(WEST VIRGINIA SRF PROGRAM)

No. AR-____ $_____

KNOW ALL MEN BY THESE PRESENTS: That PEA RIDGE PUBLIC SERVICE DISTRICT, a public service district, public corporation and political subdivision of the State of West Virginia in Cabell County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY (the "Authority") or registered assigns the sum of _____ DOLLARS ($_____), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as EXHIBIT A hereto and incorporated herein by reference, in quarterly installments on March 1, June 1, September 1 and December 1 of each year, commencing _____ 1, 200___, as set forth on the "Debt Service Schedule" attached as EXHIBIT B hereto and incorporated herein by reference. The SRF Administrative Fee (as defined in the hereinafter described Bond Legislation) shall also be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing _____ 1, 200___, as set forth on EXHIBIT B attached hereto.

This Bond shall bear no interest. Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent").

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and the West Virginia Department of Environmental Protection (the "DEP"), and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement by and among the Issuer, the Authority and the DEP, dated _____, 2003.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain improvements and extensions to the existing public sewerage facilities of the Issuer (the "Project"); and (ii) to pay certain costs of issuance of the Bonds of this Series (the "Bonds") and related costs. The existing public sewerage facilities of the Issuer, the Project and any further improvements or extensions thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A and Chapter 22C, Article 2 of the West Virginia Code of 1931, as amended (collectively, the "Act"), a Bond Resolution duly adopted by the Issuer on _____, 2003, and a Supplemental Resolution duly adopted by the Issuer on _____, 2003 (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL OTHER RESPECTS, WITH THE ISSUER'S (1) SEWER REVENUE BONDS, SERIES 1992 (WEST VIRGINIA SRF PROGRAM), DATED DECEMBER 28, 1992, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,250,000 (THE "SERIES 1992 BONDS"), (2) SEWER REFUNDING REVENUE BONDS, SERIES 1994, DATED NOVEMBER 1, 1994, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $3,035,000 (THE "SERIES 1994 BONDS'), (3) SEWERAGE SYSTEM DESIGN REVENUE BONDS, SERIES 2000 (WEST VIRGINIA SRF PROGRAM), DATED MARCH 7, 2000, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $477,000 (THE "SERIES 2000 BONDS"), AND (4) SEWER REVENUE BONDS, SERIES 2003 B (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), DATED _____, 2003, ISSUED CONCURRENTLY HEREWITH IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $_____ (THE "SERIES 2003 B BONDS"). THE SERIES 1992 BONDS, THE SERIES 1994 BONDS AND THE SERIES 2000 BONDS ARE REFERRED TO COLLECTIVELY HEREIN AS THE "PRIOR BONDS."

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, on a parity with the pledge of Net Revenues in favor of the holders of the Prior Bonds and Series 2003 B Bonds, and from monies in the reserve account created under the Bond Legislation for the Bonds (the "Series 2003 A Bonds Reserve Account") and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest, if any, on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same, or the interest, if any, hereon, except from said

special fund provided from the Net Revenues, the monies in the Series 2003 A Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Bonds, including the Prior Bonds and the Series 2003 B Bonds; provided however, that so long as there exists in the Series 2003 A Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest, if any, which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with the Bonds, including the Prior Bonds and the Series 2003 B Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

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

Subject to the registration requirements set forth herein, this Bond, under the provision of the Act is, and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia.

All monies received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law and the Bond Legislation, shall be applied solely to payment of the costs of the Project and costs of issuance hereof described in the Bond Legislation, and there shall be and hereby is created and granted a lien upon such 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 at the issuance of this Bond do exist, have happened, and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of the Issuer, does not exceed any limit prescribed by the Constitution or statutes

of the State of West Virginia and that a sufficient amount of the Net Revenues of the System has been pledged to and will be set aside into said special fund by the Issuer for the prompt payment of the principal of this Bond.

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

IN WITNESS WHEREOF, PEA RIDGE PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairman and its corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Bond to be dated _____, 2003.

[SEAL]

_____
Chairman

ATTEST:

_____
Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 2003 A Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: _____, 2003.

THE HUNTINGTON NATIONAL BANK,
as Registrar

_____
Authorized Officer

(Form of)

EXHIBIT A

RECORD OF ADVANCES

	AMOUNT	DATE		AMOUNT	DATE
(1)	$		(19)	$	
(2)	$		(20)	$	
(3)	$		(21)	$	
(4)	$		(22)	$	
(5)	$		(23)	$	
(6)	$		(24)	$	
(7)	$		(25)	$	
(8)	$		(26)	$	
(9)	$		(27)	$	
(10)	$		(28)	$	
(11)	$		(29)	$	
(12)	$		(30)	$	
(13)	$		(31)	$	
(14)	$		(32)	$	
(15)	$		(33)	$	
(16)	$		(34)	$	
(17)	$		(35)	$	
(18)	$		(36)	$	

TOTAL $_____

EXHIBIT B

DEBT SERVICE SCHEDULE

(Form of)

ASSIGNMENT

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

_____

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

Dated: _____, _____.

_____

In the presence of:

_____

(FORM OF SERIES 2003 B BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
PEA RIDGE PUBLIC SERVICE DISTRICT
SEWER REVENUE BONDS, SERIES 2003 B
(WEST VIRGINIA WATER DEVELOPMENT AUTHORITY)

No. BR-1 $_____

KNOW ALL MEN BY THESE PRESENTS: That PEA RIDGE PUBLIC SERVICE DISTRICT, a public service district, public corporation and political subdivision of the State of West Virginia in Cabell County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY (the "Authority") or registered assigns the sum of _____ DOLLARS ($_____), in annual installments on October 1 of each year, commencing October 1, 200___, as set forth on the "Debt Service Schedule" attached as Exhibit A hereto and incorporated herein by reference, with interest on each installment at the rate per annum set forth on said Exhibit A.

The interest on each installment shall run from the original date of delivery of this Bond to the Authority and payment therefor, and until payment of such installment, such interest shall be payable semiannually on April 1 and October 1 of each year, commencing _____ 1, 200___. Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent"). The interest on this Bond is payable by check or draft of the Paying Agent mailed to the registered owner hereof at the address as it appears on the books of The Huntington National Bank, Charleston, West Virginia, as registrar (the "Registrar"), on the 15th day of the month next preceding an interest payment date, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner hereof.

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority, and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement between the Issuer and the Authority, dated _____, 2003.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain improvements and extensions to the existing public sewerage facilities of the Issuer (the "Project"); (ii) to capitalize interest on the Bonds of this Series (the "Bonds"); and (iii) to pay certain costs of issuance of the Bonds and related costs. The existing public sewerage facilities of the Issuer, the Project and any further improvements or extensions thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A and Chapter 22C, Article 1 of the West Virginia Code of 1931, as amended (collectively, the "Act"), a Bond Resolution duly adopted by the Issuer on _____, 2003, and a Supplemental Resolution duly adopted by the Issuer on _____, 2003 (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL OTHER RESPECTS, WITH THE ISSUER'S (1) SEWER REVENUE BONDS, SERIES 1992 (WEST VIRGINIA SRF PROGRAM), DATED DECEMBER 28, 1992, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,250,000 (THE "SERIES 1992 BONDS"), (2) SEWER REFUNDING REVENUE BONDS, SERIES 1994, DATED NOVEMBER 1, 1994, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $3,035,000 (THE "SERIES 1994 BONDS'), (3) SEWERAGE SYSTEM DESIGN REVENUE BONDS, SERIES 2000 (WEST VIRGINIA SRF PROGRAM), DATED MARCH 7, 2000, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $477,000 (THE "SERIES 2000 BONDS"), AND (4) SEWER REVENUE BONDS, SERIES 2003 A (WEST VIRGINIA SRF PROGRAM), DATED _____, 2003, ISSUED CONCURRENTLY HEREWITH IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $_____ (THE "SERIES 2003 A BONDS"). THE SERIES 1992 BONDS, THE SERIES 1994 BONDS AND THE SERIES 2000 BONDS ARE REFERRED TO COLLECTIVELY HEREIN AS THE "PRIOR BONDS."

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, on a parity with the pledge of Net Revenues in favor of the holders of the Prior Bonds and the Series 2003 A Bonds, and from monies in the reserve account created under the Bond Legislation for the Bonds (the "Series 2003 B Bonds Reserve Account") and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations,

nor shall the Issuer be obligated to pay the same, or the interest hereon, except from said special fund provided from the Net Revenues, the monies in the Series 2003 B Bond Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest on the Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Bonds, including the Prior Bonds and the Series 2003 A Bonds; provided however, that so long as there exists in the Series 2003 B Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with the Bonds, including the Prior Bonds and the Series 2003 A Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

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

Subject to the registration requirements set forth herein, this Bond, under the provision of the Act is, and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia.

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law and the Bond Legislation, shall be applied solely to payment of the costs of the Project and costs of issuance hereof described in the Bond Legislation, and there shall be and hereby is created and granted a lien upon such 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 the Issuer, does not exceed any limit prescribed by the Constitution or statutes

of the State of West Virginia and that a sufficient amount of the Net Revenues of the System has been pledged to and will be set aside into said special fund by the Issuer for the prompt payment of the principal of and interest on this Bond.

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

IN WITNESS WHEREOF, PEA RIDGE PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairman and its corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Bond to be dated _____, 2003.

[SEAL]

_____
Chairman

ATTEST:

_____
Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 2003 B Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: _____, 2003.

THE HUNTINGTON NATIONAL BANK,
as Registrar

_____
Authorized Officer

EXHIBIT A

DEBT SERVICE SCHEDULE

(Form of)

ASSIGNMENT

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

_____

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

Dated: _____, _____.

_____

In the presence of:

_____

Section 3.11. Sale of Bonds; Approval and Ratification of Execution of Loan Agreements. The Loan Agreements, including all schedules and exhibits attached thereto, are hereby approved. The Series 2003 Bonds shall be sold to the Authority, pursuant to the terms and conditions of the Loan Agreements. If not so authorized by previous resolution, the Chairman is specifically authorized and directed to execute the Loan Agreements in the form attached hereto as "EXHIBIT A" and made a part hereof, and the Secretary is directed to affix the seal of the Issuer, attest the same and deliver the Loan Agreements to the Authority, and any such prior execution and delivery is hereby authorized, approved, ratified and confirmed.

Section 3.12. Filing of Amended Schedule. Within 60 days following the Completion Date, the Issuer will file with the Authority, the DEP and the Council, a schedule, the form of which will be provided by the DEP, setting forth the actual costs of the Project and sources of funds therefor.

ARTICLE IV

[RESERVED]

ARTICLE V

FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

Section 5.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are hereby created with (or continued if previously established by the Prior Resolutions) and shall be held by the Depository Bank separate and apart from all other funds or accounts of the Depository Bank and the Issuer and from each other:

(1) Revenue Fund (established by the Prior Resolutions);

(2) Operation and Maintenance Fund (established by the Prior Resolutions);

(3) Depreciation Fund (established by the Prior Resolutions);

(4) Series 2003 A Bonds Construction Trust Fund;

(5) Series 2003 B Bonds Construction Trust Fund; and

(6) Series 2003 B Bonds Rebate Fund.

Section 5.02. Establishment of Funds and Accounts with Commission. The following special funds or accounts are hereby created with and shall be held by the Commission, separate and apart from all other funds or accounts of the Commission and the Issuer and from each other:

(1) Series 2003 A Bonds Sinking Fund;

(2) Series 2003 A Bonds Reserve Account;

(3) Series 2003 B Bonds Sinking Fund; and

(4) Series 2003 B Bonds Reserve Account.

Section 5.03. System Revenues; Flow of Funds. A. The entire Gross Revenues derived from the operation of the System shall be deposited upon receipt in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in this Bond Legislation and shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner herein provided. All revenues at any time on deposit in the Revenue Fund shall be disposed of only in the following manner and order of priority:

(1) The Issuer shall first, on the first day of each month, transfer from the Revenue Fund and deposit in the Operation and Maintenance Fund, an amount sufficient to pay the current Operating Expenses of the System.

(2) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Commission (i) the amounts required by the Prior Resolutions to pay interest on the Prior Bonds, and (ii) commencing 6 months prior to the first day of payment of interest on the Series 2003 B Bonds for which interest has not been capitalized or as required in the WDA Loan Agreement, for deposit in the Series 2003 B Bonds Sinking Fund, an amount equal to 1/6th of the amount of interest which will become due on the Series 2003 B 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 2003 B Bonds Sinking Fund and the next semiannual interest payment date is less than 6 months, then such monthly payments shall be increased proportionately to provide, 1 month prior to the next semiannual interest payment date, the required amount of interest coming due on such date.

(3) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Commission (i) the amounts required by the Prior Resolutions to pay principal of the Prior Bonds; (ii) commencing 3 months prior to the first date of payment of principal of the Series 2003 A Bonds, for deposit in the Series 2003 A Bonds Sinking Fund, an amount equal to 1/3rd of the amount of principal which will mature and become due on the Series 2003 A Bonds on the next ensuing quarterly principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 2003 A Bonds Sinking Fund and the next quarterly principal payment date is less than 3 months, then such monthly payments shall be increased proportionately to provide, 1 month prior to the next quarterly principal payment date, the required amount of principal coming due on such date; and (iii) commencing 12 months prior to the first date of payment of principal of the Series 2003 B Bonds, for deposit in the Series 2003 B Bonds Sinking Fund, an amount equal to 1/12th of the amount of principal which will mature and become due on the Series 2003 B Bonds on the next ensuing annual principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 2003 B Bonds Sinking Fund and the next annual principal payment date is less than 12 months, then such monthly payments shall be increased proportionately to provide, 1 month prior to the next annual principal payment date, the required amount of principal coming due on such date.

(4) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Commission (i) the amounts required by the Prior Resolutions to be deposited in the Reserve Accounts for the Prior Bonds; (ii) commencing 3 months prior to the first date of payment of principal of the Series 2003 A Bonds, if not fully funded upon issuance of the Series 2003 A Bonds, for deposit in the Series 2003 A Bonds Reserve Account, an amount equal to 1/120th of the Series 2003 A Bonds Reserve Requirement; and (iii) commencing 12 months prior to the first date of payment of principal of the Series 2003 B Bonds, if not fully funded upon issuance of the Series 2003 B Bonds, for deposit in the Series 2003 B Bonds Reserve Account, an amount equal to 1/120th of the Series 2003 B Bonds Reserve Requirement; provided that, no further payments shall be made into the respective Series 2003 Bonds Reserve Accounts when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the respective Series 2003 Bonds Reserve Requirement.

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

Monies in the Series 2003 A Bonds Sinking Fund shall be used only for the purpose of paying principal of and interest, if any, on the Series 2003 A Bonds as the same shall become due. Monies in the Series 2003 A Bonds Reserve Account shall be used only for the purpose of paying principal of and interest, if any, on the Series 2003 A Bonds as the same shall come due, when other monies in the Series 2003 A Bonds Sinking Fund are insufficient therefor, and for no other purpose.

Monies in the Series 2003 B Bonds Sinking Fund shall be used only for the purpose of paying principal of and interest, if any, on the Series 2003 B Bonds as the same shall become due. Monies in the Series 2003 B Bonds Reserve Account shall be used only for the purpose of paying principal of and interest, if any, on the Series 2003 B Bonds as the

same shall come due, when other monies in the Series 2003 B Bonds Sinking Fund are insufficient therefor, and for no other purpose.

All investment earnings on monies in the Series 2003 A Bonds Sinking Fund and the Series 2003 A Bonds Reserve Account shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall, during construction of the Project, be deposited in the Series 2003 A Bonds Construction Trust Fund, and following completion of construction of the Project, shall be deposited in the Revenue Fund and applied in full to the next ensuing principal payment due on the Series 2003 A Bonds.

Any withdrawals from the Series 2003 A Bonds Reserve Account which result in a reduction in the balance therein below the Series 2003 A Bonds Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments have been made in full in the order set forth above.

Except to the extent transferred to the Series 2003 B Bonds Rebate Fund at the request of the Issuer, all investment earnings on monies in the Series 2003 B Bonds Sinking Fund and the Series 2003 B Bonds Reserve Account shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall, during construction of the Project, be deposited in the Series 2003 B Bonds Construction Trust Fund and following completion of construction of the Project, shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payment due on the Series 2003 B Bonds, and then to the next ensuing principal payment due thereon.

Except to the extent transferred to the Series 2003 B Bonds Rebate Fund at the request of the Issuer, any withdrawals from the Series 2003 B Bonds Reserve Account which result in a reduction in the balance therein below the Series 2003 B Bonds Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments have been made in full in the order set forth above.

As and when additional Bonds ranking on a parity with the Series 2003 Bonds are issued, provision shall be made for additional payments into the respective sinking funds sufficient to pay the interest on such additional parity Bonds and accomplish retirement thereof at maturity and to accumulate a balance in the respective reserve accounts in an amount equal to the requirement therefor.

The Issuer shall not be required to make any further payments into the respective Series 2003 Bonds Sinking Funds or the respective Series 2003 Bonds Reserve Accounts when the aggregate amount of funds therein are at least equal to the aggregate principal amount of the Series 2003 Bonds issued pursuant to this Bond Legislation then Outstanding and all interest, if any, to accrue until the maturity thereof.

Principal, interest or reserve account payments, whether made for a deficiency or otherwise, shall be made on a parity and pro rata, with respect to the Series 2003 Bonds and the Prior Bonds, in accordance with the respective principal amounts then Outstanding.

The Commission is hereby designated as the fiscal agent for the administration of the respective Series 2003 Bonds Sinking Funds and the respective Series 2003 Bonds Reserve Accounts created hereunder, and all amounts required for said accounts shall be remitted to the Commission from the Revenue Fund by the Issuer at the times provided herein. If required by the Authority at anytime, the Issuer shall make the necessary arrangements whereby required payments into the respective Series 2003 Bonds Sinking Funds and the respective Series 2003 Bonds Reserve Accounts shall be automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates required hereunder.

Monies in the respective Series 2003 Bonds Sinking Funds and the respective Series 2003 Bonds Reserve Accounts shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The Series 2003 A Bonds Sinking Fund and the Series 2003 A Bonds Reserve Account shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 2003 A Bonds under the conditions and restrictions set forth herein.

The Series 2003 B Bonds Sinking Fund and the Series 2003 B Bonds Reserve Account shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 2003 B Bonds under the conditions and restrictions set forth herein.

B. The Issuer shall on the first day of each month (if the first day is not a business day, then the first business day of each month) deposit with the Commission the required principal, interest and reserve account payments with respect to the Series 2003 Bonds and all such payments shall be remitted to the Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Bond Legislation. The Issuer shall also on the first day of each month (if the first day is not a business day, then the first business day of each month) deposit with the Commission the SRF Administrative Fee as set forth in the Schedule Y attached to the SRF Loan Agreement.

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

D. Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinbefore provided, are current and there remains in the Revenue Fund a balance in excess of the estimated amounts required to

be so transferred and paid into such funds during the following month or such other period as required by law, such excess shall be considered Surplus Revenues. Surplus Revenues may be used for any lawful purpose of the System.

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

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

G. If on any monthly payment date the revenues are insufficient to place the required amount in any of the funds and accounts as hereinabove provided, the deficiency shall be made up in the subsequent payments in addition to the payments which would otherwise be required to be made into the funds and accounts on the subsequent payment dates; provided, however, that the priority of curing deficiencies in the funds and accounts herein shall be in the same order as payments are to be made pursuant to this Section 5.03, and the Net Revenues shall be applied to such deficiencies before being applied to any other payments hereunder.

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

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

ARTICLE VI

BOND PROCEEDS

Section 6.01. Application of Bond Proceeds; Pledge of Unexpended Bond Proceeds. A. From the monies received from the sale of the Series 2003 A Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

(a) From the proceeds of the Series 2003 A Bonds, there shall first be deposited with the Commission in the Series 2003 A Bonds Sinking Fund, the amount, if any, set forth in the Supplemental Resolution as capitalized interest.

(b) Next, from the proceeds of the Series 2003 A Bonds, there shall be deposited with the Commission in the Series 2003 A Bonds Reserve Account, the amount, if any, set forth in the Supplemental Resolution for funding the Series 2003 A Bonds Reserve Account.

(c) As the Issuer receives advances of the remaining monies derived from the sale of the Series 2003 A Bonds, such monies shall be deposited with the Depository Bank in the Series 2003 A Bonds Construction Trust Fund and applied solely to payment of Costs of the Project in the manner set forth in Section 6.02 and until so expended, are hereby pledged as additional security for the Series 2003 A Bonds.

(d) After completion of construction of the Project, as certified by the Consulting Engineers, and all costs have been paid, any remaining proceeds of the Series 2003 A Bonds shall be used to fund the Series 2003 A Bonds Reserve Account, if not funded upon issuance of the Series 2003 A Bonds, in an amount not to exceed the Series 2003 A Bonds Reserve Requirement; provided that, in no event shall more than 10% of the proceeds of the Series 2003 A Bonds be deposited in the Series 2003 A Bonds Reserve Account. Any remaining proceeds thereafter shall be used as directed by the DEP.

B. From the monies received from the sale of the Series 2003 B Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

(a) From the proceeds of the Series 2003 B Bonds, there shall first be deposited with the Commission in the Series 2003 B Bonds Sinking Fund, the amount, if any, set forth in the Supplemental Resolution as capitalized interest.

(b) Next, from the proceeds of the Series 2003 B Bonds, there shall be deposited with the Commission in the Series 2003 B Bonds Reserve Account, the amount, if any, set forth in the Supplemental Resolution for funding the Series 2003 B Bonds Reserve Account.

(c) The remaining monies derived from the sale of the Series 2003 B Bonds shall be deposited with the Depository Bank in the Series 2003 B Bonds Construction Trust Fund and applied solely to payment of Costs of the Project in the manner set forth in Section 6.02 and until so expended, are hereby pledged as additional security for the Series 2003 B Bonds.

(d) After completion of construction of the Project, as certified by the Consulting Engineers, and all costs have been paid, any remaining proceeds of the Series 2003 B Bonds shall be used to fund the Series 2003 B Bonds Reserve Account, if not funded upon issuance of the Series 2003 B Bonds, in an amount not to exceed the Series 2003 B Bonds Reserve Requirement; provided that, in no event shall more than 10% of the proceeds of the Series 2003 B Bonds be deposited in the Series 2003 B Bonds Reserve Account. Any remaining proceeds thereafter shall be used as directed by the Authority.

Section 6.02. Disbursements From the Series 2003 A Bonds Construction Trust Fund. On or before the Closing Date, the Issuer shall have delivered to the Authority and the DEP a report listing the specific purposes for which the proceeds of the Series 2003 A Bonds will be expended and the disbursement procedures for such proceeds, including an estimated monthly draw schedule. Payments of all Costs of the Project shall be made monthly.

Except as provided in Section 6.01 hereof, disbursements from the Series 2003 A Bonds Construction Trust Fund shall be made only after submission to, and approval from, the Authority and the DEP of the following:

(1) a completed and signed "Payment Requisition Form," a form of which is attached to the SRF Loan Agreement in compliance with the construction schedule, and

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

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

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

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

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

Pending such application, monies in the Series 2003 A Bonds Construction Trust Fund shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

Section 6.03. Disbursements from the Series 2003 B Bonds Construction Trust Fund. Except as provided in Section 6.01 hereof, disbursements from the Series 2003 B Bonds Construction Trust Fund shall be made only after submission to the Depository Bank of a certificate, signed by an Authorized Officer and the Consulting Engineers, stating that:

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

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

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

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

In case any contract provides for the retention of a portion of the contract price, the Depository Bank shall disburse from the Series 2003 B Bonds Construction Trust Fund only the net amount remaining after deduction of any such portion. All payments made from the Series 2003 B Bonds Construction Trust Funds shall be presumed by the Depository Bank to be made for the purposes set forth in said certificate, and the Depository Bank shall not be required to monitor the application of disbursements from the Series 2003 B Bonds Construction Trust Funds. The Consulting Engineers shall from time to time file with the Depository Bank written statements advising the Depository Bank of its then authorized representative.

Pending such application, monies in the Series 2003 B Bonds Construction Trust Fund, including any accounts therein, shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

The Issuer shall expend all proceeds of the Series 2003 B Bonds within 3 years of the date of issuance of the Authority's bonds, the proceeds of which were used to make the loan to the Issuer.

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01. General Covenants of the Issuer. All the covenants, agreements and provisions of this Bond Legislation shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Bonds. In addition to the other covenants, agreements and provisions of this Bond Legislation, the Issuer hereby covenants and agrees with the Holders of the Series 2003 Bonds as hereinafter provided in this Article VII. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of the Series 2003 Bonds or the interest, if any, thereon is Outstanding and unpaid.

Section 7.02. Bonds not to be Indebtedness of the Issuer. The Series 2003 Bonds shall not be nor constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness, but shall be payable solely from the funds pledged for such payment by this Bond Legislation. No Holder or Holders of the Series 2003 Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer, if any, to pay the Series 2003 Bonds or the interest, if any, thereon.

Section 7.03. Bonds Secured by Pledge of Net Revenues; Lien Positions with Respect to Prior Bonds. The payment of the debt service of the Series 2003 Bonds shall be secured by a first lien on the Net Revenues derived from the System, on a parity with the lien on such Net Revenues in favor of the Holders of the Prior Bonds. The Net Revenues in an amount sufficient to pay the principal of and interest on the Prior Bonds and the Series 2003 Bonds and to make the payments into all funds and accounts and all other payments provided for in the Bond Legislation, are hereby irrevocably pledged, in the manner provided herein, to such payments as they become due, and for the other purposes provided in the Bond Legislation.

Section 7.04. Initial Schedule of Rates and Charges. The Issuer has obtained any and all approvals of rates and charges required by State law and has taken any other action required to establish and impose such rates and charges , with all requisite appeal periods having expired without successful appeal. Such rates and charges shall be sufficient to comply with the requirements of the Loan Agreements. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth and approved and described in the Final Order of the Public Service Commission of West Virginia entered March 23, 2003, in Case No. 02-1213-PSD-CN, and such rates are hereby adopted.

So long as the Series 2003 Bonds are outstanding, the Issuer covenants and agrees to fix and collect rates, fees and other charges for the use of the System and to take all such actions necessary to provide funds sufficient to produce the required sums set forth in the Bond Legislation and in compliance with the Loan Agreements. In the event the schedule of rates and charges initially established for the System in connection with the Series 2003 Bonds shall prove to be insufficient to produce the required sums set forth in this Bond Legislation and the Loan Agreements, the Issuer hereby covenants and agrees that it will, to the extent or in the manner authorized by law, immediately adjust and increase such schedule of rates and charges and take all such actions necessary to provide funds sufficient to produce the required sums set forth in this Bond Legislation and the Loan Agreements.

Section 7.05. Sale of the System. So long as the Prior Bonds are outstanding, the Issuer shall not sell, mortgage, lease or otherwise dispose of the System, or any part thereof, except as provided in the Prior Resolutions. Additionally, so long as the Series 2003 Bonds are outstanding and except as otherwise required by law or with the written consent of the Authority and the DEP, 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 fully pay all the Bonds Outstanding in accordance with Article X hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the respective Series 2003 Bonds, immediately be remitted to the Commission for deposit in the respective Series 2003 Bonds Sinking Fund, and, with the written permission of the Authority, or in the event the Authority is no longer a Bondholder, the Issuer shall direct the Commission to apply such proceeds to the payment of principal of and interest, if any, on the respective Series 2003 Bonds. Any balance remaining after the payment of the respective Series 2003 Bonds and interest, if any, thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

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

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

Section 7.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. Except as provided in this Section 7.06 and Section 7.07 hereof, the Issuer shall not issue any obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Series 2003 Bonds. All obligations issued by the Issuer after the issuance of the Series 2003 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 2003 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 2003 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 2003 Bonds and the interest thereon, if any, in this Bond Legislation, or upon the System or any part thereof.

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

Section 7.07. Parity Bonds. So long as the Prior Bonds are outstanding, the limitations on the issuance of parity obligations set forth in the Prior Resolutions shall be applicable. Additionally, no Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of the Series 2003 Bonds pursuant to this Bond Legislation, except with the prior written consent of the DEP and the Authority under the conditions and in the manner herein provided (unless less restrictive than the provisions of the Prior Resolutions).

All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 2003 Bonds.

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

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

(1) The Bonds then Outstanding;

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

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

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

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

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

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on revenues of the System is subject to the prior and superior liens of the Series 2003 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 2003 Bonds.

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

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

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

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

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

The Issuer shall file with the Authority and the DEP, or any other original purchaser of the respective Series 2003 Bonds, and shall mail in each year to any Holder or Holders of the respective Series 2003 Bonds, requesting the same, an annual report containing the following:

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

(B) A balance sheet statement showing all deposits in all the funds and accounts provided for in this Bond Legislation, and the status of all said funds and accounts.

(C) The amount of any Bonds, notes or other obligations outstanding.

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants in compliance with the applicable OMB Circular or any successor thereto, and the Single Audit Act, or any successor thereto, to the extent legally required, and shall mail upon request, and

make available generally, the report of the Independent Certified Public Accountants, or a summary thereof, to any Holder or Holders of the Series 2003 Bonds, and shall submit said report to the Authority and the DEP, or any other original purchaser of the Series 2003 Bonds. Such audit report submitted to the Authority and the DEP shall include a statement that the Issuer is in compliance with the terms and provisions of the Act, the Loan Agreements and this Bond Legislation and that the revenues of the System are adequate to meet the Issuer's Operating Expenses and debt service and reserve requirements.

Subject to the terms, conditions and provisions of the Loan Agreements and the Act, the Issuer has acquired, or shall do all things necessary to acquire, the proposed site of the Project and shall do, is doing or has done all things necessary to construct the Project in accordance with the plans, specifications and designs prepared by the Consulting Engineers. All real estate and interests in real estate and all personal property constituting the Project and the Project site heretofore or hereafter acquired shall at all times be and remain the property of the Issuer.

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

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

Section 7.09. Rates. Prior to the issuance of the Series 2003 Bonds, 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 the 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) so long as the Series 1994 Bonds are outstanding, to produce Net Revenues equal to not less than the sum of (a) 115% of the maximum amount required in any year for payment of

principal of and interest, if any, on the Series 2003 Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2003 Bonds, including the Prior Bonds, and (b) the amount, if any, required to be deposited in the respective Reserve Accounts for the Prior Bonds and the Series 2003 Bonds Reserve Accounts in order to satisfy the respective Reserve Account Requirements within a period of not more than 12 months, assuming equal payments are made each month; and thereafter, when the Series 1994 Bonds are no longer outstanding, to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest on the Series 2003 Bonds, and all other obligations secured by a lien on or payable from such revenues on a parity with the Bonds, including the Prior Bonds; provided that, in the event that amounts equal to or in excess of the reserve requirements are on deposit respectively in the respective Series 2003 Bonds Reserve Accounts and any reserve accounts for obligations on a parity with the Series 2003 Bonds, including the Prior Bonds, are funded at least at the requirement therefor, such balance each year need only equal at least 110% of the maximum amount required in any year for payment of principal of and interest, if any, on the Series 2003 Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2003 Bonds, including the Prior Bonds. In any event, the Issuer shall not reduce the rates or charges for services described in Section 7.04.

Section 7.10. Operating Budget and Monthly Financial Report. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year and shall submit a copy of such budget to the Authority and the DEP within 30 days of adoption thereof. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by a professional engineer which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of 10% of the amount of such budget shall be made except upon the further certificate of a professional engineer that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Authority and the DEP and to any Holder of any Bonds, within 30 days of adoption thereof, and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to the Authority and the DEP and to any Holder of any Bonds, or anyone acting for and in behalf of such Holder of any Bonds.

Commencing on the date contracts are executed for the construction of the Project and for two years following the completion of the Project, the Issuer shall each

month complete a "Monthly Financial Report," a form of which is attached to the Loan Agreements, and forward a copy of such report to the Authority and the DEP by the 10th day of each month.

Section 7.11. Engineering Services and Operating Personnel. The Issuer will obtain a certificate of the Consulting Engineers in the form attached to the Loan Agreements, stating, among other things, that the Project has been or will be constructed in accordance with the approved plans, specifications and designs as submitted to the Authority and the DEP, the Project is adequate for the purposes for which it was designed, the funding plan as submitted to the Authority and the DEP is sufficient to pay the costs of acquisition and construction of the Project, and all permits required by federal and state laws for construction of the Project have been obtained.

The Issuer shall provide and maintain competent and adequate engineering services satisfactory to the Authority and the DEP covering the supervision and inspection of the development and construction of the Project and bearing the responsibility of assuring that construction conforms to the plans, specifications and designs prepared by the Consulting Engineers, which have been approved by all necessary governmental bodies. Such engineer shall certify to the Authority, the DEP and the Issuer at the completion of construction that construction of the Project is in accordance with the approved plans, specifications and designs, or amendments thereto, approved by all necessary governmental bodies.

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

The Issuer shall require the Consulting Engineers to submit the final Operation and Maintenance Manual, as defined in the SRF Regulations, to the DEP when the Project is 90% completed. The Issuer shall at all times provide operation and maintenance of the System in compliance with all State and federal standards.

The Issuer shall employ qualified operating personnel properly certified by the State before the Project is 50% complete and shall retain such a certified operator to operate the System during the entire term of the Loan Agreements. The Issuer shall notify the DEP in writing of the certified operator employed at the 50% completion stage.

Section 7.12. No Competing Franchise. To the extent legally allowable, the Issuer will not grant or cause, consent to or allow the granting of, any franchise or permit to any person, firm, corporation, body, agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the System.

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

Whenever any fees, rates, rentals or other charges for the services and facilities of the System shall remain unpaid for a period of 20 days after the same shall become due and payable, the user of the services and facilities shall be delinquent until such time as all such rates and charges are fully paid. To the extent authorized by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, rates, rentals and other charges, if not paid, when due, shall become a lien on the premises served by the System. The Issuer further covenants and agrees that, it will, to the full extent permitted by law and the rules and regulations promulgated by the Public Service Commission of West Virginia, discontinue and shut off the services of the System and any services and facilities of the water system, if so owned by the Issuer, to all users of the services of the System delinquent in payment of charges for the services of the System and will not restore such services of either system until all delinquent charges for the services of the System, plus reasonable interest and penalty charges for the restoration of service, have been fully paid and shall take all further actions to enforce collections to the maximum extent permitted by law. If the water facilities are not owned by the Issuer, the Issuer shall enter into a termination agreement with the water provider, subject to any required approval of such agreement by the Public Service Commission of West Virginia and all rules, regulations and orders of the Public Service Commission of West Virginia.

Section 7.14. No Free Services. The Issuer will not render or cause to be rendered any free services of any nature by the System, nor will any preferential rates be established for users of the same class; and in the event the Issuer, or any department, agency, instrumentality, officer or employee of the Issuer shall avail itself or themselves of the facilities or services provided by the System, or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer and any such department, agency, instrumentality, officer or employee. The revenues so received shall be deemed to be revenues derived from the operation of the System, and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 7.15. Insurance and Construction Bonds. A. The Issuer hereby covenants and agrees that so long as the Series 2003 Bonds remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance with a reputable insurance carrier or carriers as is customarily covered with respect to works and properties similar to the System. Such insurance shall initially cover the following risks and be in the following amounts:

(1) FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE, on all above-ground insurable portions of the System in an amount equal to the actual cost thereof. In time of war the Issuer will also carry and maintain insurance to the extent available against the risks and hazards of war. The proceeds of all such insurance policies shall be placed in the Depreciation Fund and used only for the repairs and restoration of the damaged or destroyed properties or for the other purposes provided herein for the Depreciation Fund. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance (fire and extended coverage) to protect the interests of the Issuer, the Authority, the prime contractor and all subcontractors as their respective interests may appear, in accordance with the Loan Agreements, during construction of the Project on a 100% basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Authority, the Issuer, the contractors and subcontractors, as their interests may appear.

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

(3) WORKER'S COMPENSATION COVERAGE FOR ALL EMPLOYEES OF OR FOR THE SYSTEM ELIGIBLE THEREFOR; AND PERFORMANCE AND PAYMENT BONDS, such bonds to be in the amounts of 100% of the construction contract and to be required of each contractor contracting directly with the Issuer, and such payment bonds will be filed with the Clerk of The County Commission of the County in which such work is to be performed prior to commencement of construction of the Project in compliance with West Virginia Code, Chapter 38, Article 2, Section 39.

(4) FLOOD INSURANCE, if the facilities of the System are or will be located in designated special flood or

mudslide-prone areas and to the extent available at reasonable cost to the Issuer.

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

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

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

The Issuer shall also require all contractors engaged in the construction of the Project to carry such worker's compensation coverage for all employees working on the Project and public liability insurance, vehicular liability insurance and property damage insurance in amounts adequate for such purposes and as is customarily carried with respect to works and properties similar to the Project; provided that the amounts and terms of such coverage are satisfactory to the Authority and the DEP and the Issuer shall verify such insurance prior to commencement of construction. In the event the Loan Agreements so require, such insurance shall be made payable to the order of the Authority, the Issuer, the prime contractor and all subcontractors, as their interests may appear.

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

shall, after a 30-day notice of the availability of the System, pay the rates and charges established therefor.

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

Section 7.17. Completion of Project; Permits and Orders. The Issuer shall complete the Project as promptly as possible and operate and maintain the System as a revenue-producing utility in good condition and in compliance with all federal and state requirements and standards.

The Issuer has obtained all permits required by state and federal laws for the acquisition and construction of the Project, all orders and approvals from the Public Service Commission of West Virginia and the West Virginia Infrastructure and Jobs Development Council necessary for the acquisition and construction of the Project and the operation of the System and all approvals for issuance of the Series 2003 Bonds required by state law, with all requisite appeal periods having expired without successful appeal.

Section 7.18. Tax Covenants. The Issuer hereby further covenants and agrees as follows:

A. PRIVATE BUSINESS USE LIMITATION. The Issuer shall assure that (i) not in excess of 10% of the Net Proceeds of the Series 2003 B Bonds are used for Private Business Use if, in addition, the payment of more than 10% of the principal or 10% of the interest due on the Series 2003 B Bonds during the term thereof is, under the terms of the Series 2003 B Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for a Private Business Use or in payments in respect of property used or to be used for a Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for a Private Business Use; and (ii) and that, in the event that both (A) in excess of 5% of the Net Proceeds of the Series 2003 B Bonds are used for a Private Business Use, and (B) an amount in excess of 5% of the principal or 5% of the interest due on the Series 2003 B Bonds during the term thereof is, under the terms of the Series 2003 B Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for said Private Business Use or in payments in respect of property used or to be used for said Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for said Private Business Use, then said excess over said 5% of Net Proceeds of the Series 2003 Bonds used for a Private Business Use shall be used for a Private Business Use related to the governmental use of the Project, or if the Series 2003 B are for the purpose of financing

more than one project, a portion of the Project, and shall not exceed the proceeds used for the governmental use of the portion of the Project to which such Private Business Use is related. All of the foregoing shall be determined in accordance with the Code.

B. PRIVATE LOAN LIMITATION. The Issuer shall assure that not in excess of 5% of the Net Proceeds of the Series 2003 B Bonds or $5,000,000 are used, directly or indirectly, to make or finance a loan (other than loans constituting Nonpurpose Investments) to persons other than state or local government units.

C. FEDERAL GUARANTEE PROHIBITION. The Issuer shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Series 2003 B Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

D. INFORMATION RETURN. The Issuer shall timely file all statements, instruments and returns necessary to assure the tax-exempt status of the Series 2003 B Bonds and the interest thereon including, without limitation, the information return required under Section 149(e) of the Code.

E. FURTHER ACTIONS. The Issuer shall take any and all actions that may be required of it (including, without limitation, those deemed necessary by the Authority) so that the interest on the Series 2003 B Bonds will be and remain excluded from gross income for federal income tax purposes, and will not take any actions or fail to take any actions (including, without limitation, those deemed necessary by the Authority), the result of which would adversely affect such exclusion.

Section 7.19. Statutory Mortgage Lien. For the further protection of the Holders of the Series 2003 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 2003 Bonds, and shall be on a parity with the statutory mortgage lien in favor of the Holders of the Prior Bonds.

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

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

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

Section 7.22. Contracts; Public Releases. A. The Issuer shall, simultaneously with the delivery of the Series 2003 Bonds immediately thereafter, enter into written contracts for the immediate acquisition or construction of the Project.

B. The Issuer shall submit all proposed change orders regarding the Series 2003 A Bonds to the DEP for written approval. The Issuer shall obtain the written approval of the DEP before expending any proceeds of the Series 2003 A Bonds held in "contingency" as set forth in the schedule attached to the Certificate of the Consulting Engineer. The Issuer shall also obtain the written approval of the DEP before expending any proceeds of the Series 2003 A Bonds made available due to bid or construction or project underruns.

C. The Issuer shall list the funding provided by the DEP and the Authority in any press release, publication, program bulletin, sign or other public communication that references the Project, including but not limited to any program document distributed in conjunction with any ground breaking or dedication of the Project.

ARTICLE VIII

INVESTMENT OF FUNDS

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

Any investment shall be held in and at all times deemed a part of the fund or account in which such 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 investments held for any fund or account shall be valued at the lower of cost or then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including the value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held in the "Consolidated Fund." The Commission shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in any fund or account is insufficient to make the payments required from such fund or account, regardless of the loss on such liquidation. The Depository Bank may make any and all investments permitted by this section through its own bond department and shall not be responsible for any losses from such investments, other than for its own negligence or willful misconduct.

The Depository Bank shall keep complete and accurate records of all funds, accounts and investments, and shall distribute to the Issuer, at least once each year, or more often as reasonably requested by the Issuer, a summary of such funds, accounts and investment earnings. The Issuer shall retain all such records and any additional records with respect to such funds, accounts and investment earnings so long as any of the Series 2003 Bonds are Outstanding and as long thereafter as necessary to assure the exclusion of interest, if any, on the Series 2003 Bonds from gross income for federal income tax purposes.

Section 8.02. Certificate as to Use of Proceeds; Covenants as to Use of Proceeds. The Issuer shall deliver a certificate as to use of proceeds or other similar certificate to be prepared by nationally recognized bond counsel relating to restrictions on the use of proceeds of the Series 2003 A Bonds as a condition to issuance of the Series 2003 A Bonds. In addition, the Issuer covenants (i) to comply with the Code and all Regulations from time to time in effect and applicable to the Series 2003 A Bonds as may be necessary in order to maintain the status of the Series 2003 A Bonds as governmental bonds; (ii) that it shall not take, or permit or suffer to be taken, any action with respect to the Issuer's use of the proceeds of the Series 2003 A Bonds which would cause any bonds, the interest on which

is exempt from federal income taxation under Section 103(a) of the Code, issued by the Authority or the DEP, as the case may be, from which the proceeds of the Series 2003 A Bonds are derived, to lose their status as tax-exempt bonds; and (iii) to take such action, or refrain from taking such action, as shall be deemed necessary by the Issuer, or requested by the Authority or the DEP, to ensure compliance with the covenants and agreements set forth in this Section, regardless of whether such actions may be contrary to any of the provisions of this Resolution.

The Issuer shall annually furnish to the Authority, information with respect to the Issuer's use of the proceeds of the Series 2003 A Bonds and any additional information requested by the Authority.

Section 8.03. Arbitrage and Tax Exemption. The Issuer covenants that (i) it shall not take, or permit or suffer to be taken, any action with respect to the gross or other proceeds of the Series 2003 B Bonds which would cause the Series 2003 B Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code, and (ii) it will take any and all actions that may be required of it (including, without implied limitation, the timely filing of a federal information return with respect to the Series 2003 B Bonds) so that the interest on the Series 2003 B Bonds will be and remain excluded from gross income for federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 8.04. Tax Certificate and Rebate. The Issuer shall deliver a certificate of arbitrage, a tax certificate or other similar certificate to be prepared by nationally recognized bond counsel or tax counsel relating to payment of arbitrage rebate and other tax matters as a condition to issuance of the Series 2003 B Bonds. In addition, the Issuer covenants to comply with all Regulations from time to time in effect and applicable to the Series 2003 B Bonds as may be necessary in order to fully comply with Section 148(f) of the Code, and covenants to take such actions, and refrain from taking such actions, as may be necessary to fully comply with such Section 148(f) of the Code and such Regulations, regardless of whether such actions may be contrary to any of the provisions of this Bond Legislation.

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, unless otherwise agreed by the Authority, the Issuer shall deposit, or cause to be deposited, in the Rebate Fund for the Series 2003 B Bonds 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 shall be 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. In addition, the Issuer shall cooperate with the Authority in preparing rebate calculations and in all other respects in connection with rebates and hereby consents to the performance of all matters in connection with such rebates by the Authority at the expense of the Issuer. The Issuer 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 8.04. The Issuer shall keep and retain, or cause to be kept and retained, records of the determinations made pursuant to this Section 8.04 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 the required rebate amount, any and all interest, penalties and other amounts, from lawfully available sources, and obtain a waiver from the Internal Revenue Service, if necessary, and take any other actions necessary, in order to maintain the exclusion of interest on the Series 2003 B Bonds from gross income for federal income tax purposes.

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

The Issuer shall submit to the Authority within 15 days following the end of each Bond Year a certified copy of its rebate calculation and certificate with respect thereto or, if the Issuer qualifies for the small governmental issue exception to rebate, or any other exception thereto, then the Issuer shall submit to the Authority a certificate stating that it is exempt from such rebate provisions and that no event has occurred to its knowledge during the Bond Year which would make the Series 2003 B Bonds subject to rebate. The Issuer shall also furnish to the Authority, at any time, such additional information relating to rebate as may be reasonably requested by the Authority including information with respect to earnings on all funds constituting "gross proceeds" of the Series 2003 B Bonds (as such term "gross proceeds" is defined in the Code).

ARTICLE IX

DEFAULT AND REMEDIES

Section 9.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Series 2003 Bonds:

(1) If default occurs in the due and punctual payment of the principal of or interest on the Series 2003 Bonds; or

(2) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Series 2003 Bonds set forth in this Bond Legislation, any supplemental resolution or in the Series 2003 Bonds, and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Commission, the Depository Bank, Registrar or any other Paying Agent or a Holder of a Bond; or

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

(4) If default occurs with respect to the Prior Bonds or the Prior Resolutions.

Section 9.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of a Bond may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his or her rights and, in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Registered Owners including the right to require the Issuer to perform its duties under the Act and the Bond Legislation relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Bonds, (iv) by action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Registered Owners of the Bonds, and (v) by action or bill in equity enjoin any acts in violation of the Bond Legislation with respect to the Bonds, or the rights of such Registered Owners; provided that, all rights and remedies of the Holders of the Series 2003 Bonds shall be on a parity with the Holders of the Prior Bonds.

Section 9.03. Appointment of Receiver. Any Registered Owner of a Series 2003 Bond may, by proper legal action, compel the performance of the duties of the Issuer under the Bond Legislation and the Act, including, the completion of the Project and after commencement of operation of the System, the making and collection of sufficient rates and charges for services rendered by the System and segregation of the revenues therefrom and the application thereof. If there be any Event of Default with respect to such Bonds, any

Registered Owner of a Bond shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System or to complete the Project on behalf of the Issuer, with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of Operating Expenses of the System, the payment of the Bonds and interest and the deposits into the funds and accounts hereby established, and to apply such rates, rentals, fees, charges or other revenues in conformity with the provisions of this Bond Legislation and the Act.

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

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

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

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

ARTICLE X

PAYMENT OF BONDS

Section 10.01. Payment of Bonds. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of the Series 2003 Bonds, the principal of and interest, if any, due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then the pledge of Net Revenues and other monies and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 2003 Bonds shall thereupon cease, terminate and become void and be discharged and satisfied, except as may otherwise be necessary to assure the exclusion of interest, if any, on the Series 2003 Bonds from gross income for federal income tax purposes.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Amendment or Modification of Bond Legislation. Prior to issuance of the Series 2003 Bonds, this Resolution may be amended or supplemented in any way by the Supplemental Resolution. Following issuance of the Series 2003 Bonds, no material modification or amendment of this Resolution, or of any resolution amendatory or supplemental hereto, that would materially and adversely affect the rights of Registered Owners of the Series 2003 Bonds shall be made without the consent in writing of the Registered Owners of the Series 2003 Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of the Series 2003 Bonds or the rate of interest, thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest, if any, out of the funds herein respectively pledged therefor without the consent of the Registered Owner thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of the Series 2003 Bonds, required for consent to the above-permitted amendments or modifications. Notwithstanding the foregoing, this Bond Legislation may be amended without the consent of any Bondholder as may be necessary to assure compliance with Section 148(f) of the Code relating to rebate requirements or otherwise as may be necessary to assure the exclusion of interest, if any, on the Series 2003 Bonds from gross income of the holders thereof.

Section 11.02. Bond Legislation Constitutes Contract. The provisions of the Bond Legislation shall constitute a contract between the Issuer and the Registered Owners of the Series 2003 Bonds, and no change, variation or alteration of any kind of the provisions of the Bond Legislation shall be made in any manner, except as in this Bond Legislation provided.

Section 11.03. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Resolution should be held invalid by any court of competent jurisdiction, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution, the Supplemental Resolution, or the Series 2003 Bonds.

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

Section 11.05. Conflicting Provisions Repealed; Prior Resolutions. All orders or resolutions, or parts thereof, in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby repealed, provided that, in the event of any conflict between this Resolution and the Prior Resolutions, the Prior Resolutions shall control (unless less restrictive), so long as the Prior Bonds are outstanding.

Section 11.06. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and at the adoption of this Resolution do exist, have happened, have been performed and have been taken in regular and due time, form and manner as required by and in full compliance with the laws and Constitution of the State of West Virginia applicable thereto; and that the Chairman, Secretary and members of the Governing Body were at all times when any actions in connection with this Resolution occurred and are duly in office and duly qualified for such office.

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

Adopted this 18th day of August, 2003.

Chairman

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board of PEA RIDGE PUBLIC SERVICE DISTRICT on the 18th day of August, 2003.

Dated: August 19, 2003.

[SEAL]

Secretary

08/04/03
692580.00001

EXHIBIT A

Loan Agreements included in bond transcript as Document 3 and 4.

PEA RIDGE PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds, Series 2003 A
(West Virginia SRF Program)
and
Sewer Revenue Bonds, Series 2003 B
(West Virginia Water Development Authority)

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNT, DATE, MATURITY DATE, REDEMPTION PROVISION, INTEREST RATE, INTEREST AND PRINCIPAL PAYMENT DATES, SALE PRICE AND OTHER TERMS OF THE SEWER REVENUE BONDS, SERIES 2003 A (WEST VIRGINIA SRF PROGRAM) AND SEWER REVENUE BONDS, SERIES 2003 B (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY) OF PEA RIDGE PUBLIC SERVICE DISTRICT; AUTHORIZING AND APPROVING LOAN AGREEMENTS RELATING TO SUCH BONDS AND THE SALE AND DELIVERY OF SUCH BONDS TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; DESIGNATING A REGISTRAR, PAYING AGENT AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the Public Service Board (the "Governing Body") of Pea Ridge Public Service District (the "Issuer") has duly and officially adopted a bond resolution, effective August 19, 2003 (the "Resolution"), entitled:

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC SEWERAGE FACILITIES OF PEA RIDGE PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $12,429,500 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 2003 A (WEST VIRGINIA SRF

PROGRAM) AND NOT MORE THAN $100,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 2003 B (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING THE LOAN AGREEMENTS RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

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

WHEREAS, the Resolution provides for the issuance by the Issuer of the (i) Sewer Revenue Bonds, Series 2003 A (West Virginia SRF Loan Program), in the aggregate principal amount not to exceed $12,429,500 (the "Series 2003 A Bonds"), and (ii) Sewer Revenue Bonds, Series 2003 B (West Virginia Water Development Authority), in the aggregate principal amount not to exceed $100,000 (the "Series 2003 B Bonds" and collectively, with the Series 2003 A Bonds, the "Series 2003 Bonds"), and has authorized the execution and delivery of (i) a bond purchase agreement relating to the Series 2003 A Bonds, including all schedules and exhibits attached thereto (the "SRF Loan Agreement"), by and among the Issuer, the West Virginia Water Development Authority (the "Authority"), and the West Virginia Department of Environmental Protection (the "DEP"), and (ii) a loan agreement relating to the Series 2003 B Bonds, including all schedules and exhibits attached thereto (the " WDA Loan Agreement"), by and among the Issuer and the Authority (collectively, the "Loan Agreements"), all in accordance with Chapter 16, Article 13A, Chapter 22C, Article 2, and Chapter 22C, Article 1 of the West Virginia Code of 1931, as amended (collectively, the "Act"); and in the Resolution it is provided that the form of the Loan Agreements and the exact principal amount, date, maturity date, redemption provision, interest rate, interest and principal payment dates, sale price and other terms of the Series 2003 Bonds should be established by a supplemental resolution pertaining to the Series 2003 Bonds; and that other matters relating to the Series 2003 Bonds be herein provided for;

WHEREAS, the Loan Agreements have been presented to the Issuer at this meeting;

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

WHEREAS, the Governing Body deems it essential and desirable that this supplemental resolution (the "Supplemental Resolution") be adopted, that the Loan Agreements be approved and entered into by the Issuer, that the exact principal amount, the date, the maturity date, the Series redemption provision, the interest rate, the interest and principal payment dates and the sale price of the 2003 Bonds be fixed hereby in the manner stated herein, and that other matters relating to the Series 2003 Bonds be herein provided for;

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF PEA RIDGE 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 following bonds of the Issuer:

(A) Sewer Revenue Bonds, Series 2003 A (West Virginia SRF Program), of the Issuer, originally represented by a single Bond, numbered AR-1, in the principal amount of $12,429,500. The Series 2003 A Bonds shall be dated the date of delivery thereof, shall finally mature March 1, 2035, and shall bear no interest. The principal of the Series 2003 A Bonds shall be payable quarterly, on March 1, June 1, September 1 and December 1 of each year, commencing June 1, 2005, and maturing March 1, 2035, and in the amounts as set forth in the "Schedule Y" attached to the SRF Loan Agreement and incorporated in and made a part of the Series 2003 A Bonds. The Series 2003 A Bonds shall be subject to redemption upon the written consent of the Authority and the DEP, and upon payment of the redemption premium, if any, and otherwise in compliance with the SRF Loan Agreement, so long as the Authority shall be the registered owner of the Series 2003 A Bonds. The Issuer does hereby approve and shall pay the SRF Administrative Fee equal to .5% of the principal amount of the Series 2003 A Bonds set for in the "Schedule Y" attached to the SRF Agreement.

(B) Sewer Revenue Bonds, Series 2003 B (West Virginia Water Development Authority), of the Issuer, originally represented by a single Bond, numbered BR-1, in the principal amount of $100,000. The Series 2003 B Bonds shall be dated the date of delivery thereof, shall finally mature October 1, 2023, and shall bear interest at the rate of 5.0% per annum, payable semiannually on April 1 and October 1 of each year, commencing April 1, 2004. The principal of the Series 2003 B Bonds shall be payable in annual installments on

October 1 of each year, commencing October 1, 2004, and maturing October 1, 2023, and in the amounts as set forth in the "Schedule Y" attached to the WDA Loan Agreement and incorporated in and made a part of the Series 2003 B Bonds. The Series 2003 B Bonds shall be subject to redemption upon the written consent of the Authority, and upon payment of the interest and redemption premium and otherwise in compliance with the WDA Loan Agreement, as long as the Authority shall be the registered owner of the Series 2003 B Bonds.

Section 2. All other provisions relating to the Series 2003 Bonds and the text of the Series 2003 Bonds shall be in substantially the forms provided in the Resolution.

Section 3. The Issuer does hereby authorize, approve, ratify and accept the Loan Agreements incorporated herein by reference, and the execution and delivery of the Loan Agreements by the Chairman, and the performance of the obligations contained therein, on behalf of the Issuer, are hereby authorized, directed, ratified and approved. The Issuer hereby affirms all covenants and representations made in the Loan Agreements and in the applications to the DEP and the Authority. The price of the Series 2003 Bonds shall be 100% of par value, there being no interest accrued thereon, provided that the proceeds of the Series 2003 A Bonds shall be advanced from time to time as requisitioned by the Issuer.

Section 4. The Issuer does hereby appoint and designate The Huntington National Bank, Charleston, West Virginia, to serve as Registrar (the "Registrar") for the Series 2003 Bonds under the Resolution and does approve and accept the Registrar's Agreement to be dated the date of delivery of the Bonds, by and among the Issuer and the Registrar, and the execution and delivery of the Registrar's Agreement by the Chairman, and the performance of the obligations contained therein, on behalf of the Issuer, are hereby authorized, approved and directed.

Section 5. The Issuer does hereby appoint and designate the West Virginia Municipal Bond Commission, Charleston, West Virginia, to serve as Paying Agent for the Series 2003 Bonds under the Resolution.

Section 6. The Issuer does hereby appoint and designate The First State Bank, Barboursville, West Virginia, to serve as Depository Bank under the Resolution.

Section 7. Series 2003 A Bonds proceeds in the amount of $-0- shall be deposited in the Series 2003 A Bonds Sinking Fund, as capitalized interest.

Section 8. Series 2003 A Bonds proceeds in the amount of $-0- shall be deposited in the Series 2003 A Bonds Reserve Account.

Section 9. The balance of the proceeds of the Series 2003 A Bonds shall be deposited in or credited to the Series 2003 A Bonds Construction Trust Fund as received from

time-to-time for payment of the costs of the Project, including, without limitation, costs of issuance thereof and related costs.

Section 10. Series 2003 B Bonds proceeds in the amount of $-0- shall be deposited in the Series 2003 B Bonds Sinking Fund, as capitalized interest.

Section 11. Series 2003 B Bonds proceeds in the amount of $-0- shall be deposited in the Series 2003 B Bonds Reserve Account.

Section 12. The balance of the proceeds of the Series 2003 B Bonds shall be deposited in or credited to the Series 2003 B Bonds Construction Trust Fund for payment of the costs of the Project, including, without limitation, costs of issuance thereof and related costs.

Section 13. The Chairman and Secretary are hereby authorized and directed to execute and deliver such other documents, agreements, instruments and certificates required or desirable in connection with the Series 2003 Bonds to be issued hereby and by the Resolution approved and provided for, to the end that the Series 2003 Bonds may be delivered to the Authority pursuant to the Loan Agreements on or about August 19, 2003.

Section 14. The acquisition and construction of the Project and the financing thereof with proceeds of the Series 2003 Bonds are in the public interest, serve a public purpose of the Issuer and will promote the health, welfare and safety of the residents of the Issuer.

Section 15. The Issuer hereby determines that it is in the best interest of the Issuer to invest all monies in the funds and accounts established by the Resolution held by the Depository Bank until expended, in repurchase agreements or time accounts, secured by a pledge of Government Obligations, and therefore, the Issuer hereby directs the Depository Bank to take such actions as may be necessary to cause such monies to be invested in such repurchase agreements or time accounts, until further directed in writing by the Issuer. Monies in the respective Sinking Funds and the respective Reserve Accounts shall be invested by the Commission in the West Virginia Consolidated Fund.

Section 16. The Issuer shall not permit at any time or times any of the proceeds of the Series 2003 Bonds or any other funds of the Issuer to be used directly or indirectly in a manner which would result in the exclusion of the Series 2003 Bonds from the treatment afforded by Section 103(a) of the Internal Revenue Code of 1986, as amended, and the temporary and permanent regulations promulgated thereunder or under any predecessor thereto (the "Code"), by reason of the classification of the Series 2003 Bonds as "private activity bonds" within the meaning of the Code. The Issuer will take all actions necessary to comply with the Code and Treasury Regulations promulgated or to be promulgated thereunder.

Section 17. The Issuer hereby approves and accepts all contracts relating to the financing, acquisition and construction of the Project.

Section 18. This Supplemental Resolution shall be effective immediately following adoption hereof.

Adopted this 18th day of August, 2003.

Chairman

CERTIFICATION

Certified a true copy of a Supplemental Resolution duly adopted by the Public Service Board of PEA RIDGE PUBLIC SERVICE DISTRICT on the 18th day of August, 2003.

Dated: August 19, 2003.

[SEAL]

Secretary

08/15/03
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***CONFORMED COPY**

PEA RIDGE PUBLIC SERVICE DISTRICT

TAXABLE SEWER REFUNDING REVENUE BONDS, SERIES 2003 C
TAXABLE SEWER REFUNDING REVENUE BONDS, SERIES 2003 D
AND
WHEN, AS ANT) IF ISSUED
SEWER REFUNDING REVENUE BONDS, SERIES 2004 A

BOND RESOLUTION

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PEA RIDGE PUBLIC SERVICE DISTRICT

RESOLUTION AUTHORIZING THE REFUNDING OF THE SEWER REFUNDING REVENUE BONDS, SERIES 1994, OF PEA RIDGE PUBLIC SERVICE DISTRICT; THE ISSUANCE OF TAXABLE SEWER REFUNDING REVENUE BONDS, SERIES 2003 C, IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT MORE THAN $2,435,000, TAXABLE SEWER REFUNDING REVENUE BONDS, SERIES 2003 D, IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT MORE THAN $185,000, AND TAX-EXEMPT SEWER REFUNDING REVENUE BONDS, SERIES 2004 A, IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT MORE THAN $2,620,000, 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 EXECUTION AND DELIVERY OF AN ESCROW AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF PEA RIDGE PUBLIC SERVICE DISTRICT:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

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

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

A. Pea Ridge Public Service District (the "Issuer") is a public service district and a public corporation and political subdivision of the State of West Virginia in Cabell County of said State.

B. The Issuer presently owns and operates a public sewerage system (the "System") and has heretofore financed and refinanced the acquisition and construction of the System and certain additions, extensions and improvements thereto by issuance of several series of bonds or refunding bonds, of which there are presently outstanding the Sewer Refunding Revenue Bonds, Series 1994, dated November 1, 1994, issued in the original aggregate principal amount of $3,035,000, of which approximately $2,409,000 is presently outstanding (the "Series 1994 Bonds").

C. The Series 1994 Bonds were issued pursuant to a resolution of the Issuer duly adopted on September 29, 1994, as supplemented by a supplemental resolution dated November 10, 1994 (collectively, the "1994 Resolution").

D. The Issuer is advised that current market conditions are such that interest savings would be realized from the refunding of the Series 1994 Bonds.

E. Pursuant to the Act, the Issuer is authorized and empowered to issue refunding revenue bonds for the purpose of refunding, paying or discharging all or any part of the outstanding Series 1994 Bonds.

F. The Issuer has determined and hereby determines that it would be to the benefit of the Issuer and its customers to provide for the refunding of the Series 1994 Bonds on their first permitted Redemption Date, being May 1, 2004, in the manner set forth herein through the issuance of an initial series of taxable bonds to be designated "Taxable Sewer Refunding Revenue Bonds, Series 2003 C" (the "Series 2003 C Bonds"), in the maximum aggregate principal amount of not more than $2,435,000, to issue a second series of taxable bonds to be designated "Taxable Sewer Refunding Revenue Bonds, Series 2003 D" (the "Series 2003 D Bonds"), in the maximum aggregate principal amount of $185,000 (the Series 2003 C Bonds and the Series 2003 D Bonds are referred to herein collectively as the "Series 2003 Bonds"), and, subject to the satisfaction of certain conditions, to issue a subsequent series of tax-exempt bonds to be designated "Sewer Refunding Revenue Bonds, Series 2004 A" (the "Series 2004 A Bonds"), in the maximum aggregate principal amount of $2,620,000, to provide for the current refunding of the Series 1994 Bonds on May 1, 2004.

G. The Issuer now desires to authorize the refunding of the Series 1994 Bonds as aforesaid, and to provide for the refinancing thereof by the issuance of the Series 2004 A Bonds as hereinafter provided.

H. In the event the Series 2004 A Bonds are issued, there are outstanding obligations of the Issuer which will rank on a parity with the Series 2004 A Bonds as to liens, pledge and source of and security for payment, being the Sewer Revenue Bonds, Series 1992 (West Virginia SRF Program), dated December 28, 1992, issued in the original aggregate principal amount of $1,250,000 (the "Series 1992 Bonds"), the Sewerage System Design Revenue Bonds, Series 2000 (West Virginia SRF Program), dated March 7, 2000, issued in the original aggregate principal amount of $477,000 (the "Series 2000 Bonds"), the Sewer Revenue Bonds, Series 2003 A (West Virginia SRF Program), dated August 19, 2003, issued in the original aggregate principal amount of $12,429,500 (the "Series 2003 A Bonds"), and the Sewer Revenue Bonds, Series 2003 B (West Virginia Water Development Authority), dated August 19, 2003, issued in the original aggregate principal amount of $100,000 (the "Series 2003 B Bonds"). The Series 1992 Bonds, the Series 2000 Bonds, the Series 2003 A Bonds and the Series 2003 B Bonds are referred to herein collectively as the "Prior Bonds." In the event the Series 2004 A Bonds are not issued, the Series 2003 D Bonds shall rank on a parity with the Series 1994 Bonds and the Prior Bonds as to liens, pledge and source of and security for payment.

Prior to the issuance of the Bonds, the Issuer will obtain a certificate of an Independent Certified Public Accountant stating that the parity tests of the Prior Bonds are met and the written consents of the Holders of the Series 1992 Bonds, the Series 2000 Bonds, the Series 2003 A Bonds and the Series 2003 B Bonds to the issuance of the Series 2004 A Bonds, if issued, and the Series 2003 D Bonds in the event the Series 2004 A Bonds are not issued, on a parity with the Series 1992 Bonds, the Series 2000 Bonds, the Series 2003 A Bonds and the Series 2003 B Bonds. Other than the Prior Bonds and the Series 1994 Bonds which are being refunded, there are no Outstanding bonds or obligations of the Issuer which are secured by revenues or assets of the System. The Issuer is in compliance with all the covenants of the Prior Bonds and the Prior Resolutions.

I. The Issuer has complied with all requirements of West Virginia law and the Contract of Purchase relating to the issuance of the Bonds or will have so complied prior to issuance of any thereof, including, among other things and without limitation, the obtaining of approval of this financing from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which will either have expired prior to the issuance of the Bonds or such final order will not be subject to appeal or rehearing.

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Bonds by those who shall be the Registered Owners of the same from time to time, this Bond Legislation shall be deemed to be and shall constitute a contract between the Issuer and such Registered Owners, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the Registered Owners of any and all of such Bonds, all which shall be of equal rank and without preference, priority or distinction between any one Bond of a series and any other

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

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

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

"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 temporary Chairman duly selected by the Governing Body.

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

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

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

"Bonds" means, collectively, the Series 2003 C Bonds, the Series 2003 D Bonds, and the Series 2004 A Bonds, and any bonds on a parity therewith subsequently authorized to be issued hereunder or by another resolution of the Issuer.

"Bond Year" means, (i) with respect to the Series 2003 Bonds, the 12-month period beginning on the anniversary of the Series 2003 Bonds Closing Date in each year and ending on the day prior to the anniversary date of the Series 2003 Bonds Closing Date in the following year, except that the first Bond Year shall begin on the Series 2003 Bonds Closing Date, or (ii) with respect to the Series 2004 A Bonds, the 12-month period beginning on the

anniversary of the Series 2004 A Bonds Closing Date in each year and ending on the day prior to the anniversary date of the Series 2004 A Bonds Closing Date in the following year, except that the first Bond Year shall begin on the Series 2004 A Bonds Closing Date.

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

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

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

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

"Costs" or 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 1994 Bonds, interest accruing or to accrue thereon, redemption premiums, expenses for fiscal or other agents, legal expenses, verification agent expenses and any other costs or expenses necessary, incidental, desirable or appurtenant to the issuance of the Bonds and the refunding of the Series 1994 Bonds.

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

"Depreciation Fund" means the Depreciation Fund established by the Prior Resolutions and continued hereby.

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

"Escrow Agent" means the West Virginia Municipal Bond Commission, as escrow agent under the Escrow Agreement, which shall be appointed pursuant to the Supplemental Resolution.

"Escrow Agreement" means the Escrow Agreement to be entered into between the Issuer and the Escrow Agent, providing for the deposit therein of the proceeds of the Series 2003 C Bonds and a portion of the proceeds of the Series 2003 D Bonds, and

other matters in connection therewith, the form of which shall be approved by the Supplemental Resolution.

"Escrow Fund" means the Escrow Fund established pursuant to the Escrow Agreement.

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

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

"Governing Body" 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, purchased pursuant to Article 8.01 hereof), amounts received due to an award of grant monies or proceeds of any condemnation or insurance award.

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

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

"Investment Property" means:

(A) any security (within the meaning of Section 165(g)(2)(A) or (B) of the Code),

(B) any obligation,

(C) any annuity contract,

(D) any investment-type property, or

(E) in the case of a bond other than a private activity bond, any residential rental property for family units which is not located within the jurisdiction of the Issuer and which is not acquired to implement a court ordered or approved housing desegregation plan.

Except as provided in the following sentence, the term "Investment Property" does not include any tax-exempt bond. With respect to an issue other than an issue a part of which is a specified private activity bond (as defined in section 57(a)(5)(C) of the Code), the term "Investment Property" includes a specified private activity bond (as so defined).

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

"Maximum Annual Debt Service" means, at the time of computation, the greatest amount of principal and interest required to be paid on the Bonds for the then current or any succeeding Fiscal Year.

"Net Proceeds" means the face amount of the Series 2004 A Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds, if any, deposited in the Series 2004 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 2004 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 or any other proceeds of the Series 2004 A Bonds and is not acquired in order to carry out the governmental purpose of the Series 2004 A Bonds.

"Operating Expenses" unless qualified, means the current expenses, paid or accrued, of repair, operation and maintenance 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 of any project relating to the acquisition or construction of additions, betterments or improvements for the System), supplies, labor, wages, the cost of materials and supplies used for current operations, fees

and expenses of fiscal agents and of the Depository Bank, Registrar and Paying Agent or Paying Agents, 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 Prior Bonds or the Bonds, charges for depreciation, losses from the sale or other disposition of or any decrease in the value of capital assets, expenses relating to grant procurement, expenses funded from capital reserves to pay extraordinary operation, repair or maintenance expenses, expenses that are normally charged to fixed capital accounts under generally accepted accounting principles, amortization of debt discount or such miscellaneous deductions as are applicable to prior accounting periods.

"Operation and Maintenance Fund" means the Operation and Maintenance Fund established by the Prior Resolutions and continued hereby.

"Original Purchaser" means Crews & Associates, Inc., Charleston, West Virginia, as the purchaser of the Bonds directly from the Issuer, or, if the Issuer and such Original Purchaser do not agree to the purchase of the 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 Bonds directly from the Issuer, as determined by a resolution supplemental hereto; provided, that the Original Purchaser shall agree to the purchase of the 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 Bonds.

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

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

"Paying Agent" means the Commission or other entity designated as such for the Bonds in the Supplemental Resolution.

"Prior Bonds" means, collectively, the Series 1992 Bonds, the Series 2000 Bonds, the Series 2003 A Bonds and the Series 2003 B Bonds described in Section 1.02H hereof.

"Prior Resolutions" means, collectively, the respective resolutions and supplemental resolutions of the Issuer duly adopted December 21, 1992, March 6, 2000, and August 18, 2003, authorizing the Prior Bonds.

"Private Business Use" means use (directly or indirectly) in a trade or business carried on by any person other than a governmental unit; provided that, use as a member of the general public shall not be taken into account.

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

(a) Government Obligations;

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

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

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

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

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

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

(h) The West Virginia "consolidated fund" managed by the West Virginia 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 excluded from gross income for federal income tax purposes, and which are rated at least "A" by Moody's Investors Service, Inc. or Standard & Poor's Corporation.

"Rebate Fund" means the Rebate Fund created by Section 5.01 hereof.

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

"Redemption Date" means the date fixed for redemption of the Series 1994 Bonds, the Series 2003 C Bonds, the Series 2003 D Bonds, the Series 2004 A Bonds or any other Bonds of the Issuer called for redemption, as applicable.

"Redemption Price" means the price at which the Series 1994 Bonds, the Series 2003 C Bonds, the Series 2003 D Bonds, the Series 2004 A Bonds or any other Bonds of the Issuer may be called for redemption and includes the principal amount of such Bonds to be redeemed, plus interest and the premium, if any, required to be paid to effect such redemption.

"Registrar" means the Bond Registrar.

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

"Reserve Accounts" means, collectively, the respective reserve accounts established for the Series 2004 A Bonds and the Prior Bonds.

"Reserve Requirement" means, collectively, the respective amounts required to be on deposit in the Reserve Accounts of the Series 2004 A Bonds and the Prior Bonds.

"1994 Resolution" means the resolution of the Issuer duly adopted November 10, 1994, authorizing the Series 1994 Bonds.

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

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

"Series 1992 Bonds" means the Sewer Revenue Bonds, Series 1992 (West Virginia SRF Program), of the Issuer, described in Section 1.02H hereof.

"Series 1994 Bonds" means the Sewer Refunding Revenue Bonds, Series 1994, of the Issuer, described in Section 1.02H hereof.

"Series 2000 Bonds" means the Sewerage System Design Revenue Bonds, Series 2000 (West Virginia SRF Program), of the Issuer, described in Section 1.02H hereof.

"Series 2003 A Bonds" means the Sewer Revenue Bonds, Series 2003 A (West Virginia SRF Program), of the Issuer, described in Section 1.02H hereof.

"Series 2003 B Bonds" means the Sewer Revenue Bonds, Series 2003 B (West Virginia Water Development Authority), of the Issuer, described in Section 1.02H hereof.

"Series 2003 C Bonds" means the Taxable Sewer Refunding Revenue Bonds, Series 2003 C, of the Issuer, authorized by this Resolution.

"Series 2003 C Bonds Sinking Fund" means the Series 2003 C Bonds Sinking Fund established by Section 5.02 hereof.

"Series 2003 D Bonds" means the Taxable Sewer Refunding Revenue Bonds, Series 2003 D, of the Issuer, authorized by this Resolution.

"Series 2003 D Bonds Sinking Fund" means the Series 2003 D Bonds Sinking Fund established by Section 5.02 hereof.

"Series 2003 Bonds Closing Date" means the date upon which there is an exchange of the Series 2003 C Bonds and the Series 2003 D Bonds for the proceeds representing the original purchase price thereof.

"Series 2004 A Bonds" means the Sewer Refunding Revenue Bonds, Series 2004 A, of the Issuer, authorized by this Resolution.

"Series 2004 A Bonds Closing Date" means the date upon which there is an exchange of the Series 2004 A Bonds for the proceeds representing the original purchase price thereof.

"Series 2004 A Bonds Redemption Account" means the Series 2004 A Bonds Redemption Account created by Section 5.02 hereof.

"Series 2004 A Bonds Reserve Account" means the Series 2004 A Bonds Reserve Account created by Section 5.02 hereof.

"Series 2004 A Bonds Reserve Requirement" means the sum of $240,000, which is less than (i) 10% of the original stated principal amount of the Series 2004 A Bonds; (ii) the maximum amount of principal and interest which will become due on the Series 2004 A Bonds in any year; or (iii) 125% of the average amount of principal and interest which will become due on the Series 2004 A Bonds.

"Series 2004 A Bonds Sinking Fund" means the Series 2004 A Bonds Sinking Fund created by Section 5.02 hereof.

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

"State" means the State of West Virginia.

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

"Surplus Revenues" means the Net Revenues not required by the Bond Legislation to be set aside and held for the payment of or security for the Bonds or any other

obligations of the Issuer, including, without limitation, the Depreciation 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.

Additional terms and phrases are defined in this Resolution as they are used. Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations; and words importing the masculine, feminine or neutral gender shall include any other gender; and any requirement for execution or attestation of the Bonds or any certificate or other document by the Chairman or the Secretary shall mean that such Bonds, certificate or other document may be executed or attested by an Acting Chairman or Acting Secretary.

ARTICLE II

AUTHORIZATION OF REFUNDING

Section 2.01. Authorization of Refunding. Subject to the issuance and delivery of the Series 2004 A Bonds on or before May 1, 2004, and other provisions set forth herein, all Series 1994 Bonds Outstanding as of the date of issuance of the Series 2004 A Bonds are hereby ordered to be refunded, and the pledge of Gross Revenues in favor of the Holders of the Series 1994 Bonds imposed by the 1994 Resolution, the monies in the funds and accounts created by the 1994 Resolution and any other funds pledged by the 1994 Resolution to the payment of the Series 1994 Bonds are hereby ordered terminated, discharged and released upon the payment to the paying agent for the Series 1994 Bonds, of either monies or securities purchased with the proceeds of the Series 2004 A Bonds and other monies available for such purpose which are sufficient in amount to cause the Series 1994 Bonds to be defeased in accordance with the provisions of Section 9.01 of the 1994 Resolution. Contemporaneously with the issuance and delivery of the Series 2004 A Bonds, and the deposit of such monies and securities with the paying agent for the Series 1994 Bonds, the amounts on deposit in the sinking fund, including the reserve account therein, if any, created by the 1994 Resolution shall be released from the lien of the 1994 Resolution and deposited in the Reserve Account or such other fund or account as shall be set forth in the Supplemental Resolution, and invested as provided thereunder.

ARTICLE HI

AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND SALE OF 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, may be issued only as fully registered Bonds without coupons, in the denomination of $5,000 or any integral multiple thereof for any year of maturity. All Bonds shall be dated as of the date provided in a Supplemental Resolution applicable to such series. Bonds shall bear interest from the interest payment date next preceding the date of authentication or, if authenticated after the Record Date but prior to the applicable interest payment date or on such interest payment date, from such interest payment date or, if no interest on such Bonds has been paid, from the date thereof; provided however, that, if, as shown by the records of the Registrar, interest on such Bonds shall be in default, Bonds issued in exchange for Bonds surrendered for transfer or exchange shall bear interest from the date to which interest has been paid in full on the initial Bonds surrendered, all as shall be set forth in the Bonds.

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

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

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

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

Section 3.03. Authentication and Registration. No Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Resolution unless and until the Certificate of Authentication and Registration on such Bond, substantially in the form set forth in EXHIBIT A - SERIES 2003 C BOND FORM attached hereto and incorporated herein by reference with respect to the Series 2003 C Bonds, in EXHIBIT B - SERIES 2003 D BOND FORM attached hereto and incorporated herein by reference with respect to the Series 2003 D Bonds, and EXHIBIT C - SERIES 2004 A BOND FORM attached hereto and incorporated herein by reference with respect to the Series 2004 A Bonds, shall have been duly manually executed by the Registrar. Any such manually executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Resolution. The Certificate of Authentication and Registration on any Bond shall be deemed to have been executed by the Registrar if signed by an authorized officer of the Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

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

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

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

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

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

Section 3.05. Bonds Mutilated, Destroyed, Stolen or Lost. In case any 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 Bond has been destroyed, stolen or lost and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer or the Registrar may prescribe and paying such expenses as the Issuer or the Registrar may incur. The name of the Bondholder listed in the Bond Register shall constitute proof of ownership. All Bonds so surrendered shall be submitted to and canceled by the Registrar, and evidence of such cancellation shall be given to the Issuer. If such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer, by and through the Registrar, may pay the same, upon being indemnified as aforesaid, and, if such Bond be lost, stolen or destroyed, without surrender therefor.

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

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

A. The amounts to be deposited, apportioned and set apart by the Issuer from the Revenue Fund and into the applicable Sinking Fund, in accordance with Subsection 5.03A(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 1112th of the amount required to redeem the principal amount of such Term Bonds which are to be redeemed as of the next ensuing mandatory Redemption Date, which amounts and dates, if any, with respect to a series of Bonds shall be set forth in the Supplemental Resolution relating thereto.

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

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

D. After said 60th day but prior to the date on which the Registrar selects the Term Bonds to be redeemed, the Bond Commission may use the monies in the applicable 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 applicable Sinking Fund), as will exhaust as nearly as practicable the applicable 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 Bonds to be redeemed, official notice of any redemption shall be given by the Registrar on behalf of the Issuer by mailing a copy of an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Bond Insurer, the Original Purchaser and the registered owner of the Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such registered owner to the Bond Registrar.

So long as DTC (as CEDE & CO.) is the registered Owner of the 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 Bonds shall also be sent to registered securities depositories.

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

(1) The Redemption Date;

(2) The Redemption Price;

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

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

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

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

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

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

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

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

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

applicable, and deliver, in exchange therefor, a Bond or Bonds in definitive form. Such exchange shall be made by the Registrar without making any charge therefor to the Holder of such Bond in temporary form.

Section 3.10. Authorization of Bonds. A. For the purpose of facilitating the sale of the Series 2004 A Bonds, thus permitting the refunding of the Series 1994 Bonds, there shall be and hereby are authorized to be issued the Series 2003 C Bonds of the Issuer. The Series 2003 C Bonds shall be issued as a single bond, designated "Taxable Sewer Refunding Revenue Bonds, Series 2003 C," in the principal amount of not more than $2,435,000, and shall have such terms as set forth hereinafter and in the Supplemental Resolution.

B. For the purposes of facilitating the sale of the Series 2004 A Bonds, thus permitting the refunding of the Series 1994 Bonds, and paying costs of issuance of the Bonds and such refunding, there shall be and hereby are authorized to be issued the Series 2003 D Bonds of the Issuer. The Series 2003 D Bonds shall be issued as a single bond, designated "Taxable Sewer Refunding Revenue Bonds, Series 2003 D," in the principal amount of not more than $185,000, and shall have such terms as set forth hereinafter and in the Supplemental Resolution.

C. For the purposes of currently refunding the Series 1994 Bonds, funding the Series 2004 A Bonds Reserve Account and paying costs in connection therewith, there shall be and hereby are authorized to be issued the Series 2004 A Bonds of the Issuer. The Series 2004 A Bonds shall be issued as a single bond, designated "Sewer Refunding Revenue Bonds, Series 2004 A," in the principal amount of not more than $2,620,000, and shall have such terms as set forth hereinafter and in the Supplemental Resolution.

Section 3.11. Book Entry System for Bonds. A. The Bonds shall each initially be issued in the form of one fully-registered bond for the aggregate principal amount of the 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 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 Bonds be registered in the name of a different nominee, the Registrar shall exchange all or any portion of the 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 Bond, or any other evidence of ownership of 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 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 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 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 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 Bonds to the extent of the sum or sums so paid. In the event of the redemption of less than all of the Bonds Outstanding of any maturity, the Registrar shall not require surrender by DTC of the Bonds so redeemed, but DTC may return such Bonds and make an appropriate notation on the 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 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 Bonds and 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 Bonds, selecting the 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 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 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 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 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 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 Bonds may be discontinued at any time if either: (i) DTC determines to resign as securities depository for the 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 Bonds. In either of such events (unless in the case described in clause (ii) above, the Issuer appoints a successor securities depository), the 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 Bonds.

Section 3.12. Delivery of Bonds. The Issuer shall execute and deliver each applicable series of Bonds to the Registrar, and the Registrar shall authenticate, register and deliver such series of Bonds to the Original Purchaser upon receipt of the documents set forth below:

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

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

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

(4) The unqualified approving opinion of Bond Counsel regarding the applicable series of Bonds;

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

Section 3.13. Form of Bonds. A. The definitive Series 2003 C Bonds shall be in substantially the form set forth in EXHIBIT A - SERIES 2003 C 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 2003 C Bonds on behalf of the Issuer and execution thereof by such officers shall constitute conclusive evidence of such approval, and the definitive Series 2003 C Bonds shall have the form of the opinion of Steptoe & Johnson PLLC, as Bond Counsel, attached thereto or printed on the reverse thereof.

B. The definitive Series 2003 D Bonds shall be in substantially the form set forth in EXHIBIT B - SERIES 2003 D 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 2003 D Bonds on behalf of the Issuer and execution thereof by such officers shall constitute conclusive evidence of such approval, and the definitive Series 2003 D Bonds shall have the form of the opinion of Steptoe & Johnson PLLC, as Bond Counsel, attached thereto or printed on the reverse thereof.

C. The definitive Series 2004 A Bonds shall be in substantially the form set forth in EXHIBIT C - SERIES 2004 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 2004 A Bonds on behalf of the Issuer and execution thereof by such officers shall constitute conclusive evidence of such approval, and the definitive Series 2004 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.

A. Upon the issuance and delivery of the Series 2003 C Bonds, the Issuer shall forthwith deposit the proceeds thereof as follows:

1. All interest accrued on the Series 2003 C Bonds from the date thereof to the date of delivery thereof shall be deposited in the Series 2003 C Bonds Sinking Fund and applied to payment of interest on the Series 2003 C Bonds at the first interest payment date.

2. The balance of the proceeds of the Series 2003 C Bonds shall be deposited in the Escrow Fund.

B. Upon the issuance and delivery of the Series 2003 D Bonds, the Issuer shall forthwith deposit the proceeds thereof as follows:

1. All interest accrued on the Series 2003 D Bonds from the date thereof to the date of delivery thereof shall be deposited in the Series 2003 D Bonds Sinking Fund and applied to payment of interest on the Series 2003 D Bonds at the first interest payment date.

2. An amount of the proceeds of the Series 2003 D Bonds which, together with other monies or securities deposited therein and the earnings thereon, shall be sufficient to fully fund the Escrow Fund (which amount shall be set forth in the Escrow Agreement) shall be deposited in the Escrow Fund.

3. The balance of the proceeds of the Series 2003 D Bonds shall be deposited with the Depository Bank in the Costs of Issuance Fund and shall be drawn out, used and applied by the Issuer solely to pay costs of issuance of the Bonds and miscellaneous costs of refunding the Series 1994 Bonds at the written direction of the Issuer. All such costs of issuance shall be paid within 60 days of the Series 2003 Bonds Closing Date. Monies not to be applied immediately to pay such costs of issuance and refunding may be invested in accordance with this Resolution. 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 Series 2003 Bonds Closing Date, such unapplied proceeds shall be transferred by the Issuer to the Escrow Fund. All such proceeds transferred to the Escrow Fund 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 2003 C Bonds and the Series 2003 D Bonds.

C. Upon the issuance and delivery of the Series 2004 A Bonds, the Issuer shall forthwith deposit the proceeds thereof as follows:

1. All interest accrued on the Series 2004 A Bonds from the date thereof to the date of delivery thereof shall be deposited in the Series 2004 A Bonds Sinking Fund and applied to payment of interest on the Series 2004 A Bonds at the first interest payment date.

2. An amount of the proceeds of the Series 2004 A Bonds which, together with other monies or securities available therefor, shall be sufficient to accomplish the current refunding and defeasance of the Series 1994 Bonds shall be paid to the paying agent for the Series 1994 Bonds.

3. An amount of the proceeds of the Series 2004 A Bonds equal to the Series 2004 A Bonds Reserve Requirement shall be remitted to the Bond Commission for deposit in the Series 2004 A Bonds Reserve Account, provided that, to the extent the Series 2004 A Bonds Reserve Requirement is satisfied in whole or in part from proceeds of any fund or account established pursuant to the 1994 Resolution or other funds of the Issuer, proceeds of the Series 2004 A Bonds shall be deposited in the Series 2004 A Bonds Reserve Account only to the extent needed to satisfy the balance of the Series 2004 A Bonds Reserve Requirement.

4. The balance of the proceeds of the Series 2004 A Bonds shall be deposited with the Depository Bank in the Costs of Issuance Fund and shall be drawn out, used and applied by the Issuer solely to pay costs of issuance of the Series 2004 A Bonds and miscellaneous costs of refunding the Series 1994 Bonds at the written direction of the Issuer. All such costs of issuance shall be paid within 60 days of the Series 2004 A Bonds Closing Date for the Series 2004 A Bonds. 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 Series 2004 A Bonds Closing Date, such unapplied proceeds shall be transferred by the Issuer to the Series 2004 A Bonds Sinking Fund. All such proceeds transferred to the Escrow Fund 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 2004 A Bonds.

Section 3.15. Designation of Series 2004 A Bonds as "Qualified Tax-Exempt Obligations". The Issuer hereby designates the Series 2004 A Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3)(B) of the Code and covenants that the Series 2004 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 2004 A Bonds, have been or shall be issued by the Issuer, including all subordinate entities of the Issuer, during the calendar year 2004.

ARTICLE IV

[RESERVED]

ARTICLE V

FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

Section 5.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are hereby created with (or continued if previously established by the Prior Resolutions) and shall be held by the Depository Bank separate and apart from all other funds or accounts of the Depository Bank and the Issuer and from each other:

(1) Revenue Fund (established by the Prior Resolutions and continued hereby);

(2) Operation and Maintenance (established by the Prior Resolutions and continued hereby);

(3) Depreciation Fund (established by the Prior Resolutions and continued hereby);

(4) Costs of Issuance Fund; and

(5) Rebate Fund.

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

(1) Series 1992 Bonds Sinking Fund (established by the Prior Resolutions);

(2) Within the Series 1992 Bonds Sinking Fund, the Series 1992 Bonds Reserve Account (established by the Prior Resolutions);

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

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

(5) Within the Series 1994 Bonds Sinking Fund, the Series 1994 Bonds Redemption Account (established by the Prior Resolutions);

(6) Series 2000 Bonds Sinking Fund (established by the Prior Resolutions);

(7) Within the Series 2000 Bonds Sinking Fund, the Series 2000 A Bonds Reserve Account (established by the Prior Resolutions);

(8) Series 2003 A Bonds Sinking Fund (established by the Prior Resolutions);

(9) Within the Series 2003 A Bonds Sinking Fund, the Series 2003 A Bonds Reserve Account (established by the Prior Resolutions);

(10) Series 2003 B Bonds Sinking Fund (established by the Prior Resolutions);

(11) Within the Series 2003 B Bonds Sinking Fund, the Series 2003 B Bonds Reserve Account (established by the Prior Resolutions);

(12) Series 2003 C Bonds Sinking Fund; and

(13) Series 2003 D Bonds Sinking Fund.

B. Upon issuance of the Series 2004 A Bonds, the following special funds or accounts are hereby created with and shall be held by the Bond Commission separate and apart from all other funds or accounts of the Bond Commission and the Issuer and from each other:

(1) Series 2004 A Bonds Sinking Fund;

(2) Within the Series 2004 A Bonds Sinking Fund, the Series 2004 A Bonds Reserve Account;

(3) Within the Series 2004 A Bonds Sinking Fund, the Series 2004 A Bonds Redemption Account.

Section 5.03. System Revenues; Flow of Funds. A. The entire Gross Revenues derived from the operation of the System shall be deposited upon receipt in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in this Bond Legislation and shall be kept separate and distinct from all other funds of the

Issuer and the Depository Bank and used only for the purposes and in the manner herein provided. Until the Series 2004 A Bonds are issued and the Series 1994 Bonds defeased, neither the Series 2003 C Bonds nor the Series 2003 D Bonds shall be payable from the Gross Revenues, and all revenues shall be disposed of in accordance with the provisions of the 1994 Resolution and the Prior Resolutions. Upon issuance of the Series 2004 A Bonds and defeasance of the Series 1994 Bonds, all revenues at any time on deposit in the Revenue Fund shall be disposed of only in the following order and priority.

(1) The Issuer shall first, on the first day of each month, transfer from the Revenue Fund and deposit in the Operation and Maintenance Fund, an amount sufficient to pay the current Operating Expenses of the System.

(2) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Commission (i) for deposit in the Series 1992 Bonds Sinking Fund, the amounts required by the Prior Resolutions to pay the interest, if any, on and the principal of the Series 1992 Bonds; (ii) for deposit in the Series 2000 Bonds Sinking Fund, the amounts required by the Prior Resolutions to pay the interest, if any, on and the principal of the Series 2000 Bonds; (iii) for deposit in the Series 2003 A Bonds Sinking Fund, the amounts required by the Prior Resolutions to pay the interest, if any, on and the principal of the Series 2003 A Bonds; (iv) for deposit in the Series 2003 B Bonds Sinking Fund, the amounts required by the Prior Resolutions to pay the interest, if any, on and the principal of the Series 2003 B Bonds; (v) commencing 6 months prior to the first interest payment date on the Series 2004 A Bonds, for deposit in the Series 2004 A Bonds Sinking Fund, a sum equal to 116th of the amount of interest which will become due on the Series 2004 A Bonds on the next ensuing quarterly interest payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 2004 A Bonds Sinking Fund and the next ensuing semiannual interest payment date is more or less than 6 months, then such monthly payments shall be decreased or increased proportionately to provide, 1 month prior to the next ensuing semiannual interest payment date, the required amount of interest coming due on such date; provided further that, the initial amount required to be transferred from the Revenue Fund and deposited in the Series 2004 A Bonds Sinking Fund shall be reduced by the amount of accrued interest on the Series 2004 A Bonds deposited therein; and (v) commencing 12 months prior to

the first principal payment date or mandatory Redemption Date of the Series 2004 A Bonds, for deposit in the Series 2004 A Bonds Sinking Fund and in the Series 2004 A Bonds Redemption Account therein in the case of Term Bonds which are to be redeemed, a sum equal to 1112th of the amount of principal which will mature or be redeemed and become due on the Series 2004 A Bonds on the next ensuing annual principal payment date or mandatory Redemption Date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 2004 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 quarterly principal payment date or mandatory Redemption Date, the required amount of principal coming due on such date.

(3) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Commission (i) for deposit in the Series 1992 Bonds Reserve Account, the amount required by the Prior Resolutions; (ii) for deposit in the Series 2000 Bonds Reserve Account, the amount required by the Prior Resolutions; (iii) for deposit in the Series 2003 A Bonds Reserve Account, the amount required by the Prior Resolutions; (iv) for deposit in the Series 2003 B Bonds Reserve Account, the amount required by the Prior Resolutions; and (v) for deposit in the Series 2004 A Bonds Reserve Account, an amount sufficient to remedy any decrease in value of the Series 2004 A Bonds Reserve Account below the Series 2004 A Bonds Reserve Requirement or any withdrawal from the Series 2004 A Bonds Reserve Account, beginning with the first full calendar month following the date on which (a) the valuation of investments in the Series 2004 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 2004 A Bonds Reserve Account is less than the Series 2004 A Bonds Reserve Requirement, or (b) any amount is withdrawn from the Series 2004 A Bonds Reserve Account for deposit into the Series 2004 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 2004 A Bonds Reserve Account to an amount equal to the Series

2004 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 2004 A Bonds Reserve Account whenever and as long as the amount deposited therein shall be equal to the Series 2004 A Bonds Reserve Requirement.

(4) The Issuer shall next, on the first day of each month, from the monies remaining in the Revenue Fund (as previously set forth in the Prior Resolutions and not in addition thereto), transfer to the Depreciation Fund, a sum equal to 2 112% of the Gross Revenues each month, exclusive of any payments for account of any Reserve Account. All funds in the Depreciation Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII hereof. Withdrawals and disbursements may be made from the Depreciation Fund for replacements, emergency repairs, improvements or extensions to the System; provided, that any deficiencies in any Reserve Account (except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof) shall be promptly eliminated with monies from the Depreciation Fund.

(5) In the event the Series 2004 A Bonds are not issued on or before May 1, 2004, the Series 2003 D Bonds and any other bonds payable from the revenues of the System subsequent to the issuance of the Series 2003 C Bonds and the Series 2003 D Bonds, unless otherwise determined, shall be payable on a parity with the 1994 Bonds and the Prior Bonds, in the same manner and in the order of priority as set forth for the Prior Bonds in paragraphs (1) and (2) of this Section 5.03.

Monies in the Series 2004 A Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest, if any, on the Series 2004 A Bonds, as the same shall become due. Monies in the Series 2004 A Bonds Reserve Account shall be used only for the purpose of paying principal of and interest, if any, on the Series 2004 A Bonds, as the same shall come due, when other monies in the Series 2004 A Bonds Sinking Fund are insufficient therefor, and for no other purpose except for permitted transfers to the Rebate Fund.

Except to the extent transferred to the Rebate Fund at the request of the Issuer, all investment earnings on monies in the Series 2004 A Bonds Sinking Fund and the

Series 2004 A Bonds Reserve Account shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payment, if any, due on the Series 2004 A Bonds, and then to the next ensuing principal payment due thereon.

Except with respect to transfers to the Rebate Fund, any withdrawals from the Series 2004 A Bonds Reserve Account which result in a reduction in the balance of the Series 2004 A Bonds Reserve Account to below the Series 2004 A Bonds Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments have been made in full in the order set forth above.

As and when additional Bonds ranking on a parity with the Series 2004 A Bonds and the Prior Bonds are issued, or on a parity with the Series 2003 D Bonds, the 1994 Bonds and the Prior Bonds in the event the Series 2004 A Bonds are not issued, provision shall be made for additional payments into the respective sinking funds sufficient to pay the interest on such additional parity Bonds and accomplish retirement thereof at maturity and to accumulate a balance in the appropriate reserve account in an amount equal to the maximum amount of principal and interest which will become due in any year for account of the Bonds of such series, including such additional parity Bonds.

The Issuer shall not be required to make any further payments into the Series 2004 A Bonds Sinking Fund or the Series 2004 A Bonds Reserve Account when the aggregate amount of funds therein are at least equal to the aggregate principal amount of the Series 2004 A Bonds issued pursuant to this Bond Legislation then Outstanding and all interest, if any, to accrue until the maturity thereof.

Principal, interest or reserve payments, whether made for a deficiency or otherwise, shall be made on a parity and pro rata, with respect to the Prior Bonds and the Series 2004 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 2003 C Bonds Sinking Fund created hereunder, and all amounts required for said account shall be remitted to the Bond Commission from the Revenue Fund by the Issuer at the times provided herein.

Monies in the Series 2003 C Bonds Sinking Fund shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The Bond Commission is hereby designated as the fiscal agent for the administration of the Series 2003 D Bonds Sinking Fund created hereunder, and all

amounts required for said account shall be remitted to the Bond Commission from the Revenue Fund by the Issuer at the times provided herein.

Monies in the Series 2003 D Bonds Sinking Fund shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The Bond Commission is hereby designated as the fiscal agent for the administration of the Series 2004 A Bonds Sinking Fund, the Series 2004 A Bonds Reserve Account, and the Series 2004 A Bonds Redemption 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.

Monies in the Series 2004 A Bonds Sinking Fund, the Series 2004 A Bonds Reserve Account and the Series 2004 A Bonds Redemption Fund shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

Except with respect to transfers to the Rebate Fund, the Series 2004 A Bonds Sinking Fund and the Series 2004 A Bonds Reserve Account shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 2004 A Bonds under the conditions and restrictions hereinafter set forth.

B. The Issuer shall on the first day of each month (if the first day is not a business day, then the first business day of each month) deposit with the Bond Commission the required principal, interest and reserve account payments with respect to the Series 2004 A Bonds and all such payments shall be remitted to the Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Bond Legislation.

C. 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.

D. 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 their respective charges and fees then due.

E. The monies in excess of the sum insured by the maximum amounts insured by FDIC in all funds and accounts shall at all times be secured, to the full extent

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

F. If on any monthly payment date the revenues are insufficient to place the required amount in any of the funds and accounts as hereinabove provided, the deficiency shall be made up in the subsequent payments in addition to the payments which would otherwise be required to be made into the funds and accounts on the subsequent payment dates; provided, however, that the priority of curing deficiencies in the funds and accounts herein shall be in the same order as payments are to be made pursuant to this Section 5.03, and the Net Revenues shall be applied to such deficiencies before being applied to any other payments hereunder.

G. 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.

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

Section 5.04. Payment of Series 2003 Bonds. The Series 2003 C Bonds, the Series 2003 D Bonds and the interest thereon shall not be payable from the Revenue Fund, the Gross Revenues or the Net Revenues, but shall be payable solely from proceeds of the Series 2003 C Bonds and Series 2003 D Bonds deposited in the Escrow Fund and earnings thereon and, to the extent such funds are not sufficient, from proceeds of the Series 2004 A Bonds or through the exchange of a like amount of Series 2004 A Bonds for such Series 2003 C Bonds or Series 2003 D Bonds. In the event the Series 2004 A Bonds are not issued on or before May I, 2004, the Series 1994 Bonds will not be refunded and the amounts then on deposit in the Escrow Fund shall be applied to redemption of the Series 2003 C Bonds. The Series 2003 D Bonds shall remain outstanding and shall then be on a parity as to the pledge of Net Revenues with the Series 1994 Bonds and the Prior Bonds.

ARTICLE VI

REGISTRAR AND PAYING AGENT

Section 6.01. Appointment of Registrar. The Registrar for the 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 6.02. Responsibilities of Registrar. The recitals of fact in the 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 Bonds by the Issuer. Notwithstanding the foregoing, the Registrar shall be responsible for any representation in its Certificate of Authentication on the 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 6.01.

Section 6.03. Evidence on Which Registrar May Act. Except as otherwise provided by Section 11.02, 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 6.04. 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 6.05. Certain Permitted Acts. The Registrar may become the owner of or may deal in 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 Bonds or this Resolution, whether or not any such committee shall represent the Holders of a majority in principal amount of the Bonds Outstanding.

Section 6.06. 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 Bonds are fully registered), specifying the date when such resignation shall take effect, within 20 days after the giving of such written notice. A copy of such notice shall also be mailed to each owner of a fully registered Bond or a coupon Bond registered as to principal (other than to bearer). Such resignation shall take effect upon the day specified in such notice unless a successor shall have been previously appointed by the Issuer or bondholders, in which event such resignation shall take effect immediately.

Section 6.07. Removal. The Registrar may be removed at any time by the Issuer or by the Holders of a majority in principal amount of the 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 6.08. 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 each series of the 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 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 6.09. 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 6.10. 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 6.08.

Section 6.11. Adoption of Authentication. In case any of the 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 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 6.12. Paying Agent. The Bond Commission shall serve as the Paying Agent. Any alternate Paying Agent must be a bank, trust company or national banking association authorized to perform the duties imposed upon it by this Resolution. Such alternate Paying Agent shall signify its acceptance of the duties and obligations imposed upon it pursuant hereto by executing and delivering to the Issuer a written acceptance thereof. Any successor Paying Agent shall take such actions as may be necessary to ensure that the Bonds shall be and remain DTC-eligible.

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

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

The Paying Agent shall enjoy the same protective provisions in the performance of its duties hereunder as are specified in this Article VI 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 VII

ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01. General Covenants of the Issuer. All the covenants, agreements and provisions of this Bond Legislation shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Bonds. In addition to the other covenants, agreements and provisions of this Bond Legislation, the Issuer hereby covenants and agrees with the Holders of the Bonds as hereinafter provided in this Article VII. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of the Bonds or the interest, if any, thereon is Outstanding and unpaid.

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

Section 7.03. Series 2003 D Bonds and Series 2004 A Bonds Secured by Pledge of Net Revenues; Lien Position with Respect to Prior Bonds. A. Upon issuance of the Series 2004 A Bonds, the payment of the debt service of the Series 2004 A Bonds shall be secured forthwith equally and ratably by a first lien on the Net Revenues derived from the System, on a parity with the lien on such Net Revenues in favor of the Holders of the Prior Bonds. The Net Revenues in an amount sufficient to pay the principal of and interest on the Series 2004 A Bonds and the Prior Bonds and to make the payments into all funds and accounts and all other payments provided for in the Bond Legislation are hereby irrevocably pledged, in the manner provided herein, to such payments as they become due, and for the other purposes provided in the Bond Legislation.

B. In the event the Series 2004 A Bonds are not issued on or before May 1, 2004, the payment of the debt service of the Series 2003 D Bonds shall be secured forthwith equally and ratably by a first lien on the Net Revenues from the System, on a parity with the lien on such Net Revenues in favor of the Holders of the Series 1994 Bonds and the Prior Bonds. The Net Revenues in an amount sufficient to pay the principal of and interest on the Series 2003 D Bonds, the 1994 Bonds and the Prior Bonds and to make the payments into all funds and accounts and all other payments provided for in the Bond Legislation are hereby irrevocably pledged, in the manner provided herein, to such payments as they become due, and for the other purposes provided in the Bond Legislation.

Section 7.04. Initial Schedule of Rates and Charges. The Issuer has obtained any and all approvals of rates and charges required by State law and has taken any other action required to establish and impose such rates and charges, with all requisite appeal periods having expired without successful appeal. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth and approved and described in the Final Order of the Public Service Commission of West Virginia entered March 23, 2003, in Case No. 02-1213-PSD-CN, and such rates are hereby adopted.

So long as the Bonds are outstanding, the Issuer covenants and agrees to fix and collect rates, fees and other charges for the use of the System and to take all such actions necessary to provide funds sufficient to produce the required sums set forth in the Bond Legislation. In the event the schedule of rates and charges initially established for the System in connection with the Bonds shall prove to be insufficient to produce the required sums set forth in this Bond Legislation, the Issuer hereby covenants and agrees that it will, to the extent or in the manner authorized by law, immediately adjust and increase such schedule of rates and charges and take all such actions necessary to provide funds sufficient to produce the required sums set forth in this Bond Legislation.

Section 7.05. Sale of the System. So long as the Prior Bonds are outstanding, the Issuer shall not sell, mortgage, lease or otherwise dispose of the System, or any part thereof, except as provided in the Prior Resolutions. Additionally, so long as the Bonds are outstanding, 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 fully pay all the Bonds Outstanding in accordance with Article X hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Bonds, immediately be remitted to the Commission for deposit in the respective Sinking Funds on a pro rata basis and the Issuer shall direct the Commission to apply such proceeds to the payment of principal of and interest, if any, on the Bonds. Any balance remaining after the payment of all of the Bonds and interest, if any, thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

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

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

Section 7.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. Except as provided in this Section 7.06 and Section 7.07 hereof, the Issuer shall not issue any obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Bonds. All obligations issued by the Issuer after the issuance of the Bonds and payable from the revenues of the System, except such additional parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on, pledge and source of and security for payment from such revenues and in all other respects, to the 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 Bonds, and the interest thereon, if any, upon any or all of the income and revenues of the System pledged for payment of the Bonds and the interest thereon, if any, in this Bond Legislation, or upon the System or any part thereof.

Section 7.07. Parity Bonds. So long as the Series 2004 A Bonds or the Prior Bonds are outstanding, or, in the event the Series 2004 A Bonds are not issued on or before May 1, 2004, so long as the Series 2003 D Bonds, the Series 1994 Bonds or the Prior

Bonds are outstanding, the limitations on the issuance of parity obligations set forth in the Prior Resolutions shall be applicable.

All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 2004 A Bonds and the Prior Bonds; provided, however, that in the event the Series 2004 A Bonds are not issued on or before May 1, 2004, and the Series 1994 Bonds are not refunded, all Parity Bonds issued hereunder shall also be on parity in all respects with the Series 2003 D Bonds, the Series 1994 Bonds and the Prior Bonds.

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

No Parity Bonds shall be issued at any time, however, unless there has been procured and filed with the Secretary a written statement by the Independent Certified Public Accountants, reciting the conclusion that the Net Revenues actually derived from the System during the Fiscal Year preceding the date of the actual issuance of such additional Parity Bonds, plus the increased annual Net Revenues to be received after the date of issuance of such additional Parity Bonds shall not be less than 115% of the Maximum Annual Debt Service 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 "increased annual Net Revenues expected to be received," 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 adopted by the Issuer and approved by the Public Service Commission of West Virginia, the time for appeal of which shall have expired (without successful appeal) prior to the date of delivery of such additional Parity Bonds, and shall not exceed the amount to be stated in a aforementioned certificate of the Independent Certified Public Accountants, which shall be filed in the office of the Secretary prior to the issuance of such additional Parity Bonds.

All covenants and other provisions of this Bond Legislation (except as to details of such Parity Bonds inconsistent herewith) shall be for the equal benefit, protection and security of the Holders of the Bonds and the Holders of any Parity Bonds subsequently issued from time to time within the limitations of and in compliance with this section. Bonds issued on a parity, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the revenues of the System and their source of and security for payment from

said revenues, without preference of any Bond of one series over any other Bond of the same series. The Issuer shall comply fully with all the increased payments into the various funds and accounts created in this Bond Legislation required for and on account of such Parity Bonds, in addition to the payments required for Bonds theretofore issued pursuant to this Bond Legislation.

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on revenues of the System is subject to the prior and superior liens of the 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 Bonds.

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

Section 7.08. Books; Records and Audit. The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and any Holder of a Bond or Bonds issued pursuant to this Bond Legislation shall have the right at all reasonable times to inspect the System and all parts thereof and all records, accounts and data of the Issuer relating thereto.

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

The Issuer shall mail in each year to any Holder or Holders of the Bonds, requesting the same, an annual report containing the following:

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

(B) A balance sheet statement showing all deposits in all the funds and accounts provided for in this Bond Legislation, and the status of all said funds and accounts.

(C) The amount of any Bonds, notes or other obligations outstanding.

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

Section 7.09. Rates. Prior to the issuance of the Bonds, equitable rates or charges for the use of and service rendered by the System shall be established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Secretary, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from the 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 not less than the sum of (a) 115% of the maximum amount required in any year for payment of principal of and interest, if any, on the Series 2004 A Bonds or, in the event the Series 2004 A Bonds are not issued, on the Series 2003 D Bonds, and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2004 A Bonds, including the Prior Bonds, or in the event the Series 2004 A Bonds are not issued, on a parity with the Series 2003 D Bonds, including the 1994 Bonds and the Prior Bonds, and (b) the amount, if any, required to be deposited in the respective reserve accounts for the Prior Bonds and the Series 2004 A Bonds Reserve Account in order to satisfy the respective Reserve Account Requirements within a period of not more than 12 months, assuming equal payments are made each month; and thereafter, to leave a balance each year equal to 115% of the maximum amount required in any year for payment of principal of and interest, if any, on the Series 2004 A Bonds or, in the event the Series 2004 A Bonds are not issued, on the Series 2003 D Bonds, and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2004 A Bonds, including the Prior Bonds, or, in the event the Series 2004 A Bonds are not issued, the Series 2003 D Bonds, including the 1994 Bonds and the Prior Bonds; provided that, in the event that amounts equal to or in excess of the reserve requirements are on deposit respectively in the

Series 2004 A Bonds Reserve Account and the Reserve Accounts for obligations on a parity with the Series 2004 A Bonds, including the Prior Bonds, or in the event the Series 2004 A Bonds are not issued, on a parity with the Series 2003 D Bonds, including the 1994 Bonds and the Prior Bonds, are funded at least at the requirement therefor, such balance each year need only equal at least 110% of the maximum amount required in any year for payment of principal of and interest, if any, on the Series 2004 A Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2004 A Bonds, including the Prior Bonds, or, in the event the Series 2004 A Bonds are not issued, the Series 2003 D Bonds, including the Series 1994 Bonds and the Prior Bonds. In any event, the Issuer shall not reduce the rates or charges for services described in Section 7.04.

Section 7.10. Operating Budget and Monthly Financial Report. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by the Consulting Engineers, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of 10% of the amount of such budget shall be made except upon the further certificate of the Consulting Engineers that such increased expenditures are necessary for the continued operation of the System. The Issuer shall, upon request from a Holder of any Bonds, mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to any Holder of any Bonds, within 30 days of adoption thereof, and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to any Holder of any Bonds, or anyone acting for and in behalf of such Holder of any Bonds.

Section 7.11. No Competing Franchise. To the extent legally allowable, the Issuer will not grant or cause, consent to or allow the granting of, any franchise or permit to any person, firm, corporation, body, agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the System.

Section 7.12. Enforcement of Collections. The Issuer will diligently enforce and collect all fees, rentals or other charges for the services and facilities of the System, and take all steps, actions and proceedings for the enforcement and collection of such fees, rentals or other charges which shall become delinquent to the full extent permitted or authorized by the Act, the rules and regulations of the Public Service Commission of West Virginia and other laws of the State of West Virginia.

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

Section 7.13. No Free Services. The Issuer will not render or cause to be rendered any free services of any nature by the System, nor will any preferential rates be established for users of the same class; and in the event the Issuer, or any department, agency, instrumentality, officer or employee of the Issuer shall avail itself or themselves of the facilities or services provided by the System, or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer and any such department, agency, instrumentality, officer or employee. The revenues so received shall be deemed to be revenues derived from the operation of the System, and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 7.14. Insurance and Construction Bonds. A. The Issuer hereby covenants and agrees that so long as the Bonds remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance with a reputable insurance carrier or carriers as is customarily covered with respect to works and properties similar to the System. Such insurance shall initially cover the following risks and be in the following amounts:

(1) FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE, on all above-ground insurable portions of the System in an amount equal to the actual cost thereof. In time of war the Issuer will also carry and maintain insurance to the extent available against the risks and hazards of war. The proceeds of all such insurance policies shall be placed in the

Depreciation Fund and used only for the repairs and restoration of the damaged or destroyed properties or for the other purposes provided herein for the Depreciation Fund.

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

(3) WORKER'S COMPENSATION COVERAGE FOR ALL EMPLOYEES OF OR FOR THE SYSTEM ELIGIBLE THEREFOR; AND PERFORMANCE AND PAYMENT BONDS, such bonds to be in the amounts of 100% of the construction contract and to be required of each contractor contracting directly with the Issuer, and such payment bonds will be filed with the Clerk of The County Commission of the County in which such work is to be performed prior to commencement of construction of the Project in compliance with West Virginia Code, Chapter 38, Article 2, Section 39.

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

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

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

Section 7.15. Mandatory Connections. The mandatory use of the System is essential and necessary for the protection and preservation of the public health, comfort, safety, convenience and welfare of the inhabitants and residents of, and the economy of, the Issuer and in order to assure the rendering harmless of sewage and water-borne waste matter produced or arising within the territory served by the System. Accordingly, every owner, tenant or occupant of any house, dwelling or building located near the System, where sewage will flow by gravity or be transported by such other methods approved by the State Division of Health from such house, dwelling or building into the System, to the extent permitted by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, shall connect with and use the System and shall cease the use of all other means for the collection, treatment and disposal of sewage and waste matters from such

house, dwelling or building where there is such gravity flow or transportation by such other method approved by the State Division of Health and such house, dwelling or building can be adequately served by the System, and every such owner, tenant or occupant shall, after a 30-day notice of the availability of the System, pay the rates and charges established therefor.

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

Section 7.16. Permits and Orders. The Issuer will operate and maintain the System as a revenue-producing utility in good condition and in compliance with all federal and state requirements and standards.

The Issuer has obtained all permits required by State and federal laws and all orders and approvals from the Public Service Commission of West Virginia necessary for the operation of the System and all approvals for issuance of the Bonds required by State law, with all requisite appeal periods having expired without successful appeal.

Section 7.17. 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 2004 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 2004 A Bonds during the term thereof is, under the terms of the Series 2004 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) and that, in the event that both (A) in excess of 5% of the Net Proceeds of the Series 2004 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 2004 A Bonds during the term thereof is, under the terms of the Series 2004 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 2004 A Bonds used for a Private Business Use shall be used for a Private Business Use related to the governmental use of the Project, or if the Series 2004 A Bonds are for the purpose of

financing more than one project, a portion of the Project, and shall not exceed the proceeds used for the governmental use of the portion of the Project to which such Private Business Use is related. All of the foregoing shall be determined in accordance with the Code.

B. PRIVATE LOAN LIMITATION. The Issuer shall assure that not in excess of 5% of the Net Proceeds of the Series 2004 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 2004 A Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

D. INFORMATION RETURN. The Issuer will timely file all statements, instruments and returns necessary to assure the tax-exempt status of the Series 2004 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 any and all actions that may be required of it (including, without limitation, those deemed necessary by the Authority) so that the interest on the Series 2004 A Bonds will be and remain excluded from gross income for federal income tax purposes, and will not take any actions or fail to take any actions, the result of which would adversely affect such exclusion.

Section 7.18. Statutory Mortgage Lien. For the further protection of the Holders of the Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, shall take effect immediately upon delivery of the Bonds and shall be on a parity with the statutory mortgage lien in favor of the Holder of the Prior Bonds.

Section 7.19. Compliance with Law. The Issuer shall perform, satisfy and comply with all the terms and conditions of the Act.

Section 7.20. 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 VIII

INVESTMENT OF FUNDS; NON ARBITRAGE

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

Any investment shall be held in and at all times deemed a part of the fund or account in which such 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 investments held for any fund or account shall be valued at the lower of cost or then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including the value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held in the "Consolidated Fund." The Commission shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in any fund or account is insufficient to make the payments required from such fund or account, regardless of the loss on such liquidation. The Depository Bank, or such other bank or national banking association, as the case may be, may make any and all investments permitted by this section through its own bond department and shall not be responsible for any losses from such investments, other than for its own negligence or willful misconduct.

The Depository Bank shall keep complete and accurate records of all funds, accounts and investments, and shall distribute to the Issuer, at least once each year, or more often as reasonably requested by the Issuer, a summary of such funds, accounts and investment earnings. The Issuer shall retain all such records and any additional records with respect to such funds, accounts and investment earnings so long as any of the Bonds are Outstanding and as long thereafter as necessary to comply with the Code and assure the exclusion of interest, if any, on the Series 2004 A Bonds from gross income for federal income tax purposes.

Section 8.02. Arbitrage. The Issuer covenants that (i) it will restrict the use of the proceeds of the Series 2004 A Bonds in such manner and to such extent as may be necessary, so that the Series 2004 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 2004 A Bonds) so that the interest on the Series 2004 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 8.03. 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 2004 A Bonds. **In** addition, the Issuer covenants to comply with all Regulations from time to time in effect and applicable to the Series 2004 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(t) 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(t) 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 8.03. The Issuer shall keep and retain, or cause to be kept and retained, records of the determinations made pursuant to this Section 8.03 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 2004 A Bonds from gross income for federal income tax purposes.

ARTICLE IX

DEFAULT AND REMEDIES

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

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

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

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

(4) If default occurs with respect to the Prior Bonds or the Prior Resolutions.

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

Section 9.03. Appointment of Receiver. Any Registered Owner of a Bond may, by proper legal action, compel the performance of the duties of the Issuer under the Bond Legislation and the Act, including, the completion of the Project and after commencement of operation of the System, the making and collection of sufficient rates and charges for services rendered by the System and segregation of the revenues therefrom and the application thereof. If there be any Event of Default with respect to such Bonds, any Registered Owner of a Bond shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System or to complete the acquisition and construction of the Project on behalf of the Issuer, with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of Operating Expenses of the System, the payment of the Bonds and interest and the deposits into the funds and accounts hereby established, and to apply such rates, rentals, fees, charges or other revenues in conformity with the provisions of this Bond Legislation and the Act.

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

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

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

Any receiver appointed as provided herein shall hold and operate the System in the name of the Issuer and for the joint protection and benefit of the Issuer and Registered Owners of the Bonds. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the completion of the Project

and the possession, operation and maintenance of the System for the sole purpose of the protection of both the Issuer and Registered Owners of such Bonds and the curing and making good of any Event of Default with respect thereto under the provisions of this Bond Legislation, and the title to and ownership of the System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, assign, mortgage or otherwise dispose of any assets of the System.

Section 9.04 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 X

DEFEASANCE; DISCHARGE OF PLEDGE OF RESOLUTION

Section 10.01. 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 the 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 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 2004 A Bonds from gross income for federal income tax purposes.

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 Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All 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 Bonds on and prior to the maturity date thereof, or if the Issuer irrevocably determines to redeem any of the 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 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 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 XI

MISCELLANEOUS

Section 11.01. Amendment of Resolution. Prior to issuance of the 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 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 Bonds are insured, no such amendment or modification which adversely affects the security for such Bonds or the rights of any Bond Insurer for such 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 each series of Bonds then Outstanding and affected thereby and such Bond Insurer, if applicable, 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 Bond without the express written consent of the Holder of each Bond so affected, nor reduce the percentage of Bonds required for consent to any such modification or amendment.

Section 11.02. Evidence of Signatures of Bondholders and Ownership of Bonds. Any request, consent, revocation of consent or other instrument which this Resolution may require or permit to be signed and executed by Bondholders may be in one or more instruments of similar tenor, and shall be signed or executed by such Bondholders in person or by their attorneys duly authorized in writing. Proof of the execution of any such instrument, or of an instrument appointing or authorizing any such attorney, shall be sufficient for any purpose of this Resolution if made in the following manner, or in any other manner satisfactory to the Issuer or the Registrar, as the case may be, which may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

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

satisfactory to the Issuer or the Registrar, as the case may be, that the person signing such instrument acknowledged to such bank, trust company, firm or corporation the execution thereof.

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

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

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

Section 11.03. 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 10.01.

Section 11.04. Cancellation of Bonds. All Bonds purchased or paid shall, if surrendered to the Issuer, be canceled and delivered to the Registrar, or, if surrendered to the Registrar, be canceled by it. No such Bonds shall be deemed Outstanding under this Resolution and no Bonds shall be issued in lieu thereof. All such Bonds shall be canceled and upon order of the Issuer shall be destroyed, and a certificate evidencing such destruction shall be delivered to the Issuer.

Section 11.05. Failure to Present Bonds. Anything in this Resolution to the contrary notwithstanding, any monies held by the Bond Commission or a Paying Agent in trust for the payment and discharge of any of the Bonds which remain unclaimed for 1 year after the date on which such Bonds have become due and payable, whether by maturity or upon call for redemption, shall at the written request of the Issuer be paid by the Bond Commission or said Paying Agent to the Issuer as its absolute property and free from trust, and the Bond Commission or said Paying Agent shall thereupon be released and discharged with respect thereto, and the Holders of such Bonds shall look only to the Issuer for the payment of such Bonds; provided, however, that, before making any such payment

to the Issuer, the Registrar, if so advised by the Bond Commission, or said Paying Agent shall send to the Holder, at the address listed on the Bond Register, by certified mail, a notice that such monies remain unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the date of such notice is mailed, the balance of such monies then unclaimed will be returned to the Issuer. If any of said Bonds is a coupon Bond, the Registrar or said Paying Agent shall also publish such notice, not less than 30 days prior to the date such monies will be returned to the Issuer, in an Authorized Newspaper.

Section 11.06. 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

Pea Ridge Public Service District
Post Office Box 86
Barboursville, West Virginia 25504
Attention: Chairman

REGISTRAR AND PAYING AGENT

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

DEPOSITORY BANK

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

ORIGINAL PURCHASER

Crews & Associates, Inc.
300 Summers Street
Suite 930
Charleston, WV 25301-1631
Attention: Vice President

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

Section 11.08. Law Applicable. The laws of the State shall govern the construction of this Resolution and of all Bonds issued hereunder.

Section 11.09. 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 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 Bonds and the Original Purchaser.

Section 11.10. 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 11.11. 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 11.12. Conflicting Provisions Repealed. All orders, resolutions or parts thereof in conflict with the provisions of this Resolution, are, to the extent of such conflict, hereby repealed; provided that, in the event of any conflict between this Resolution and the resolutions authorizing the Prior Bonds, the resolutions authorizing the Prior Bonds shall control, unless less restrictive, so long as the Prior Bonds are Outstanding.

Section 11.13. 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 11.14. Effective Date. This Resolution shall take effect immediately upon adoption.

Adopted this 28th day of August, 2003.

Chairman

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board of PEA RIDGE PUBLIC SERVICE DISTRICT on August 28, 2003.

Dated: August 28, 2003.

[SEAL]

Secretary

EXHIBIT A

SERIES 2003 C 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. CR- $_____

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
PEA RIDGE PUBLIC SERVICE DISTRICT
TAXABLE SEWER REFUNDING REVENUE BOND,
SERIES 2003 C

INTEREST RATE	MATURITY DATE	BOND DATE	CUSP NO.

REGISTERED OWNER: _____

PRINCIPAL AMOUNT:

KNOW ALL MEN BY THESE PRESENTS: That PEA RIDGE PUBLIC SERVICE DISTRICT (WEST VIRGINIA), a public service district and public corporation and political subdivision of the State of West Virginia in Cabell 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, 20 (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 "Taxable Sewer Refunding Revenue Bonds, Series 2003 C" (the "Bonds"), of the Issuer, of like tenor and effect, except as to number, denomination, date of maturity and interest rate, dated August 1, 2003, the proceeds of which are to be used, together with other funds of the Issuer, to facilitate the subsequent issuance and sale of its Sewer Refunding Revenue Bonds, Series 2004 A (the "Series 2004 A Bonds"), on March _, 2004, the proceeds of which will be used to currently refund the Issuer's Sewer Refunding Revenue Bonds, Series 1994 (the "Series 1994 Bonds"), which were issued to refinance the cost of acquisition and construction of certain improvements to the sewerage system of the Issuer (the "System").

The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a resolution duly adopted by the Issuer on August , 2003, and supplemented by a supplemental resolution duly adopted by the Issuer on August_____, 2003 (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 payable only from and secured by a pledge of the securities and cash deposited in the Escrow Fund (as defined in the Bond Legislation) and earnings thereon, which 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 and to make the other payments required by the Resolution. This Bond does not constitute an indebtedness of the Issuer within any constitutional or statutory provision or limitation, nor shall the Issuer be obligated to pay the same or the interest hereon except from such Escrow Fund. The Issuer has entered into certain further covenants with the Registered Owners of the Bonds, for the terms of which reference is made to the Resolution. Remedies provided the Registered Owners of the Bonds are exclusively as provided in the Resolution, to which reference is here made for a detailed description thereof.

All monies received from the sale of the Bonds except for accrued interest thereon, shall be applied solely to the purchase of securities to be deposited in the Escrow Fund, and there shall be, and hereby is, created and granted a lien upon such monies, until so applied, in favor of the Registered Owners of the 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) Mandatory Redemption. By its purchase of this Bond, each Bondholder shall unconditionally and irrevocably agree, upon the authentication and issuance of the Series 2004 A Bonds in accordance with the provisions of the Resolution and delivery of the Series 2004 A Bond Counsel Opinion as provided in the Resolution, to purchase on March_____, 2004 (the "Series 2004 A Bonds Issuance Date"), Series 2004 A Bonds in a principal amount equal to the then outstanding principal amount of such Bondholder's Series 2003 C Bonds at a purchase price equal to the principal amount thereof (the "Series 2004 A Bonds Purchase Price"), By its purchase of this Bond, each Bondholder

irrevocably appoints the Escrow Agent (as defined in the Resolution) as its agent and attorney in fact and instructs the Escrow Agent on its behalf to transfer the redemption proceeds of this Bond redeemed pursuant to the special mandatory redemption provisions of this Bond, in an amount equal to the principal amount of the Bonds of such Bondholder which are so redeemed, to the Paying Agent for the Bonds, which will transfer such amounts to the Original Purchaser (as defined in the Resolution), which will purchase from the Issuer said amount of Series 2004 A Bonds on behalf of such Bondholder, all for the purpose of satisfying such Bondholder's obligation to purchase the Series 2004 A Bonds. Such purchase shall be made by the Original Purchaser on behalf of the Bondholder (unless enjoined by a court of competent jurisdiction in the event of a bankruptcy or insolvency of a Bondholder or due to other similar circumstances) automatically and without the necessity of any further action on the part of each Bondholder. Each Bondholder, by its purchase of this Bond, pledges to the Escrow Agent and Paying Agent the proceeds of the redemption of this Bond to be applied to the purchase by the Original Purchaser of a like amount of Series 2004 A Bonds on behalf of and for the account of such Bondholder. Each Bondholder, by its purchase of this Bond, is deemed to agree to, acknowledge and accept the terms and conditions described above and to be bound by all of the provisions of the Resolution, without the necessity of any written acknowledgment, acceptance, signature or receipt of a copy of the Resolution by such Bondholder.

Upon the satisfaction of the conditions set forth in the Resolution for the issuance of the Series 2004 A Bonds, and upon the performance by the Escrow Agent, on behalf of each Bondholder of such Bondholder's obligation to purchase Series 2004 A Bonds in an amount equal to the then outstanding principal amount of such Bondholder's Bonds, each Bond with respect to which the foregoing conditions have been satisfied shall be subject to mandatory redemption on March , 2004, without notice, at a price equal to the principal amount thereof, plus accrued interest thereon to and including the date fixed for redemption. In the event the conditions set forth in the Resolution for the issuance of the Series 2004 A Bonds are satisfied, but the Escrow Agent is prevented by a court of competent jurisdiction from performing on behalf of a Bondholder its obligation to purchase a corresponding amount of Series 2004 A Bonds, as set forth above, then this Bond shall not be subject to mandatory redemption and will instead be subject to mandatory tender as described below.

(B) Mandatory Tender. In the event the Series 2004 A Bonds are not issued on March _, 2004, this Bond shall be subject to mandatory tender to the Escrow Agent, at which time the Escrow Agent will apply cash and securities held by the Escrow Agent toward the purchase of this Bond at a price equal to the principal amount thereof, plus accrued interest to and including March , 2004. This Bond shall be deemed paid in such event and will no longer be outstanding.

With respect to the mandatory redemption of this Bond, in the event Series 2004 A Bonds have been issued and delivered, within ten (10) business days following such issuance and delivery, the Paying Agent will mail to the persons who were Series 2003 C Bondholders immediately prior to the Series 2004 A Bonds Issuance Date by first class mail, postage prepaid, at the address of each Bondholder shown on the Bond Register whose Bond has been redeemed under the mandatory redemption provisions of the Resolution and for whom a corresponding Series 2004 A Bond has been purchased under the Resolution, a notice setting forth the information provided in the Resolution with respect to the Bonds redeemed and advising such holder that upon the surrender of such holder's Bonds to the Paying Agent, the Paying Agent will deliver to such Bondholder the Series 2004 A Bonds purchased on its behalf. Such notice shall provide the address of the Paying Agent to which this Bond is to be presented.

With respect to the mandatory tender of this Bond, in the event the Series 2004 A Bonds are not issued on the Series 2004 A Bonds Issuance Date, the Paying Agent shall deliver to the Escrow Agent a written certificate stating such and on the Series 2004 A Bonds Issuance Date, the Paying Agent will mail to the Bondholders by first class mail, postage prepaid, at the address of each Bondholder shown on the Bond Register, a notice stating that the Series 2004 A Bonds were not issued on the Series 2004 A Bonds Issuance Date and will not be issued under the Resolution, and that such Bondholders are no longer obligated to purchase such Series 2004 A Bonds and that this Bond is no longer subject to redemption pursuant to the mandatory redemption provisions of the Resolution, but are subject to mandatory tender for purchase by the Escrow Agent from funds and securities on deposit in the Escrow Fund at a price equal to the principal amount thereof, plus accrued interest to and including March , 2004.

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.

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 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, PEA RIDGE 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

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.

EXHIBIT B

SERIES 2003 D 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. DR- $_____

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
PEA RIDGE PUBLIC SERVICE DISTRICT
TAXABLE SEWER REFUNDING REVENUE BOND,
SERIES 2003 D

INTEREST RATE	MATURITY DATE	BOND DATE	CUSIP NO.

REGISTERED OWNER: _____

PRINCIPAL AMOUNT:

KNOW ALL MEN BY THESE PRESENTS: That PEA RIDGE PUBLIC SERVICE DISTRICT (WEST VIRGINIA), a public service district and public corporation and political subdivision of the State of West Virginia in Cabell 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, 20_ (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 "Taxable Sewer Refunding Revenue Bonds, Series 2003 D" (the "Bonds"), of the Issuer, of like tenor and effect, except as to number, denomination, date of maturity and interest rate, dated August 1, 2003, the proceeds of which are to be used, together with other funds of the Issuer, to facilitate the subsequent issuance and sale of its Sewer Refunding Revenue Bonds, Series 2004 A (the "Series 2004 A Bonds"), on March _, 2004, the proceeds of which will be used to currently refund the Issuer's Sewer Refunding Revenue Bonds, Series 1994 (the "Series 1994 Bonds"), which were issued to refinance the cost of acquisition and construction of certain improvements to the sewerage system of the Issuer (the "System"), and to pay costs of issuance of the Bonds and the Series 2003 C Bonds hereinafter described.

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 August_____, 2003, and supplemented by a supplemental resolution duly adopted by the Issuer on August_____, 2003 (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.

IF THE SERIES 2004 A BONDS ARE NOT ISSUED ON MARCH 1, 2004, THE BONDS SHALL ON AND AFTER SUCH DATE BE ON A PARITY, WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH (1) **THE SERIES** 1994 BONDS AND (2) THE PRIOR BONDS.

This Bond is payable only from and secured by a pledge of the securities and cash deposited in the Escrow Fund (as defined in the Bond Legislation) and earnings thereon, which shall be sufficient to pay the principal of and interest on some or all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose and to make the other payments required by the Resolution, or in the event the Escrow Fund is insufficient, from a like exchange of an equal amount of Series 2004 A Bonds. This Bond does not constitute an indebtedness of the Issuer within any constitutional or statutory provision or limitation, nor shall the Issuer be obligated to pay the same or the interest hereon except from such Escrow Fund. If the Series 2004 A Bonds are not issued on or before March , 2004, the Bonds shall on and after such date be payable from and secured by a first lien on the Net Revenues derived from the System on a parity with the lien of the Series 1994 Bonds and the Prior Bonds. The Issuer has entered into certain further covenants with the Registered Owners of the Bonds, for the terms of which reference is made to the Resolution. Remedies provided the Registered Owners of the Bonds are exclusively as provided in the Resolution, to which reference is here made for a detailed description thereof.

All monies received from the sale of the Bonds except for accrued interest thereon and monies used to pay costs of issuance, shall be applied solely to the purchase of securities to be deposited in the Escrow Fund, and there shall be, and hereby is, created and granted a lien upon such monies, until so applied, in favor of the Registered Owners of the 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) Mandatory Redemption. By its purchase of this Bond, each Bondholder shall unconditionally and irrevocably agree, upon the authentication and issuance of the Series 2004 A Bonds in accordance with the provisions of the Resolution and delivery of the Series 2004 A Bond Counsel Opinion as provided in the Resolution, to purchase on March 2004 (the "Series 2004 A Bonds Issuance Date"), Series 2004 A Bonds in a principal amount equal to the then outstanding principal amount of such Bondholder's Series 2003 D Bonds at a purchase price equal to the principal amount thereof (the "Series 2004 A Bonds Purchase Price"). By its purchase of this Bond, each Bondholder irrevocably appoints the Escrow Agent (as defined in the Resolution) as its agent and attorney in fact and instructs the Escrow Agent on its behalf to transfer the redemption proceeds of this Bond redeemed pursuant to the special mandatory redemption provisions of this Bond, in an amount equal to the principal amount of the Bonds of such Bondholder which are so redeemed, to the Paying Agent for the Bonds, which will transfer such amounts to the Original Purchaser (as defined in the Resolution), which will purchase from the Issuer said amount of Series 2004 A Bonds on behalf of such Bondholder, or exchange the Series 2003 D Bonds for a like amount of Series 2004 A Bonds, all for the purpose of satisfying such Bondholder's obligation to purchase the Series 2004 A Bonds. Such purchase or exchange shall be made by the Original Purchaser on behalf of the Bondholder (unless enjoined by a court of competent jurisdiction in the event of a bankruptcy or insolvency of a Bondholder or due to other similar circumstances) automatically and without the necessity of any further action on the part of each Bondholder. Each Bondholder, by its purchase of this Bond, pledges to the Escrow Agent and Paying Agent the proceeds of the redemption of this Bond to be applied to the purchase or exchange by the Original Purchaser of a like amount of Series 2004 A Bonds on behalf of and for the account of such Bondholder. Each Bondholder, by its purchase of this Bond, is deemed to agree to, acknowledge and accept the terms and conditions described above and to be bound by all of the provisions of the Resolution, without the necessity of any written acknowledgment, acceptance, signature or receipt of a copy of the Resolution by such Bondholder.

Upon the satisfaction of the conditions set forth in the Resolution for the issuance of the Series 2004 A Bonds, and upon the performance by the Escrow Agent, on behalf of each Bondholder of such Bondholder's obligation to purchase Series 2004 A Bonds in an amount equal to the then outstanding principal amount of such Bondholder's Bonds, each Bond with respect to which the foregoing conditions have been satisfied shall be subject to mandatory redemption on March , 2004, without notice, at a price equal to the principal amount thereof, plus accrued interest thereon to and including the date fixed for redemption. In the event the conditions set forth in the Resolution for the issuance of the Series 2004 A Bonds are satisfied, but the Escrow Agent is prevented by a court of competent jurisdiction from performing on behalf of a Bondholder its obligation to purchase a corresponding amount of Series 2004 A Bonds, as set forth above, then this Bond shall not

be subject to mandatory redemption and will remain outstanding in accordance with its terms.

With respect to the mandatory redemption of this Bond, in the event Series 2004 A Bonds have been issued and delivered, within ten (10) business days following such issuance and delivery, the Paying Agent will mail to the persons who were Series 2003 D Bondholders immediately prior to the Series 2004 A Bonds Issuance Date by first class mail, postage prepaid, at the address of each Bondholder shown on the Bond Register whose Bond has been redeemed under the mandatory redemption provisions of the Resolution and for whom a corresponding Series 2004 A Bond has been purchased and/or exchanged under the Resolution, a notice setting forth the information provided in the Resolution with respect to the Bonds redeemed and advising such holder that upon the surrender of such holder's Bonds to the Paying Agent, the Paying Agent will deliver to such Bondholder the Series 2004 A Bonds purchased and/or exchanged on its behalf. Such notice shall provide the address of the Paying Agent to which this Bond is to be presented.

In the event the Series 2004 A Bonds are not issued on the Series 2004 A Bonds Issuance Date, this Bond shall remain outstanding in accordance with its terms.

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.

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 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, PEA RIDGE 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

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.

EXHIBIT C

SERIES 2004 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
PEA RIDGE PUBLIC SERVICE DISTRICT
SEWER REFUNDING REVENUE BOND,
SERIES 2004 A

INTEREST RATE	MATURITY DATE	BOND DATE	CUSIP NO.

REGISTERED OWNER:

PRINCIPAL AMOUNT:_____

KNOW ALL MEN BY THESE PRESENTS: That PEA RIDGE PUBLIC SERVICE DISTRICT (WEST VIRGINIA), a public service district and public corporation and political subdivision of the State of West Virginia in Cabell 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, 20_ (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 "Sewer Refunding Revenue Bonds, Series 2004 A" (the "Bonds"), of the Issuer, of like tenor and effect, except as to number, denomination, date of maturity and interest rate, dated March 1, 2004, the proceeds of which are to be used, together with other funds of the Issuer, to currently refund the Issuer's Sewer Refunding Revenue Bonds, Series 1994 (the "Series 1994 Bonds"), which were issued to refinance the cost of acquisition and construction of certain improvements to the sewerage system of the Issuer (the "System").

The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a resolution duly adopted by the Issuer on August_____, 2003, and supplemented by a supplemental resolution duly adopted by the Issuer on August _____, 2003 (hereinafter collectively referred to as the "Resolution"), and is subject to all the terms and conditions of the Resolution. The

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

THE BONDS ARE ISSUED ON A PARITY, WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH (1) THE ISSUER'S SEWER REVENUE BONDS, SERIES 1992 (WEST VIRGINIA SRF PROGRAM), DATED DECEMBER 28, 1992, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,250,000 (THE "SERIES 1992 BONDS"), (2) THE ISSUER'S SEWERAGE SYSTEM DESIGN REVENUE BONDS, SERIES 2000 (WEST VIRGINIA SRF PROGRAM), DATED MARCH 7, 2000, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $477,000 (THE "SERIES 2000 BONDS"), (3) THE ISSUER'S SEWER REVENUE BONDS, SERIES 2003 A (WEST VIRGINIA SRF PROGRAM), DATED AUGUST 19, 2003, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $ _____ (THE "SERIES 2003 A BONDS"), AND (4) THE ISSUER'S SEWER REVENUE BONDS, SERIES 2003 B (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), DATED AUGUST 19, 2003, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $ _____ (THE "SERIES 2003 B BONDS"). THE SERIES 1992 BONDS, THE SERIES 2000 BONDS, THE SERIES 2003 A BONDS AND THE SERIES 2003 B BONDS ARE REFERRED TO HEREIN COLLECTIVELY AS THE "PRIOR BONDS."

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

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

Period During Which Redeemed (Dates Inclusive)	Redemption Price

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

Bonds Maturing

Year ( )	Principal Amount

Bonds Maturing

Year ( )	Principal Amount

Bonds Maturing

Year ( )	Principal Amount

Bonds Maturing

Year ( )	Principal Amount

Bonds Maturing

Year ( )	Principal Amount

* Final Maturity

In the event of any redemption of less than all outstanding Bonds, Bonds shall be selected for redemption by lot or in such other manner deemed appropriate by the Paying Agent. If less than all the Bonds are to be redeemed, the Bonds to be redeemed shall be

identified by reference to the Series designation, date of issue, CUSIP numbers and Maturity Dates.

Notice of any redemption of this Bond, unless waived, shall be given by the Registrar on behalf of the Issuer by mailing an official redemption notice by first class mail not less than 30 days nor 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. 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.

The Bonds and the interest thereon are payable only from and are secured by (i) the Net Revenues (as defined in the Resolution) to be derived from the System, (ii) all monies in the Series 2004 A Bonds Sinking Fund and the Series 2004 A Bonds Reserve Account established under the Resolution and (iii) the 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 and to make the other payments required by the Resolution. This Bond does not constitute an indebtedness of the Issuer within any constitutional or statutory provision or limitation, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Net Revenues, the monies in the Series 2004 A Bonds Sinking Fund and the Series 2004 A Bonds Reserve Account and unexpended proceeds of the Bonds. Under the Resolution, the Issuer has covenanted and agreed to fix, establish and collect just and equitable rates or charges for the use of the services and facilities of the System and to revise the same from time to time as will always be sufficient to pay all operating expenses 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 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. The Issuer has entered into certain further covenants with the Registered Owners of the Bonds, for the terms of which reference is made to the Resolution. Remedies provided the Registered Owners of the Bonds are exclusively as provided in the Resolution, to which reference is here made for a detailed description thereof.

All monies received from the sale of the Bonds except for accrued interest, if any, thereon, shall be applied solely to refund the Series 1994 Bonds and there shall be, and hereby is, created and granted a lien upon such monies, until so applied, in favor of the Registered Owners of the Bonds.

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

This Bond has been designated by the Issuer to be 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, PEA RIDGE 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

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.

08/27/03
692580.00003

PEA RIDGE PUBLIC SERVICE DISTRICT

TAXABLE SEWER REFUNDING REVENUE BONDS, SERIES 2003 C,
TAXABLE SEWER REFUNDING REVENUE BONDS, SERIES 2003 D
AND
WHEN, AS AND IF ISSUED
TAX-EXEMPT SEWER REFUNDING REVENUE BONDS, SERIES 2004 A

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO AMOUNTS, MATURITIES, INTEREST RATES, REDEMPTION PROVISIONS, PURCHASE PRICES AND OTHER DETAILS OF THE TAXABLE SEWER REFUNDING REVENUE BONDS, SERIES 2003 C AND 2003 D, AND TAX-EXEMPT SEWER REFUNDING REVENUE BONDS, SERIES 2004 A, OF PEA RIDGE PUBLIC SERVICE DISTRICT; AUTHORIZING AND APPROVING A CONTRACT OF PURCHASE, A REGISTRAR AND PAYING AGENT AGREEMENT, AN ESCROW AGREEMENT, AN OFFICIAL STATEMENT, A CONTINUING DISCLOSURE AGREEMENT AND OTHER INSTRUMENTS RELATING TO THE BONDS; APPOINTING AN ESCROW AGENT, REGISTRAR, PAYING AGENT AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS AND THE REFUNDING.

WHEREAS, Pea Ridge Public Service District (the "Issuer"), in the County of Cabell, 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 August 6, 2003, a resolution (the "Resolution") entitled:

RESOLUTION AUTHORIZING THE REFUNDING OF THE SEWER REFUNDING REVENUE BONDS, SERIES

1994, OF PEA RIDGE PUBLIC SERVICE DISTRICT; THE ISSUANCE OF TAXABLE SEWER REFUNDING REVENUE BONDS, SERIES 2003 C, IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT MORE THAN $2,445,000, TAXABLE SEWER REFUNDING REVENUE BONDS, SERIES 2003 D, IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT MORE THAN $180,000, AND TAX-EXEMPT SEWER REFUNDING REVENUE BONDS, SERIES 2004 A, IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT MORE THAN $2,445,000, 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 EXECUTION AND DELIVERY OF AN ESCROW AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

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

WHEREAS, the Resolution provided generally for the issuance of the Issuer's Taxable Sewer Refunding Revenue Bonds, Series 2003 C (the "Series 2003 C Bonds"), in an aggregate principal amount not to exceed $2,445,000, Taxable Sewer Refunding Revenue Bonds, Series 2003 D (the "Series 2003 D Bonds"), in an aggregate principal amount not to exceed $180,000 (the Series 2003 C Bonds and the Series 2003 D Bonds are collectively referred to as the "Series 2003 Bonds"), and Tax-Exempt Sewer Refunding Revenue Bonds, Series 2004 A (the "Series 2004 A" Bonds"), in an aggregate principal amount not to exceed $2,445,000 (the Series 2003 C Bonds, the Series 2003 D Bonds and the Series 2004 A Bonds are collectively referred to as the "Bonds"), for the purposes of refunding the Issuer's outstanding Sewer Refunding Revenue Bonds, Series 1994 (the "Series 1994 Bonds"), and paying costs of issuance thereof, all in accordance with Chapter 8, Article 20 and Chapter 13, Article 2E, of the West Virginia Code of 1931, as amended (collectively, the "Act");

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

WHEREAS, the Bonds are proposed to be purchased by Crews & Associates, Inc. (the "Original Purchaser"), pursuant to a Contract of Purchase between the Original Purchaser and the Issuer, to be dated the date hereof, substantially in the form attached hereto and incorporated herein by reference (the "Contract of Purchase");

WHEREAS, the Governing Body has determined that the Chairman shall be empowered and authorized to execute the Contract of Purchase;

WHEREAS, the Governing Body deems it essential and desirable that this supplemental resolution (the "Supplemental Resolution") be adopted, that the Contract of Purchase, the Escrow 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 Bonds, hereinafter described, be approved, that the Chairman be authorized to enter into the Contract of Purchase hereby approved by the Governing Body, that the dates and prices of the Bonds, the maturity dates and amounts, the redemption provisions, the interest rates, and the exact principal amounts of the Bonds be fixed hereby in the manner stated herein, and that other matters relating to the Bonds be herein provided for, all in accordance with the Resolution;

NOW, THEREFORE, THE GOVERNING BODY OF PEA RIDGE PUBLIC SERVICE DISTRICT HEREBY RESOLVES:

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 Bonds. The Series 2003 C Bonds shall be dated September 1, 2003, upon original issuance, shall be issued in the aggregate principal amount, bear interest payable semiannually on May 1 and November 1 of each year, commencing May 1, 2004, and shall mature on May 1 in such years (subject to redemption on March I, 2004) and shall have such redemption provisions as are set forth in EXHIBIT A - BOND TERMS attached hereto and incorporated by reference herein. The Series 2003 D Bonds shall be dated September 1, 2003, upon original issuance, shall be issued in the aggregate principal amount, bear interest payable

semiannually on May 1 and November 1 of each year, commencing May 1, 2004, shall mature on May 1 in such years (subject to redemption on March 1, 2004) and shall have such redemption provisions as are set forth in EXHIBIT A - BOND TERMS, attached hereto and incorporated by reference herein. If issued, the Series 2004 A Bonds shall be dated March 1, 2004, upon original issuance, shall be issued in the aggregate principal amount, bear interest payable semiannually on May 1 and November 1 of each year, commencing May 1, 2004, shall mature on May 1 in such years and shall have such redemption provisions as are set forth in EXHIBIT A - BOND TERMS, attached hereto and incorporated by reference herein. Except as otherwise set forth herein, all other provisions relating to the Bonds shall be as provided in the Resolution, and the Bonds shall be in substantially the respective forms provided in the Resolution.

By its purchase of a Series 2003 Bond, each Series 2003 Bondholder shall unconditionally and irrevocably agree, upon the authentication and issuance of the Series 2004 A Bonds in accordance with the provisions of the Resolution and delivery of the Series 2004 A Bond Counsel Opinion as provided in the Resolution, to purchase on March 1, 2004 (the "Series 2004 A Bonds Issuance Date"), Series 2004 A Bonds in a principal amount equal to the then Outstanding principal amount of such Bondholder's Series 2003 Bonds at a purchase price equal to the ratio of the principal amount thereof to $2,620,000 times $2,435,000 (the "Series 2004 A Bonds Purchase Price"). By its purchase of a Series 2003 Bond, each Series 2003 Bondholder irrevocably appoints the Escrow Agent as its agent and attorney in fact and instructs the Escrow Agent on its behalf to transfer the redemption proceeds of its Series 2003 Bonds redeemed pursuant to the special mandatory redemption provisions of the Series 2003 Bonds, in an amount equal to the Series 2004 A Bonds Purchase Price to the Paying Agent for the Series 2003 Bonds, which will transfer such amounts to the Underwriter, which will purchase from the Issuer said amount of Series 2004 A Bonds, or exchange a like amount of Series 2004 A Bonds for such Series 2003 Bond, on behalf of such Series 2003 Bondholder, all for the purpose of satisfying such Series 2003 Bondholder's obligation to purchase the Series 2004 A Bonds. Such purchase or exchange shall be made by the Underwriter on behalf of the Series 2003 Bondholder (unless enjoined by a court of competent jurisdiction in the event of a bankruptcy or insolvency of a Series 2003 Bondholder or due to other similar circumstances) automatically and without the necessity of any further action on the part of each Series 2003 Bondholder. Each Series 2003 Bondholder, by its purchase of a Series 2003 Bond, pledges to the Escrow Agent and Paying Agent the proceeds of the redemption of the Series 2003 Bond to be applied to the purchase or exchange by the Underwriter of a like amount of Series 2004 A Bonds on behalf of and for the account of such Series 2003 Bondholder. Each Series 2003 Bondholder, by its purchase of a Series 2003 Bond, is deemed to agree to, acknowledge and accept the terms and conditions described above and to be bound by all of the provisions of the Resolution and this Resolution, without the necessity of any written acknowledgment, acceptance, signature or receipt of a copy of the Resolution by such Series 2003 Bondholder.

The Issuer hereby agrees to issue and sell the Series 2004 A Bonds on the Series 2004 A Bonds Issuance Date, at the Series 2004 A Bonds Purchase Price, to the Series 2003 Bondholders as their names appear on the Bond Registers maintained by the Paying Agent, as of the Series 2004 A Bonds Issuance Date. The Issuer also agrees to take all lawful action within its control, if any, which may be required between the date of the Resolution and the Series 2004 A Bonds Issuance Date to validly issue the Series 2004 A Bonds with the Series 2004 A Bond Counsel Opinion on the Series 2004 A Bonds Issuance Date upon payment of the Series 2004 A Bonds Purchase Price. To that end, the Issuer covenants and agrees to file such reports and information returns, hold such public hearings and otherwise conduct its affairs as may be required to enable Bond Counsel to deliver the Series 2004 A Bond Counsel Opinion.

In the event of any changes in facts or changes in federal or state law, court decisions, pending litigation directly and materially affecting the delivery of the Series 2004 A Bonds, regulations, proposed regulations or rulings of administrative agencies occurring or in effect on or prior to the Series 2004 A Bonds Issuance Date which relate solely to the state income tax treatment of interest on the Series 2004 A Bonds or the federal income tax treatment of the Series 2004 A Bonds (including any changes which indicate that interest on the Series 2004 A Bonds may be includable in gross income for purposes of any alternative minimum tax provisions of the Code, which changes will be permitted in the opinion), but which do not result in the inclusion of interest on the Series 2004 A Bonds in the gross income of the Bondholders thereof (except with respect to "substantial users" of the Project or "related persons, as such terms are defined in the Code, or with respect to the application of any alternative minimum tax provisions of the Code), the Issuer will nonetheless be obligated to issue the Series 2004 A Bonds with the Series 2004 A Bond Counsel Opinion, as modified by Bond Counsel to appropriately reflect the changes, and each Series 2003 Bondholder agrees to accept and purchase the Series 2004 A Bonds with the redemption proceeds of its Series 2003 Bonds.

Notwithstanding the foregoing, the Issuer will be relieved of its obligation to issue the Series 2004 A Bonds and to obtain delivery of the Series 2004 A Bond Counsel Opinion if there shall have been enacted, adopted, proposed, promulgated or endorsed after the date of the Resolution any provisions of or interpretation of any statute, regulation, ruling or revenue procedure, or any decision of any court or administrative body or agency that adversely affects the validity of the Series 2004 A Bonds, the exclusion from gross income of interest on the Series 2004 A Bonds for federal income tax purposes of the Code, or the Issuer's obligations under applicable securities laws, and the Issuer shall have determined in good faith that compliance therewith would impose a substantial and material economic or administrative burden on the Issuer or otherwise substantially adversely affect the Issuer; provided, however, that a change in market interest rates will, among other things, not be treated as being an economic or administrative burden, or as having an adverse effect, for the purposes of relieving the Issuer of its obligation to issue the Series 2004 A Bonds. Any such determination made by the Issuer will be conclusive, final and binding on the Series 2004 A

Bondholders, the Escrow Agent and the Paying Agent and will not be subject to review of any kind or nature whatsoever.

If the Series 2004 A Bonds are not issued on the Series 2004 A Bonds Issuance Date, the Series 2003 C Bonds will be subject to mandatory tender to the Escrow Agent, at which time the Escrow Agent will apply cash and securities held by the Escrow Agent toward the purchase of the tendered Series 2003 C Bonds and the Series 2003 C Bonds will not be subject to redemption pursuant to the special mandatory redemption provisions and in such event, no Series 2004 A Bonds will be issued and neither the Escrow Agent, the Paying Agent nor the Issuer will have any liabilities to or be subject to any claim by any Series 2003 C Bondholder, and each Series 2003 C Bondholder by accepting a Series 2003 C Bond agrees to such provisions. In the event the Series 2004 A Bonds are not issued on the Series 2004 A Bonds Issuance Date, the Series 2003 D Bonds shall remain outstanding subject to their terms.

Section 2. The Contract of Purchase between the Original Purchaser and the Issuer, dated the date of adoption of this Resolution, substantially in the form submitted to this meeting, and the execution and delivery (in multiple counterparts) by the Chairman on this day of the Contract of Purchase on behalf of the Issuer are hereby authorized, approved, and directed. The Chairman shall execute and deliver the Contract of Purchase with such changes, insertions and omissions as may be approved by the Chairman. The execution of the Contract of Purchase by the Chairman shall be conclusive evidence of any approval required by this Section, and authorization of any action required by the Contract of Purchase relating to the issuance and sale of the Bonds, including the payment of all necessary fees and expenses in connection therewith. The price of the Series 2003 C Bonds, pursuant to the Contract of Purchase, shall be $2,355,862.50 ($2,435,000 par amount, less $79,137.50 Underwriter's Discount), plus accrued interest of $2,029.17 from the date of the Series 2003 C Bonds to the date of delivery of the Series 2003 C Bonds, expected to be on or about September 11, 2003 (the "Closing Date"). The price of the Series 2003 D Bonds, pursuant to the Contract of Purchase, shall be $178,987.50 ($185,000 par amount, less $6,012.50 Underwriter's Discount), plus accrued interest of $154.17 from the date of the Series 2003 D Bonds to the date of delivery of the Series 2003 D Bonds, expected to be on or about the Closing Date. The price of the Series 2004 A Bonds, pursuant to the Contract of Purchase, shall be $2,435,000 (par amount) and shall be payable in the manner provided in the Escrow Agreement.

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

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

Section 4. The Continuing Disclosure Agreement between the Issuer and the Original Purchaser, to be dated the Closing Date, substantially in the form submitted to this meeting, and the execution and delivery (in multiple counterparts) by the Chairman 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, to be substantially in the form attached hereto (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 authorized, approved and directed. 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 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 between the Issuer and the Registrar designated herein, to be dated the Closing Date, substantially in the form submitted to this meeting, and the execution and delivery (in multiple counterparts) by the Chairman shall be and the same are hereby authorized, approved and directed. 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. Pursuant to Section 11.01 of the Resolution, the following sections of the Resolution shall be amended and the Resolution shall be conformed to reflect such amendments, as follows:

The title of the Resolution shall be amended in its entirety and restated as follows:

RESOLUTION AUTHORIZING THE REFUNDING OF THE SEWER REFUNDING REVENUE BONDS, SERIES 1994, OF PEA RIDGE PUBLIC SERVICE DISTRICT; THE ISSUANCE OF TAXABLE SEWER REFUNDING REVENUE BONDS, SERIES 2003 C, IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT MORE

THAN $2,445,0002,435,000, TAXABLE SEWER REFUNDING REVENUE BONDS, SERIES 2003 D, IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT MORE THAN $180,000185,000, AND TAX-EXEMPT SEWER REFUNDING REVENUE BONDS, SERIES 2004 A, IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT MORE THAN $2,445,0002,620,000, 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 EXECUTION AND DELIVERY OF AN ESCROW AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

Section 1.02F of the Resolution shall be amended in its entirety and restated as follows:

F. The Issuer has determined and hereby determines that it would be to the benefit of the Issuer and its customers to provide for the refunding of the Series 1994 Bonds on their first permitted Redemption Date, being May 1, 2004, in the manner set forth herein through the issuance of an initial series of taxable bonds to be designated "Taxable Sewer Refunding Revenue Bonds, Series 2003 C" (the "Series 2003 C Bonds"), in the maximum aggregate principal amount of not more than $2,445,0002,435,000, to issue a second series of taxable bonds to be designated "Taxable Sewer Refunding Revenue Bonds, Series 2003 D" (the "Series 2003 D Bonds"), in the maximum aggregate principal amount of $x-80,000185,000 (the Series 2003 C Bonds and the Series 2003 D Bonds are referred to herein collectively as the "Series 2003 Bonds"), and, subject to the satisfaction of certain conditions, to issue a subsequent series of tax-exempt bonds to be designated "Sewer Refunding Revenue Bonds, Series 2004 A" (the "Series 2004 A Bonds"), in the maximum aggregate principal amount of $2,455,0002,620,000, to provide for the current refunding of the Series 1994 Bonds on May I, 2004.

Section 1.02H of the Resolution shall be amended in its entirety and restated as follows:

H. In the event the Series 2004 A Bonds are issued, there are outstanding obligations of the Issuer which will rank on a parity with the ~~Scric3 2003 D~~ Bonds and the Series 2004 A Bonds as to liens, pledge and source of and security for payment, being the Sewer Revenue Bonds, Series 1992 (West Virginia SRF Program), dated December 28, 1992, issued in the original aggregate principal amount of $1,250,000 (the "Series 1992 Bonds"), the Sewerage System Design Revenue Bonds, Series 2000 (West Virginia SRF Program), dated March 7, 2000, issued in the original aggregate principal amount of $477,000 (the "Series 2000 Bonds"), the Sewer Revenue Bonds, Series 2003 A (West Virginia SRF Program), dated August 19, 2003, issued in the original aggregate principal amount of $12,429,500 (the "Series 2003 A Bonds"), and the Sewer Revenue Bonds, Series 2003 B (West Virginia Water Development Authority), dated August 19, 2003, issued in the original aggregate principal amount of $100,000 (the "Series 2003 B Bonds"). The Series 1992 Bonds, the Series 2000 Bonds, the Series 2003 A Bonds and the Series 2003 B Bonds are referred to herein collectively as the "Prior Bonds." In the event the Series 2004 A Bonds are not issued, the Series 2003 D Bonds shall rank on a parity with the Series 1994 Bonds and the Prior Bonds as to liens, pledge and source of and security for payment.

The following definitions contained in Section 1.04 of the Resolution shall be amended in their entirety and restated as follows:

"Bond Year" means, (i) with respect to the Series 2003 Bonds, the 12-month period beginning on the anniversary of the Series 2003 Bonds Closing Date in each year and ending on the day prior to the anniversary date of the Series 2003 Bonds Closing Date in the following year, except that the first Bond Year shall begin on the Series 2003 Bonds Closing Date, or (ii) with respect to the Series 2004 A Bonds, the 12-month period beginning on the anniversary of the Series 2004 A Bonds Closing Date in each year and endin' on the da prior to the anniversary date of the Series 2004 A Bonds Closing Date in the following year, except that the first Bond Year shall be in on the Series 2004 A Bonds Closing Date

"Redemption Price" means the price at which the Series 1994 Bonds, the Series 2003 C Bonds, the Series 2003 D Bonds, the Series 2004 A Bonds or any other Bonds of the Issuer may be called for redemption and (except as otherwise provided in the Supplemental Resolution) includes the principal amount of such Bonds to be redeemed, plus interest and the premium, if any, required to be paid to effect such redemption.

"Series 2004 A Bonds Reserve Requirement" means, as of any date of calculation, the lcsscr or the sum of $240,000, which is less than (i) 10% of the original stated principal amount of the Series 2004 A Bonds; (ii) the maximum amount of principal and interest which will become due on the Series 2004 A Bonds in any year; or (iii) 125% of the average amount of principal and interest which will become due on the Series 2004 A Bonds.

The definition of "Closing Date" in Section 1.04 of the Resolution shall be deleted in its entirety.

The following definitions shall be inserted into Section 1.04 of the Resolution:

"Series 2003 Bonds Closing Date" means the date upon which there is an exchange of the Series 2003 C Bonds and the Series 2003 D Bonds for the proceeds representing the original purchase price thereof.

"Series 2004 A Bonds Closing Date" means the date upon which there is an exchan[s]e of the Series 2004 A Bonds for the proceeds representin' the original purchase price thereof..

Section 3,10 of the Resolution shall be amended in its entirety and restated as follows:

A. For the purpose of facilitating the sale of the Series 2004 A Bonds, thus permitting the refunding of the Series 1994 Bonds, there shall be and hereby are authorized to be issued the Series 2003 C Bonds of the Issuer. The Series 2003 C Bonds shall be issued as a single bond, designated "Taxable Sewer Refunding Revenue Bonds, Series 2003 C," in the principal amount of not more than 52 7445 7000$2,435,000, and shall have such terms as set forth hereinafter and in the Supplemental Resolution.

B. For the purposes of facilitating the sale of the Series 2004 A Bonds, thus permitting the refunding of the Series 1994 Bonds, and paying costs of issuance of the Bonds and such refunding, there shall be and hereby are authorized to be issued the Series 2003 D Bonds of the Issuer. The Series 2003 D Bonds shall be issued as a single bond, designated "Taxable Sewer Refunding Revenue Bonds, Series 2003 D," in the principal amount of not more than $180000$185,000, and shall have such terms as set forth hereinafter and in the Supplemental Resolution.

C. For the purposes of currently refunding the Series 1994 Bonds, funding the Series 2004 A Bonds Reserve Account and paying costs in connection therewith, there shall be and hereby are authorized to be issued the Series 2004 A Bonds of the Issuer. The Series 2004 A Bonds shall be issued as a single bond, designated "Sewer Refunding Revenue Bonds, Series 2004 A," in the principal amount of not more than $2,445,000 2,620,000, and shall have such terms as set forth hereinafter and in the Supplemental Resolution.

Numbered paragraph 3 of Section 3.14B of the Resolution shall be amended in its entirety and restated as follows:

3. The balance of the proceeds of the Series 2003 D Bonds shall be deposited with the Depository Bank in the Costs of Issuance Fund and shall be drawn out, used and applied by the Issuer solely to pay costs of issuance of the Bonds and miscellaneous costs of refunding the Series 1994 Bonds at the written direction of the Issuer. All such costs of issuance shall be paid within 60 days of the Series 2003 Bonds Closing Date. Monies not to be applied immediately to pay such costs of issuance and refunding may be invested in accordance with this Resolution,
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 Series 2003 Bonds Closing Date, such unapplied proceeds shall be transferred by the Issuer to the Escrow Fund. All such proceeds transferred to the Escrow Fund 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 2003 C Bonds and the Series 2003 D Bonds.

Section 3.14C of the Resolution shall be amended in its entirety and restated as follows:

C. Upon the issuance and delivery of the Series 2004 A Bonds, the Issuer shall forthwith deposit the proceeds thereof as follows:

1. All interest accrued on the Series 2004 A Bonds from the date thereof to the date of delivery thereof shall be deposited in the Series 2004 A Bonds Sinking Fund and applied to payment of interest on the Series 2004 A Bonds at the first interest payment date.

2. $2,435,000 of the proceeds of the Series 2004 A Bonds shall be deposited in the Escrow Fund to be used by the Escrow Agent, along with other available funds, to accomplish the current refunding of the 1994 Bonds on March 1, 2004.An amount ~~of the proceeds of the Series 2004 A Bonds which, together with other monies or securities available therefor, shall be sufficient to accomplish the current refunding and defeasance of the Series 1994 Bonds shall be paid to the paying agent for the Series 1994 Bonds~~.

3. An amount of the proceeds of the Series 2004 A Bonds, if ~~003 D Bonds or portion~~ extent monies in the Escrow Fund are insufficient therefor) shall be paid to the paying agent for the Series 2003 D Bonds.

~~4~~3. On or before May 1, 2004 an amount equal to the Series 2004 A Reserve Requirement ~~An amount of the proceeds of the Series 2004 A Bonds equal to the Series 2004 A Bonds Reserve Requirement shall be remitted to the Bond Commission for deposit in the Series 2004 A Bonds Reserve Account, provided that, to the extent the~~ Series 2004 A Bonds Reserve Requirement is satisfied in whole or in part from proceeds of any fund or account established pursuant to the 1994 Resolution or other funds of the Issuer,

plocecds of the Scrics 2004 A Bonds shall be deposited in the Series 2004 A Bonds Reserve Account only to the extent needed to satisfy the balance of the Series 2004 A Bonds Reserve Requirement.

5. The balance of thc proceeds of thc Scrics 2004 A Bonds shall be deposited with thc Depository Bank in thc Costs of Issuance Fund and shall be drawn out, used and applied by thc Issuer solely to pay costs of issuance of the Series 2004 A Bonds and ~~miscellaneous costs of refunding the Series 1994 Bonds at the written direction of the Issuer. All such costs of issuance shall be paid within 60 days of the Series 2004 A Bonds Closing Date for the Series 2004 A Bonds. 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 yteld restnctterns as may be in cttcct under the (.:ode. if for any ds, or any part thereof, are not necessary for, or are not applied to such ~~purpose within 6 months after the Closing Date for the Series 2004 A Bonds Closing Date, such unapplied proceeds shall be transferred by the Issuer to the Series 2004 A Bonds Sinking Fund. All such proceeds transferred to the Escrow Fund 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~~

The title of Section 3.15 of the Resolution shall be restated as follows:

Section 3.15. Designation of Series 2004 A Bonds as "Qualified Tax-Exempt Obligations".

Section 5.03A of the Resolution shall be amended in its entirety and restated as follows:

A. The entire Gross Revenues derived from the operation of the System shall be deposited upon receipt in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in this Bond Legislation and shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner herein provided. Until the Series 2004 A Bonds are issued and the Series 1994 Bonds defeased, neither the Series 2003 C Bonds nor the Series 2003 D Bonds shall be payable from the Gross Revenues, and all revenues shall be disposed of in accordance with the provisions of the 1994 Resolution and the Prior Resolutions. Upon issuance of the Series 2004 A Bonds and defeasance of the Series 1994 Bonds, all revenues at any time on deposit in the Revenue Fund shall be disposed of only in the following order and priority.

(1) The Issuer shall first, on the first day of each month, transfer from the Revenue Fund and deposit in the Operation and Maintenance Fund, an amount sufficient to pay the current Operating Expenses of the System.

(2) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Commission (i) for deposit in the Series 1992 Bonds Sinking Fund, the amounts required by the Prior Resolutions to pay the interest, if any, on and the principal of the Series 1992 Bonds; (ii) for deposit in the Series 2000 Bonds Sinking Fund, the amounts required by the Prior Resolutions to pay the interest, if any, on and the principal of the Series 2000 Bonds; (iii) for deposit in the Series 2003 A Bonds Sinking Fund, the amounts required by the Prior Resolutions to pay the interest, if any, on and the principal of the Series 2003 A Bonds; (iv) for deposit in the Series 2003 B Bonds Sinking Fund, the amounts required by the Prior Resolutions to pay the interest, if any, on and the principal of the Series 2003 B Bonds; (v) commencing 6 months prior to the first interest payment date on the Series 2004 A Bonds, for deposit in the Series 2004 A Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on the Series 2004 A Bonds on the next ensuing quarterly interest payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 2004 A Bonds Sinking Fund and the next ensuing semiannual interest payment date is more or less than 6 months, then such monthly payments shall be decreased or increased proportionately to provide, 1 month prior to the next ensuing semiannual interest payment date, the required amount of interest coming due on such date; provided further that, the initial amount required to be transferred from the Revenue Fund and deposited in the Series 2004 A Bonds Sinking Fund shall be reduced by the amount of accrued interest on the Series 2004 A Bonds deposited therein; and (v) commencing 12 months prior to the first principal payment date or mandatory Redemption Date of the Series 2004 A Bonds, for deposit in the Series 2004 A Bonds Sinking Fund and in the Series 2004 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 2004 A Bonds on the next ensuing annual principal payment date or mandatory Redemption Date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 2004 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 quarterly principal payment date or mandatory Redemption Date, the required amount of principal coming due on such date.

(3) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Commission (i) for deposit in the Series 1992 Bonds Reserve Account, the amount required by the Prior Resolutions; (ii) for deposit in the Series 2000 Bonds Reserve Account, the amount required by the Prior Resolutions; (iii) for deposit in the Series 2003 A Bonds Reserve Account, the amount required by the Prior Resolutions; (iv) for deposit in the Series 2003 B Bonds Reserve Account, the amount required by the Prior Resolutions; and (v) for deposit in the Series 2004 A Bonds Reserve Account, an amount sufficient to remedy any decrease in value of the Series 2004 A Bonds Reserve Account below the Series 2004 A Bonds Reserve Requirement or any withdrawal from the Series 2004 A Bonds Reserve Account, beginning with the first full calendar month following the date on which (a) the valuation of investments in the Series 2004 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 2004 A Bonds Reserve Account is less than the Series 2004 A Bonds Reserve Requirement, or (b) any amount is withdrawn from the Series 2004 A Bonds Reserve Account for deposit into the Series 2004 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 2004 A Bonds Reserve Account to an amount equal to the Series 2004 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 2004 A Bonds Reserve Account whenever and as long as the amount deposited therein shall be equal to the Series 2004 A Bonds Reserve Requirement.

(4) The Issuer shall next, on the first day of each month, from the monies remaining in the Revenue Fund (as previously set forth in the Prior Resolutions and not in addition thereto), transfer to the Depreciation Fund, a sum equal to 2 112% of the Gross Revenues each month, exclusive of any payments for account of any Reserve Account. All funds in the Depreciation Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII hereof. Withdrawals and disbursements may be made from the Depreciation 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 hereot) shall be promptly eliminated with monies from the Depreciation Fund.

~~ana any otncr bonds payable from the revenues of the System subsequent to the issuance of the Series 2003 C Boncls anti the Scrics unlcss athcrwisc detcrmined, shall,~~ following issuance of the Scrics 2004 A ~~on a parity with the Series 2004 A Bonds and the Prior Bonds, in the same manner and in the order of priority as set forth for the Series 2004 A Bonds in paragraphs (1) and (2) of this Section 5.03. The Series 2003 D Bonds may remain Outstanding following issuance of the Series 2004 A Bonds. There shall be no Reserve Account with respect to the Series~~ 2003 D Bonds.

(65) In the event the Series 2004 A Bonds are not issued on or before May 1, 2004, the Series 2003 D Bonds and any other bonds payable from the revenues of the System subsequent to the issuance of the Series 2003 C Bonds and the Series 2003 D Bonds, unless otherwise determined, shall be payable on a parity with the 1994 Bonds and the Prior Bonds, in the same manner and in the order of priority as set forth for the Prior Bonds in paragraphs (1) and (2) of this Section 5.03.

Monies in the Series 2004 A Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest, if any, on the Series 2004 A Bonds, as the same shall become due. Monies in the Series 2004 A Bonds Reserve Account shall be used only for the purpose of paying principal of and interest, if any, on the Series 2004 A Bonds, as the same shall come due, when other monies in the Series 2004 A Bonds Sinking Fund are insufficient therefor, and for no other purpose except for permitted transfers to the Rebate Fund.

Except to the extent transferred to the Rebate Fund at the request of the Issuer, all investment earnings on monies in the Series 2004 A Bonds Sinking Fund and the Series 2004 A Bonds Reserve Account shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payment, if any, due on the Series 2004 A Bonds, and then to the next ensuing principal payment due thereon.

Except with respect to transfers to the Rebate Fund, any withdrawals from the Series 2004 A Bonds Reserve Account which result in a reduction in the balance of the Series 2004 A Bonds Reserve Account to below the Series 2004 A Bonds Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments have been made in full in the order set forth above.

As and when additional Bonds ranking on a parity with the Scats 2003 D Bends-the Series 2004 A Bonds and the Prior Bonds are issued, or on a parity with the Series 2003 D Bonds, the Series 1994 Bonds and the Prior Bonds in the event the Series 2004 A Bonds are not issued, provision shall be made for additional payments into the respective sinking funds sufficient to pay the interest on such additional parity Bonds and accomplish retirement thereof at maturity and to accumulate a balance in the appropriate reserve account in an amount equal to the maximum amount of principal and interest which will become due in any year for account of the Bonds of such series, including such additional parity Bonds.

The Issuer shall not be required to make any further payments into the Series 2004 A Bonds Sinking Fund or the Series 2004 A Bonds Reserve Account when the aggregate amount of funds therein are at least equal to the aggregate principal amount of the Series 2004 A Bonds issued pursuant to this Bond Legislation then Outstanding and all interest, if any, to accrue until the maturity thereof.

Principal, interest or reserve payments, whether made for a deficiency or otherwise, shall be made on a parity and pro rata, with respect to the Prior Bonds and the Series 2004 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 2003 C Bonds Sinking Fund created hereunder, and all amounts

required for said account shall be remitted to the Bond Commission from the Revenue Fund by the Issuer at the times provided herein.

Monies in the Series 2003 C Bonds Sinking Fund shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The Bond Commission is hereby designated as the fiscal agent for the administration of the Series 2003 D Bonds Sinking Fund created hereunder, and all amounts required for said account shall be remitted to the Bond Commission from the Revenue Fund by the Issuer at the times provided herein.

Monies in the Series 2003 D Bonds Sinking Fund shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The Bond Commission is hereby designated as the fiscal agent for the administration of the Series 2004 A Bonds Sinking Fund, the Series 2004 A Bonds Reserve Account, and the Series 2004 A Bonds Redemption 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.

Monies in the Series 2004 A Bonds Sinking Fund, the Series 2004 A Bonds Reserve Account and the Series 2004 A Bonds Redemption Fund shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

Except with respect to transfers to the Rebate Fund, the Series 2004 A Bonds Sinking Fund and the Series 2004 A Bonds Reserve Account shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 2004 A Bonds under the conditions and restrictions hereinafter set forth.

Section 5.04 of the Resolution shall be amended in its entirety and restated as follows:

Section 5.04. Payment of Series 2003 Bonds. The Series 2003 C Bonds, the Series 2003 D Bonds and the interest thereon shall not be payable from the Revenue Fund, the Gross Revenues or the Net Revenues, but shall be payable solely from proceeds of the Series 2003 C Bonds and Series 2003 D Bonds deposited in the Escrow Fund and earnings thereon and, to the extent such funds are not sufficient, from proceeds of the Series 2004 A Bonds or through the exchange of a like amount of Series 2004 A Bonds for such Series 2003 C Bonds or Series 2003 D Bonds. In the event the Series 2004 A Bonds are not issued on or before May 1, 2004, the Series 1994 Bonds will not be refunded and the amounts then on deposit in the Escrow Fund shall be applied to redemption of the Series 2003 C Bonds. The Series 2003 D Bonds shall remain outstanding and shall then be on a parity as to the pledge of Net Revenues with the Series 1994 Bonds and the Prior Bonds.

Section 7,03(A) of the Resolution shall be amended in its entirety and restated as follows:

A. Upon issuance of the Series 2004 A Bonds, the payment of the debt service of :: the Series 2004 A Bonds shall be secured forthwith equally and ratably by a first lien on the Net Revenues derived from the System, on a parity with the lien on such Net Revenues in favor of the Holders of the Prior Bonds. The Net Revenues in an amount sufficient to pay the principal of and interest on the Scrics 2003 D Bonds, the Series 2004 A Bonds and the Prior Bonds and to make the payments into all funds and accounts and all other payments provided for in the Bond Legislation are hereby irrevocably pledged, in the manner provided herein, to such payments as they become due, and for the other purposes provided in the Bond Legislation.

The first and second paragraphs of Section 7.07 of the Resolution shall be amended as follows:

So long as the Series 2003 D Bonds, thc Series 2004 A Bonds or the Prior Bonds are outstanding, or, in the event the Series 2004 A Bonds are not issued on or before MarchMay 1, 2004, so long as the Series 2003 D Bonds, the Series 1994 Bonds or the Prior Bonds are outstanding, the limitations on the issuance of parity obligations set forth in the Prior Resolutions shall be applicable.

All Parity Bonds issued hereunder shall be on a parity in all respects with the Scrics 2003 D Bonds, the Series 2004 A Bonds and the Prior Bonds; provided, however, that in the event the Series 2004 A Bonds are not issued on or before MarchMa-y 1, 2004, and the Series 1994 Bonds are not refunded, all Parity Bonds issued hereunder shall also be on parity in all respects with the Series 2003 D Bonds, the Series 1994 Bonds and the Prior Bonds.

Section 7.09 of the Resolution shall be amended in its entirety and restated as follows:

Section 7.09. Rates. Prior to the issuance of the Bonds, equitable rates or charges for the use of and service rendered by the System shall be established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Secretary, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from the 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 not less than the sum of (a) 115% of the maximum amount required in any year for payment of principal of and interest, if any, on the Series 2004 A Bonds or, in the event the Series 2004 A Bonds are not issued, on the Series 2003 D Bonds, and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2004 ABonds, including the Prior Bonds, or in the event the Series 2004 A Bonds are not issued, on a parity with the Series 2003 D Bonds, including the 1994 Bonds and the Prior Bonds, and (b) the amount, if any, required to be deposited in the respective reserve accounts for the Prior Bonds and the Series 2004 A Bonds Reserve Account in order to satisfy the respective Reserve Account Requirements within a period of not more than 12 months, assuming equal payments are made each month; and thereafter, to leave a balance each year equal to 115% of the maximum amount required in any year for payment of principal of and interest, if any, on the Series 2004 A Bonds or, in the event the Series 2004 A Bonds are not issued, on the Series 2003 D Bonds, and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2004 A Bonds, including the Prior Bonds, or, in the event the Series 2004 A Bonds are not issued, the Series 2003 D Bonds, including the 1994 Bonds and the Prior Bonds; provided that, in the event that amounts equal to or in excess of the reserve requirements are on deposit respectively in the Series 2004 A Bonds Reserve Account and the Reserve Accounts for obligations on a parity with the Series 2004 &Bonds, including the Prior Bonds, or in the event the Series 2004 A Bonds are not issued, on a parity with the Series 2003 D Bonds, including the 1994 Bonds and the Prior Bonds, are funded at least at the requirement therefor, such balance each year need only equal at least 110% of the m maximum amount required in any year for payment of principal of and interest, if any, on the Series 2004 ABonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2004 A Bonds, including the Prior Bonds, or, in the event the Series 2004 A Bonds are not issued, the Series 2003 D Bonds, including the Series 1994 Bonds andthe Prior Bonds. In any event, the Issuer shall not reduce the rates or charges for services described in Section 7.04.

Exhibit A (Series 2003 C Bond Form) to the Resolution shall be amended in its entirety and restated as set forth on Attachment I hereto.

Exhibit B (Series 2003 D Bond Form) to the Resolution shall be amended in its entirety and restated as set forth on Attachment II hereto.

Exhibit C (Series 2004 A Bond Form) to the Resolution shall be amended in its entirety and restated as set forth on Attachment III hereto.

Section 8. Based upon the actual principal amounts, maturity schedules and interest rates for the Series 2004 A Bonds, as set forth in EXHIBIT A - BOND TERMS, attached hereto, it is hereby determined that the Series 2004 A Bonds show a net savings to the Issuer after deducting all expenses of the refunding. Prior to delivery of the

Series 2004 A Bonds, the Issuer shall have obtained from Smith, Cochran & Hicks, P.L.L.C., Charleston, West Virginia 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 net interest cost in dollars of the Series 2004 A Bonds and the net interest cost in dollars of the Series 1994 Bonds. The Chairman is hereby authorized and directed to employ Smith, Cochran & Hicks, P.L.L.C., Charleston, 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 9. The Issuer does hereby appoint and designate United Bank, Inc., West Virginia, for the purpose of serving in the capacity of Registrar.

Section 10. The Issuer does hereby appoint and designate The First State Bank, Barboursville, West Virginia, for the purpose of serving in the capacity of Depository Bank.

Section 11. The firm of Steptoe & Johnson PLLC, Charleston, West Virginia, is hereby appointed bond counsel to the Issuer in connection with the issuance of the Bonds.

Section 12. 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 13. The firm of Smith, Cochran & Hicks, P.L.L.C., Charleston, West Virginia, is hereby engaged as Verification Agent for the purpose of verifying yield, savings and sufficiency of the Escrow Fund.

Section 14. The notice addresses for the Registrar, Paying Agent, Depository Bank and Escrow Agent shall be as follows:

REGISTRAR

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

DEPOSITORY BANK

The First State Bank
660 Central Avenue
Barboursville, West Virginia 25504

ESCROW AGENT AND PAYING AGENT

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

Section 15. The Chairman and the Secretary are hereby authorized and directed to execute and deliver such other documents and certificates required or desirable in connection with the Bonds, including, but not limited to, subscription forms for the purchase of United States Treasury Obligations, to the end that the Bonds may be delivered on a timely basis to the Original Purchaser pursuant to the Contract of Purchase.

Section 16. Under the provisions of the Act, and as provided in the Resolution and the Bonds, the Bonds and the interest thereon do not constitute indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, but shall be payable solely from the moneys in the Escrow Fund established by the Escrow Agreement, and neither the credit nor the taxing power of the Issuer is pledged for, and no tax shall ever be levied for, payment of the Bonds and the interest thereon.

Section12. This Supplemental Resolution shall be effective immediately following adoption thereof.

Adopted this 28th day of August, 2003.

I

Chairman

CERTIFICATION

Certified a true, correct and complete copy of a Supplemental Resolution duly adopted by the Public Service Board of Pea Ridge Public Service District on the 28th day of August, 2003.

Dated this 28th day of August, 2003.

[SEAL]

_____
Secretary

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692580.00003

EXHIBIT A - BOND TERMS

Pea Ridge Public Service District
Taxable Sewer System Refunding Revenue Bonds
Series 2003 C

Y	P		G or ield
March 1, 2004	$2,435,000	3.00%	100%

$970,000 Serial Bonds

Maturity	Principal Amount	Interest Rate	Price or Yield
May 1, 2010	$145,000	3.00%	100%
May 1, 2011	$155,000	3.00	100
May 1, 2012	$165,000	3,00	100
May 1, 2013	$170,000	3.00	100
May 1, 2014	$180,000	3.00	100
May 1, 2015	$155,000	3.00	100

$510,000	3.00%	Term Bonds due May 1, 2009 at 100%
$340,000	3.00%	Term Bonds due May 1, 2017 at 100%
$615,000	3.00%	Term Bonds due May 1, 2020 at 100%

Pea Ridge Public Service District
Taxable Sewer System Refunding Revenue Bonds
Series 2003 D

Maturity	Principal Amount	Interest Rate	Price or Yield
May 1, 2009	$185,000	3.00%	100%

When, As and If Issued
Pea Ridge Public Service District
Taxable Sewer System Refunding Revenue Bonds
Series 2004 A

$970,000 Serial Bonds

Maturity	Principal Amount	Interest Rate	Price or Yield
May 1, 2010	$145,000	3.70%	100%
May 1, 2011	$155,000	4.00	100
May 1, 2012	$165,000	4.20	100
May 1, 2013	$170,000	4.40	100
May 1, 2014	$180,000	4.60	100
May 1, 2015	$155,000	4.70	100

$695,000	3.25%	Term Bonds due May 1, 2009 at 100%
$340,000	4.90%	Term Bonds due May 1, 2017 at 100%
$615,000	5.10%	Term Bonds due May 1, 2020 at 100%

Optional Redemption

The Series 2003 C Bonds and the Series 2003 D Bonds shall not be subject to optional redemption.

If issued, the Series 2004 A Bonds shall not be subject to optional redemption.

Mandatory Sinking Fund Redemption

The Series 2003 C Bonds maturing May 1, 2009, May 1, 2017 and May 1, 2020, shall be subject to mandatory sinking fund redemption on May 1, in the years and amounts (with the Series 2003 C Bonds to be redeemed being selected by lot) and at the price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption as follows:

Term Bonds Maturing May 1, 2009

Year (May 1)	Principal Amount
2005	$
2006	
2007	
2008	
2009*	

Term Bonds Maturing May 1, 2017

Year (May 1)	Principal Amount
2016	$ 165,000
2017*	175,000

Term Bonds Maturing May 1, 2020

Year (May 1)	Principal Amount
2018	$ 190,000
2019	205,000
2020*	220,000

*Maturity

The Series 2003 D Bonds shall not be subject to mandatory sinking fund redemption.

The Scrics 2003 C Bonds and the Scrics 2003 D Bonds shall not be subject to mandatory sinking fund rcdcmption.

If issued, the Series 2004 A Bonds maturing May 1, 2009, May 1, 2017 and May 1, 2020, shall be subject to mandatory sinking fund redemption on May 1, in the years and amounts (with the Series 2004 A Bonds to be redeemed being selected by lot) and at the price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption as follows:

Term Bonds Maturing May 1, 2009

Year (May 1)	Principal Amount
2005	$ 135,000
2006	135,000
2007	135,000
2008	145,000
2009*	145,000

Term Bonds Maturing May 1, 2017

Year (May 1)	Principal Amount
2016	$ 165,000
2017*	175,000

Term Bonds Maturing May 1, 2020

Year (May 1)	Principal Amount
2018	$ 190,000
2019	205,000
2020*	220,000

*Maturity

Mandatory Redemption of Series 2003 C Bonds

Upon the satisfaction of the conditions set forth in the Resolution for the issuance of the Series 2004 A Bonds, and upon the performance by the Escrow Agent, on behalf of each Series 2003 C Bondholder of such Series 2003 C Bondholder's obligation to purchase Series 2004 A Bonds in an amount equal to the then Outstanding principal amount of such Series 2003 C Bondholder's Series 2003 C Bonds, each Series 2003 C Bond with respect to which the foregoing conditions have been satisfied shall be subject to mandatory redemption on MarchMay 1, 2004, without notice, at a price equal to the ratio of the principal amount thereof to $2,620,000 times $2,435,000, plus accrued interest thereon to and including the date fixed for redemption. In the event the conditions set forth in the Resolution for the issuance of the Series 2004 A Bonds are satisfied, but the Escrow Agent is prevented by a court of competent jurisdiction from performing on behalf of a Series 2003 C Bondholder its obligation to purchase a corresponding amount of Series 2004 A Bonds, as set forth above, then such Series 2003 C Bonds shall not be subject to mandatory redemption and will instead be subject to mandatory tender as described below.

Mandatory Redemption of Series 2003 D Bonds

Upon the satisfaction of the conditions set forth in the Resolution for the issuance of the Series 2004 A Bonds, and upon the performance by the Escrow Agent, on behalf of each Series 2003 D Bondholder of such Series 2003 D Bondholder's obligation to purchase Series 2004 A Bonds in an amount equal to the then Outstanding principal amount of such Series 2003 D Bondholder's Series 2003 D Bonds, each Series 2003 D Bond with respect to which the foregoing conditions have been satisfied shall be subject to mandatory redemption on MarchMxy 1, 2004, without notice, at a price equal to the ratio of the principal amount thereof to $2,620,000 times $2,435,000, plus accrued interest thereon to and including the date fixed for redemption. In the event the conditions set forth in the Resolution for the issuance of the Series 2004 A Bonds are satisfied, but the Escrow Agent is prevented by a court of competent jurisdiction from performing on behalf of a Series 2003 D Bondholder its obligation to purchase a corresponding amount of Series 2004 A Bonds, as set forth above,

then such Series 2003 D Bonds shall not be subject to mandatory redemption and will remain outstanding in accordance with its terms.

Mandatory Tender of Series 2003 C Bonds

In the event the Series 2004 A Bonds are not issued on May 1, 2004, the Series 2003 C Bonds shall be subject to mandatory tender to the Escrow Agent, at which time the Escrow Agent will apply cash and securities held by the Escrow Agent toward the purchase of the tendered Series 2003 C Bonds at a price equal to the principal amount thereof, plus accrued interest to and including MarchMay 1, 2004. The Series 2003 C Bonds shall be deemed paid in such event and will no longer be outstanding.

Attachment

EXHIBIT A

SERIES 2003 C 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. CR- $_____

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
PEA RIDGE PUBLIC SERVICE DISTRICT
TAXABLE SEWER REFUNDING REVENUE BOND,
SERIES 2003 C

INTEREST RATE	MATURITY DATE	BOND DATE	CUSIP NO.

REGISTERED OWNER: _____

PRINCIPAL AMOUNT: _____

KNOW ALL MEN BY THESE PRESENTS: That PEA RIDGE PUBLIC SERVICE DISTRICT (WEST VIRGINIA), a public service district and public corporation and political subdivision of the State of West Virginia in Cabell 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, 20_ (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_____, _____, 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 "Taxable Sewer Refunding Revenue Bonds, Series 2003 C" (the "Bonds"), of the Issuer, of like tenor and effect, except as to number, denomination, date of maturity and interest rate, dated August 1, 2003, the proceeds of which are to be used, together with other funds of the Issuer, to facilitate the subsequent issuance and sale of its Sewer Refunding Revenue Bonds, Series 2004 A (the "Series 2004 A Bonds"), on March , 2004, the proceeds of which will be used to currently refund the Issuer's Sewer Refunding Revenue Bonds, Series 1994 (the "Series 1994 Bonds"), which were issued to refinance the cost of acquisition and construction of certain improvements to the sewerage system of the Issuer (the "System").

The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a resolution duly adopted by the Issuer on August 2003, and supplemented by a supplemental resolution duly adopted by the Issuer on August , 2003 (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 payable only from and secured by a pledge of the securities and cash deposited in the Escrow Fund (as defined in the Bond Legislation) and earnings thereon, which 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 and to make the other payments required by the Resolution. This Bond does not constitute an indebtedness of the Issuer within any constitutional or statutory provision or limitation, nor shall the Issuer be obligated to pay the same or the interest hereon except from such Escrow Fund. The Issuer has entered into certain further covenants with the Registered Owners of the Bonds, for the terms of which reference is made to the Resolution. Remedies provided the Registered Owners of the Bonds are exclusively as provided in the Resolution, to which reference is here made for a detailed description thereof.

All monies received from the sale of the Bonds except for accrued interest thereon, shall be applied solely to the purchase of securities to be deposited in the Escrow Fund, and there shall be, and hereby is, created and granted a lien upon such monies, until so applied, in favor of the Registered Owners of the 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:

(i) Mandatory Sinkin' Fund Redemption. The Bonds maturing on , are subject to mandatory sinking fund redemption prior to maturing on ears and in the irinci.al amounts set forth below at the redem tiontrice of 1 of the 100% of the . rinc i 'al amount of each Bond so called for redem aLionslus interest accrued to the date fixed for redemption:

Bonds Maturing

Year (____) Principal Amount

Bonds Maturing

Year (____) Principal Amount

Bonds Maturing

Year (____) Principal Amount

Bonds Maturing

Year (____) Principal Amount

Bonds Maturing

Year (____) Principal Amount

* Final Maturity

In the event of an 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.

(BA) Mandatory Redemption. By its purchase of this Bond, each Bondholder shall unconditionally and irrevocably agree, upon the authentication and issuance of the Series 2004 A Bonds in accordance with the provisions of the Resolution and delivery of the Series 2004 A Bond Counsel Opinion as provided in the Resolution, to purchase on March _ 2004 (the "Series 2004 A Bonds Issuance Date"), Series 2004 A Bonds in a principal amount equal to the then outstanding principal amount of such Bondholder's Series 2003 C Bonds at a purchase price equal to the redemption proceeds (other than accrued interest) received or deemed to be received for this Bond: : (the "Series 2004 A Bonds Purchase Price"). By its purchase of this Bond, each Bondholder irrevocably appoints

the Escrow Agent (as defined in the Resolution) as its agent and attorney in fact and instructs the Escrow Agent on its behalf to transfer the redemption proceeds of this Bond redeemed pursuant to the special mandatory redemption provisions of this Bond, in an amount equal to the principal amount of the Bonds of such Bondholder which are so redeemed, to the Paying Agent for the Bonds, which will transfer such amounts to the Original Purchaser (as defined in the Resolution), which will purchase from the Issuer said amount of Series 2004 A Bonds on behalf of such Bondholder, all for the purpose of satisfying such Bondholder's obligation to purchase the Series 2004 A Bonds. Such purchase shall be made by the Original Purchaser on behalf of the Bondholder (unless enjoined by a court of competent jurisdiction in the event of a bankruptcy or insolvency of a Bondholder or due to other similar circumstances) automatically and without the necessity of any further action on the part of each Bondholder, Each Bondholder, by its purchase of this Bond, pledges to the Escrow Agent and Paying Agent the proceeds of the redemption of this Bond to be applied to the purchase by the Original Purchaser of a like amount of Series 2004 A Bonds on behalf of and for the account of such Bondholder. Each Bondholder, by its purchase of this Bond, is deemed to agree to, acknowledge and accept the terms and conditions described above and to be bound by all of the provisions of the Resolution, without the necessity of any written acknowledgment, acceptance, signature or receipt of a copy of the Resolution by such Bondholder.

Upon the satisfaction of the conditions set forth in the Resolution for the issuance of the Series 2004 A Bonds, and upon the performance by the Escrow Agent, on behalf of each Bondholder of such Bondholder's obligation to purchase Series 2004 A Bonds in an amount equal to the then outstanding principal amount of such Bondholder's Bonds, each Bond with respect to which the foregoing conditions have been satisfied shall be subject to mandatory redemption on March _, 2004, without notice, at a price equal to the ratio of the principal amount thereof to $2,620,000 times $2,435,000 (the gross redemption proceeds for all Series 2003 Bonds), plus accrued interest thereon to and including the date fixed for redemption. In the event the conditions set forth in the Resolution for the issuance of the Series 2004 A Bonds are satisfied, but the Escrow Agent is prevented by a court of competent jurisdiction from performing on behalf of a Bondholder its obligation to purchase a corresponding amount of Series 2004 A Bonds, as set forth above, then this Bond shall not be subject to mandatory redemption and will instead be subject to mandatory tender as described below.

(CB) Mandatory Tender. In the event the Series 2004 A Bonds are not issued on March , 2004, this Bond shall be subject to mandatory tender to the Escrow Agent, at which time the Escrow Agent will apply cash and securities held by the Escrow Agent toward the purchase of this Bond at a price equal to the principal amount thereof, plus accrued interest to and including March , 2004. This Bond shall be deemed paid in such event and will no longer be outstanding.

With respect to the mandatory redemption of this Bond, in the event Series 2004 A Bonds have been issued and delivered, within ten (10) business days following such issuance and delivery, the Paying Agent will mail to the persons who were Series 2003 C Bondholders immediately prior to the Series 2004 A Bonds Issuance Date by first class mail, postage prepaid, at the address of each Bondholder shown on the Bond Register whose Bond has been redeemed under the mandatory redemption provisions of the Resolution and for whom a corresponding Series 2004 A Bond has been purchased under the Resolution, a notice setting forth the information provided in the Resolution with respect to the Bonds redeemed and advising such holder that upon the surrender of such holder's Bonds to the Paying Agent, the Paying Agent will deliver to such Bondholder the Series 2004 A Bonds purchased on its behalf. Such notice shall provide the address of the Paying Agent to which this Bond is to be presented.

With respect to the mandatory tender of this Bond, in the event the Series 2004 A Bonds are not issued on the Series 2004 A Bonds Issuance Date, the Paying Agent shall deliver to the Escrow Agent a written certificate stating such and on the Series 2004 A Bonds Issuance Date, the Paying Agent will mail to the Bondholders by first class mail, postage prepaid, at the address of each Bondholder shown on the Bond Register, a notice stating that the Series 2004 A Bonds were not issued on the Series 2004 A Bonds Issuance Date and will not be issued under the Resolution, and that such Bondholders are no longer obligated to purchase such Series 2004 A Bonds and that this Bond is no longer subject to redemption pursuant to the mandatory redemption provisions of the Resolution, but are subject to mandatory tender for purchase by the Escrow Agent from funds and securities on deposit in the Escrow Fund at a price equal to the principal amount thereof, plus accrued interest to and including March __, 2004.

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.

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 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, PEA RIDGE 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

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.

Attachment II

EXHIBIT B

SERIES 2003 D 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. DR- $_____

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
PEA RIDGE PUBLIC SERVICE DISTRICT
TAXABLE SEWER REFUNDING REVENUE BOND,
SERIES 2003 D

INTEREST RATE	MATURITY DATE	BOND DATE	CUSIP NO.

REGISTERED OWNER: _____

PRINCIPAL AMOUNT:

KNOW ALL MEN BY THESE PRESENTS: That PEA RIDGE PUBLIC SERVICE DISTRICT (WEST VIRGINIA), a public service district and public corporation and political subdivision of the State of West Virginia in Cabell 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, 20_ (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 "Taxable Sewer Refunding Revenue Bonds, Series 2003 D" (the "Bonds"), of the Issuer, of like tenor and effect, except as to number, denomination, date of maturity and interest rate, dated August 1, 2003, the proceeds of which are to be used, together with other funds of the Issuer, to facilitate the subsequent issuance and sale of its Sewer Refunding Revenue Bonds, Series 2004 A (the "Series 2004 A Bonds"), on March , 2004, the proceeds of which will be used to currently refund the Issuer's Sewer Refunding Revenue Bonds, Series 1994 (the "Series 1994 Bonds"), which were issued to refinance the cost of acquisition and construction of certain improvements to the sewerage system of the Issuer (the "System"), and to pay costs of issuance of the Bonds and the Series 2003 C Bonds hereinafter described.

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 August_____, 2003, and supplemented by a supplemental resolution duly adopted by the Issuer on August_____, 2003 (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.

~~_____E BON SHALL ON AND AFTER SUCH DATE BE ON A PARITY, WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH (1) THE SERIES 2004 A BONDS, (2) THE ISSUER'S SEWER REVENUE BONDS, SERIES 1992 (WEST VIRGINIA SRF PROGRAM), DATED~~ DECEMBER 28, 1992, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,250,000 (THE "SERIES 1992 BONDS"), ~~(3)~~ THE ISSUER'S ~~SEWERAGE SYSTEM DESIGN REVENUE BONDS, SERIES 2000 (WEST VIRGINIA SRF PROGRAM), DATED MARCH 7, 2000, ISSUED IN THE ORIGINAL AGGREGATE~~ PRINCIPAL AMOUNT OF $477,000 (THE "SERIES 2000 BONDS"), ~~(4)~~ THE ISSUER'S ~~SEWER REVENUE BONDS, SERIES~~ 2003 A (WEST VIRGINIA SRF PROGRAM), DATED AUGUST 19, 2003, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL ~~\_\_\_\_\_~~ ERIES 2003 A BONDS"), AND (5) THE ISSUER'S ~~SEWER REVENUE BONDS, SERIES~~ 2003 B (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), DATED AUGUST 19, 2003, ISSUED IN THE ~~\_\_\_\_\_~~NT OF ~~$ (THE "SERIES 2003 B BONDS"), THE SERIES 1992 BONDS, THE SERIES 2000 BONDS, THE SERIES 2003 A BONDS AND THE SERIES 2003 B BONDS~~ ARE REFERRED TO HEREIN ~~_____~~ S THE "PRIOR BONDS."

IF THE SERIES 2004 A BONDS ARE NOT ISSUED ON MARCH 1, 2004, THE BONDS SHALL ON AND AFTER SUCH DATE BE ON A PARITY, WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH (1) THE SERIES 1994 BONDS AND (2) THE PRIOR BONDS.

This Bond is payable only from and secured by a pledge of the securities and cash deposited in the Escrow Fund (as defined in the Bond Legislation) and earnings thereon, which shall be sufficient to pay the principal of and interest on some or all bonds which may

be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose and to make the other payments required by the Resolution, or in the event the Escrow Fund is insufficient, from a like exchange of an equal amount of Series 2004 A Bonds. This Bond does not constitute an indebtedness of the Issuer within any constitutional or statutory provision or limitation, nor shall the Issuer be obligated to pay the same or the interest hereon except from such Escrow Fund.

arcn , LVU4, h b pay y first lien on the Net Revenues (as defined in the Resolution) to be derived from the System on a parity with the lien of the Series 2004 A Bonds and the Prior Bonds. If the Series 2004 A Bonds are not issued on or before March , 2004, the Bonds shall on and after such date be payable from and secured by a first lien on the Net Revenues derived from the System on a parity with the lien of the Series 1994 Bonds and the Prior Bonds. The Issuer has entered into certain further covenants with the Registered Owners of the Bonds, for the terms of which reference is made to the Resolution. Remedies provided the Registered Owners of the Bonds are exclusively as provided in the Resolution, to which reference is here made for a detailed description thereof.

All monies received from the sale of the Bonds except for accrued interest thereon and monies used to pay costs of issuance, shall be applied solely to the purchase of securities to be deposited in the Escrow Fund, and there shall be, and hereby is, created and granted a lien upon such monies, until so applied, in favor of the Registered Owners of the 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:

Optional Redemption. the lionas arc not subject to optional rcactnp he option of thc Issuer, thc 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 rcdcmption:

erioa During wnlcn xcaccnic (Dates Inclusive)	cdemption Price

Mandatory riing Redcitption. Ilse 13oncts maturing , arc subject to mandatory sinking ~~fund redemption prior to maturing on~~ of tnc years ana in the princip~~al 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:~~

g

ſ Yrmcipal Amount

onds Maturing

Princip

g

Principal Amount

onds Maturing

cat l rind

~~* Final Maturity~~

(A) Mandatory Redemption. By its purchase of this Bond, each Bondholder shall unconditionally and irrevocably agree, upon the authentication and issuance of the Series 2004 A Bonds in accordance with the provisions of the Resolution and delivery of the Series 2004 A Bond Counsel Opinion as provided in the Resolution, to purchase on March , 2004 (the "Series 2004 A Bonds Issuance Date"), Series 2004 A Bonds in a principal amount equal to the then outstanding principal amount of such Bondholder's

Series 2003 D Bonds at a purchase arice e ual to the irincisal amount thereof the "Series 2004 A Bonds Purchase Price"). By its purchase of this Bond, each Bondholder irrevocably appoints the Escrow Agent as defined in the Resolution) as its agent and attorney in fact and instructs the Escrow Agent on its behalf to transfer the redemption proceeds of this Bond redeemed pursuant to the special mandatory redemption provisions of this Bond to the Paying Agent for the Bonds, which will transfer such amounts to the Original Purchaser (as defined in the Resolution), which will purchase from the Issuer said amount of Series 2004 A Bonds on behalf of such Bondholder, or exchange the Series 2003 D Bonds for a like amount of Series 2004 A Bonds, all for the purpose of satisfying such Bondholder's obligation to purchase the Series 2004 A Bonds. Such purchase or exchange shall be made by the Original Purchaser on behalf of the Bondholder (unless enjoined by a court of competent jurisdiction in the event of a bankruptcy or insolvency of a Bondholder or due to other similar circumstances) automatically and without the necessity of any further action on the part of each Bondholder. Each Bondholder, by its purchase of this Bond, pledges to the Escrow Agent and Paying Agent the proceeds of the redemption of this Bond to be applied to the purchase or exchange by the Ordinal Purchaser of a like amount of Series 2004 A Bonds on behalf of and for the account of such Bondholder. Each Bondholder, by its purchase of this Bond, is deemed to agree to, acknowledge and accept the terms and conditions described above and to be bound by all of the provisions of the Resolution, without the necessity of any written acknowledgment, acceptance, signature or receipt of a copy of the Resolution by such Bondholder.

Upon the satisfaction of the conditions set forth in the Resolution for the issuance of the Series 2004 A Bonds, and upon the performance b the Escrow A ent on behalf of each Bondholder of such Bondholder's obligation to purchase Series 2004 A Bonds in an amount equal to the then outstanding principal amount of such Bondholder's Bonds, each Bond with respect to which the foregoing conditions have been satisfied shall be subject to mandatory redemption on March ___, 2004, without notice, at a price equal to the ratio of the principal amount thereof to $2,620,000 times $2,435,000 (the gross redemption proceeds for all Series 2003 Bonds), plus accrued interest thereon to and including the date fixed for redemption. In the event the conditions set forth in the Resolution for the issuance of the Series 2004 A Bonds are satisfied, but the Escrow Agent is prevented b a court of corns etent jurisdiction from performing on behalf of a Bondholder its obligation to purchase a corresponding amount of Series 2004 A Bonds, as set forth above, then this Bond shall not be subject to mandatory redemption and will remain outstanding in accordance with its terms.

With respect to the mandatory redemption of this Bond, in the event Series 2004 A Bonds have been issued and delivered, within ten (10) business days following such issuance and delivery, the Paying Agent will mail to the persons who were Series 2003 C Bondholders immediately prior to the Series 2004 A Bonds Issuance Date by first class mail, postage prepaid, at the address of each Bondholder shown on the Bond Register whose Bond has been redeemed under the mandatory redemption provisions of the Resolution and for whom a corresponding Series 2004 A Bond has been purchased under the

Resolution, a notice setting forth the information provided in the Resolution with respect to the Bonds redeemed and advising such holder that upon the surrender of such holder's Bonds to the Paying Agent, the Paying Agent will deliver to such Bondholder the Series 2004 A Bonds purchased on its behalf. Such notice shall provide the address of the Paying Agent to which this Bond is to be presented.

In the event the Series 2004 A Bonds are not issued on the Series 2004 A Bonds Issuance Date, this Bond shall remain outstanding in accordance with its terms.

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.

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 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, PEA RIDGE 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

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.

Attachment III

EXHIBIT C

SERIES 2004 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
PEA RIDGE PUBLIC SERVICE DISTRICT
SEWER REFUNDING REVENUE BOND,
SERIES 2004 A

INTEREST RATE	MATURITY DATE	BOND DATE	CUSIP NO.

REGISTERED OWNER: _____

PRINCIPAL AMOUNT:

KNOW ALL MEN BY THESE PRESENTS: That PEA RIDGE PUBLIC SERVICE DISTRICT (WEST VIRGINIA), a public service district and public corporation and political subdivision of the State of West Virginia in Cabell 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_____ 20_ (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 "Sewer Refunding Revenue Bonds, Series 2004 A" (the "Bonds"), of the Issuer, of like tenor and effect, except as to number, denomination, date of maturity and interest rate, dated March 1, 2004, the proceeds of which are to be used, together with other funds of the Issuer, to currently refund the Issuer's Sewer Refunding Revenue Bonds, Series 1994 (the "Series 1994 Bonds"), which were issued to refinance the cost of acquisition and construction of certain improvements to the sewerage system of the Issuer (the "System").

The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a resolution

duly adopted by the Issuer on August_____, 2003, and supplemented by a supplemental resolution duly adopted by the Issuer on August_____, 2003 (hereinafter collectively referred to as the "Resolution"), and is subject to all the terms and conditions of the Resolution. The Resolution provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Resolution. Reference is hereby made to the Resolution, as the same may be amended and supplemented from time to time, for a description of the rights, limitations of rights, obligations, duties and immunities of the Issuer, the Registrar, the Paying Agent, the Registered Owners of the Bonds and the Registered Owners of any subsequently issued additional bonds. Executed counterparts or certified copies of the Resolution are on file at the office of the Issuer.

THE BONDS ARE ISSUED ON A PARITY, WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH (1) THE ISSUER'S SEWER REFUNDING REVENUE BONDS, SERIES 2003 D, DATED AUGUST 1, 2003, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $180,000 (THE "SERIES 2003 D BONDS"), (2)THE ISSUER'S SEWER REVENUE BONDS, SERIES 1992 (WEST VIRGINIA SRF PROGRAM), DATED DECEMBER 28, 1992, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,250,000 (THE "SERIES 1992 BONDS"), (23) THE ISSUER'S SEWERAGE SYSTEM DESIGN REVENUE BONDS, SERIES 2000 (WEST VIRGINIA SRF PROGRAM), DATED MARCH 7, 2000, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $477,000 (THE "SERIES 2000 BONDS"), (34) THE ISSUER'S SEWER REVENUE BONDS, SERIES 2003 A (WEST VIRGINIA SRF PROGRAM), DATED AUGUST 19, 2003, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $_____(THE "SERIES 2003 A BONDS"), AND () THE ISSUER'S SEWER REVENUE BONDS, SERIES 2003 B (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), DATED AUGUST 19, 2003, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $ _____(THE "SERIES 2003 B BONDS"). THE SERIES 1992 BONDS, THE SERIES 2000 BONDS, THE SERIES 2003 A BONDS AND; THE SERIES 2003 B BONDS AND THE SERIES 2003 D BONDS ARE REFERRED TO HEREIN COLLECTIVELY AS THE "PRIOR BONDS."

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

(A) Optional Redemption. The Bonds are not subject to optional redemption prior to_____ At the option of the Issuer, the Bonds will be subject to redemption prior to maturity on and after_____ _____, as a whole at any time and in part on any Interest Payment Date, in inverse order of maturity and by random selection within maturities if less than all of any maturity, at a redemption price (expressed as a percentage of the

principal amount) set forth below, plus interest accrued to the date fixed for redemption:

Period During Which Redeemed (Dates Inclusive)	Redemption Price

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

Bonds Maturing Year (____)	Principal Amount

Bonds Maturing Year (____)	Principal Amount

Bonds Maturing Year (____)	Principal Amount

Bonds Maturing Year (____)	Principal Amount

Bonds Maturing Year (____)	Principal Amount

* Final Maturity

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

Notice of any redemption of this Bond, unless waived, shall be given by the Registrar on behalf of the Issuer by mailing an official redemption notice by first class mail not less than 30 days nor 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. 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.

The Bonds and the interest thereon are payable only from and are secured by (i) the Net Revenues (as defined in the Resolution) to be derived from the System, (ii) all monies in the Series 2004 A Bonds Sinking Fund and the Series 2004 A Bonds Reserve Account established under the Resolution and (iii) the 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 and to make the other payments required by the Resolution. This Bond does not constitute an indebtedness of the Issuer within any constitutional or statutory provision or limitation, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Net Revenues, the monies in the Series 2004 A Bonds Sinking Fund and the Series 2004 A Bonds Reserve Account and unexpended proceeds of the Bonds. Under the Resolution, the Issuer has covenanted and agreed to fix, establish and collect just and equitable rates or charges for the use of the services and facilities of the System and to revise the same from time to time as will always be sufficient to pay all operating expenses 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 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. The Issuer has entered into certain further covenants with the Registered Owners of the Bonds, for the terms of which reference is made to the Resolution. Remedies provided the Registered Owners of the Bonds are exclusively as provided in the Resolution, to which reference is here made for a detailed description thereof.

All monies received from the sale of the Bonds except for accrued interest, if any, thereon, shall be applied solely to refund the Series 1994 Bonds and there shall be, and hereby is, created and granted a lien upon such monies, until so applied, in favor of the Registered Owners of the Bonds.

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

This Bond has been designated by the Issuer to be 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, PEA RIDGE 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

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.

Continuing Disclosure Certificate

DTC Letter of Representations

Consent of West Virginia Water Development Authority

9. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS: There has been no adverse change in the financial condition of the Issuer or the System since June 30, 2002. Other than the Series 1994 Bonds which are anticipated to be currently refunded on May 1, 2004, 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 Prior Bonds described in the Official Statement. The Issuer has obtained the consent of the holders of the Prior Bonds, as necessary, to the issuance of the Bonds in the lien position as set forth in the Resolution.

10. 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 or current refunding of the Series 1994 Bonds 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, and all applicable statutes, including 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.

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

Name	Date of Commencement of Office	Date of Termination of Office
Charles Woolcock	September 5, 2002	August 31, 2007
Michael Seaton	September 15, 2000	September 14, 2006
Frank Sampson	May 9, 2003	September 11, 2005

The names of the duly elected and/or appointed, qualified and acting officers of the Public Service Board of the Issuer for the calendar year 2003 are as follows:

L., Li

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 OTC), 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. CR-1 $510,000

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
PEA RIDGE PUBLIC SERVICE DISTRICT
TAXABLE SEWER REFUNDING REVENUE BOND,
SERIES 2003 C

INTEREST RATE	MATURITY DATE	BOND DATE	CUSIP NO.
3.00%	May I, 2009	September 1, 2003	704538BY2

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: FIVE HUNDRED TEN THOUSAND DOLLARS

KNOW ALL MEN BY THESE PRESENTS: That PEA RIDGE PUBLIC SERVICE DISTRICT (WEST VIRGINIA), a public service district and public corporation and political subdivision of the State of West Virginia in Cabell 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 May 1 and November 1 of each year, commencing May 1, 2004 (the"Interest Payment Date"), until maturity or until the date fixed for redemption if this Bond is called for prior redemption and payment on such date is provided for. Capitalized terms used and not defined herein shall have the meanings ascribed thereto in the hereinafter described Resolution.

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

This Bond is one of an issue of a series of bonds, in the aggregate principal amount of $2,435,000 designated "Taxable Sewer Refunding Revenue Bonds, Series 2003 C" (the "Bonds"), of the Issuer, of like tenor and effect, except as to number, denomination, date of maturity and interest rate, dated September 1, 2003, the proceeds of which are to be used, together with other funds of the Issuer, to facilitate the subsequent issuance and sale of its Sewer Refunding Revenue Bonds, Series 2004 A (the "Series 2004 A Bonds"), on March I, 2004, the proceeds of which will be used to currently refund the Issuer's Sewer Refunding Revenue Bonds, Series 1994 (the "Series 1994 Bonds"), which were issued to refinance the cost of acquisition and construction of certain improvements to the sewerage system of the Issuer (the "System").

The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a resolution duly adopted by the Issuer on August 6, 2003, and supplemented by a supplemental resolution duly adopted by the Issuer on August 28, 2003 (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 payable only from and secured by a pledge of the securities and cash deposited in the Escrow Fund (as defined in the Bond Legislation) and earnings thereon, which 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 and to make the other payments required by the Resolution. This Bond does not constitute an indebtedness of the Issuer within any constitutional or statutory provision or limitation, nor shall the Issuer be obligated to pay the same or the interest hereon except from such Escrow Fund. The Issuer has entered into certain further covenants with the Registered Owners of the Bonds, for the terms of which reference is made to the Resolution. Remedies provided the

Registered Owners of the Bonds are exclusively as provided in the Resolution, to which reference is here made for a detailed description thereof.

All monies received from the sale of the Bonds except for accrued interest thereon, shall be applied solely to the purchase of securities to be deposited in the Escrow Fund, and there shall be, and hereby is, created and granted a lien upon such monies, until so applied, in favor of the Registered Owners of the 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) Mandatory Sinking Fund Redemption. The Bonds maturing on May 1, 2009, May 1 2017, and May 1 2020, are subject to mandatory sinking fund redemption prior to maturing on May 1 of the years and in the principal amounts set forth below, at the redemption price of 100% of the principal amount of each Bond so called for redemption plus interest accrued to the date fixed for redemption:

Bonds Maturing May 1, 2009

Year (May 1)	Principal Amount
2005	$ 100,000
2006	100,000
2007	100,000
2008	105,000
2009*	105,000

Bonds Maturing May 1, 2017

Year (May 1)	Principal Amount
2016	$ 165,000
2017*	175,000

Bonds Maturing May 1, 2020

Year (May 1)	Principal Amount
2018	$ 190,000

2019	205,000
2020*	220,000

* 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.

(B) Mandatory Redemption. By its purchase of this Bond, each Bondholder shall unconditionally and irrevocably agree, upon the authentication and issuance of the Series 2004 A Bonds in accordance with the provisions of the Resolution and delivery of the Series 2004 A Bond Counsel Opinion as provided in the Resolution, to purchase on March 1, 2004 (the "Series 2004 A Bonds Issuance Date"), Series 2004 A Bonds in a principal amount equal to the then outstanding principal amount of such Bondholder's Series 2003 C Bonds at a purchase price equal to redemption proceeds (other than accreud interest) received or deemed to be received for this Bond (the "Series 2004 A Bonds Purchase Price"). By its purchase of this Bond, each Bondholder irrevocably appoints the Escrow Agent (as defined in the Resolution) as its agent and attorney in fact and instructs the Escrow Agent on its behalf to transfer the redemption proceeds of this Bond redeemed pursuant to the special mandatory redemption provisions of this Bond to the Paying Agent for the Bonds, which will transfer such amounts to the Original Purchaser (as defined in the Resolution), which will purchase from the Issuer said amount of Series 2004 A Bonds on behalf of such Bondholder, all for the purpose of satisfying such Bondholder's obligation to purchase the Series 2004 A Bonds. Such purchase shall be made by the Original Purchaser on behalf of the Bondholder (unless enjoined by a court of competent jurisdiction in the event of a bankruptcy or insolvency of a Bondholder or due to other similar circumstances) automatically and without the necessity of any further action on the part of each Bondholder. Each Bondholder, by its purchase of this Bond, pledges to the Escrow Agent and Paying Agent the proceeds of the redemption of this Bond to be applied to the purchase by the Original Purchaser of a like amount of Series 2004 A Bonds on behalf of and for the account of such Bondholder. Each Bondholder, by its purchase of this Bond, is deemed to agree to, acknowledge and accept the terms and conditions described above and to be bound by all of the provisions of the Resolution, without the necessity of any written acknowledgment, acceptance, signature or receipt of a copy of the Resolution by such Bondholder.

Upon the satisfaction of the conditions set forth in the Resolution for the issuance of the Series 2004 A Bonds, and upon the performance by the Escrow Agent, on behalf of each Bondholder of such Bondholder's obligation to purchase Series 2004 A Bonds in an amount equal to the then outstanding principal amount of such Bondholder's Bonds, each Bond with respect to which the foregoing conditions have been satisfied shall be subject to mandatory redemption on March 1, 2004, without notice, at a price equal to the ratio of the principal amount thereof to $2,620,000 times $2,435,000 (the gross

redemption proceeds for all 2003 Bonds), plus accrued interest thereon to and including the date fixed for redemption. In the event the conditions set forth in the Resolution for the issuance of the Series 2004 A Bonds are satisfied, but the Escrow Agent is prevented by a court of competent jurisdiction from performing on behalf of a Bondholder its obligation to purchase a corresponding amount of Series 2004 A Bonds, as set forth above, then this Bond shall not be subject to mandatory redemption and will instead be subject to mandatory tender as described below.

(B) Mandatory Tender. In the event the Series 2004 A Bonds are not issued on March I, 2004, this Bond shall be subject to mandatory tender to the Escrow Agent, at which time the Escrow Agent will apply cash and securities held by the Escrow Agent toward the purchase of this Bond at a price equal to the principal amount thereof, plus accrued interest to and including March 1, 2004. This Bond shall be deemed paid in such event and will no longer be outstanding.

With respect to the mandatory redemption of this Bond, in the event Series 2004 A Bonds have been issued and delivered, within ten (10) business days following such issuance and delivery, the Paying Agent will mail to the persons who were Series 2003 C Bondholders immediately prior to the Series 2004 A Bonds Issuance Date by first class mail, postage prepaid, at the address of each Bondholder shown on the Bond Register whose Bond has been redeemed under the mandatory redemption provisions of the Resolution and for whom a corresponding Series 2004 A Bond has been purchased under the Resolution, a notice setting forth the information provided in the Resolution with respect to the Bonds redeemed and advising such holder that upon the surrender of such holder's Bonds to the Paying Agent, the Paying Agent will deliver to such Bondholder the Series 2004 A Bonds purchased on its behalf. Such notice shall provide the address of the Paying Agent to which this Bond is to be presented.

With respect to the mandatory tender of this Bond, in the event the Series 2004 A Bonds are not issued on the Series 2004 A Bonds Issuance Date, the Paying Agent shall deliver to the Escrow Agent a written certificate stating such and on the Series 2004 A Bonds Issuance Date, the Paying Agent will mail to the Bondholders by first class mail, postage prepaid, at the address of each Bondholder shown on the Bond Register, a notice stating that the Series 2004 A Bonds were not issued on the Series 2004 A Bonds Issuance Date and will not be issued under the Resolution, and that such Bondholders are no longer obligated to purchase such Series 2004 A Bonds and that this Bond is no longer subject to redemption pursuant to the mandatory redemption provisions of the Resolution, but are subject to mandatory tender for purchase by the Escrow Agent from funds and securities on deposit in the Escrow Fund at a price equal to the principal amount thereof, plus accrued interest to and including March 1, 2004.

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.

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 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, PEA RIDGE 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: September 11, 2003.

UNITED BANK, INC.,
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.

SPECIMEN

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

No. CR-2 $145,000

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
PEA RIDGE PUBLIC SERVICE DISTRICT
TAXABLE SEWER REFUNDING REVENUE BOND,
SERIES 2003 C

INTEREST RATE	MATURITY DATE	BOND DATE	CUSIP NO.
3.00%	May 1, 2010	September 1, 2003	704538BZ9

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: ONE HUNDRED FORTY FIVE THOUSAND DOLLARS

KNOW ALL MEN BY THESE PRESENTS: That PEA RIDGE PUBLIC SERVICE DISTRICT (WEST VIRGINIA), a public service district and public corporation and political subdivision of the State of West Virginia in Cabell 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 May 1 and November 1 of each year, commencing May I, 2004 (the"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,

SPECIMEN

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

No. CR-3 $155,000

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
PEA RIDGE PUBLIC SERVICE DISTRICT
TAXABLE SEWER REFUNDING REVENUE BOND,
SERIES 2003 C

INTEREST RATE	MATURITY DATE	BOND DATE	CUSIP NO.
3.00%	May 1, 2011	September 1, 2003	704538CA3

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: ONE HUNDRED FIFTY FIVE THOUSAND DOLLARS

KNOW ALL MEN BY THESE PRESENTS: That PEA RIDGE PUBLIC SERVICE DISTRICT (WEST VIRGINIA), a public service district and public corporation and political subdivision of the State of West Virginia in Cabell 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 May 1 and November 1 of each year, commencing May 1, 2004 (the"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.

SPECIMEN

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

No. CR-4 $165,000

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
PEA RIDGE PUBLIC SERVICE DISTRICT
TAXABLE SEWER REFUNDING REVENUE BOND,
SERIES 2003 C

INTEREST RATE	MATURITY DATE	BOND DATE	CUSIP NO.
3.00%	May 1, 2012	September 1, 2003	704538CB1

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: ONE HUNDRED SIXTY FIVE THOUSAND DOLLARS

KNOW ALL MEN BY THESE PRESENTS: That PEA RIDGE PUBLIC SERVICE DISTRICT (WEST VIRGINIA), a public service district and public corporation and political subdivision of the State of West Virginia in Cabell 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 May 1 and November 1 of each year, commencing May 1, 2004 (the"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.

SPECIMEN

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to Issuer or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede Sc 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. CR-5 $ 170,000

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
PEA RIDGE PUBLIC SERVICE DISTRICT
TAXABLE SEWER REFUNDING REVENUE BOND,
SERIES 2003 C

INTEREST RATE	MATURITY DATE	BOND DATE	CUSIP NO.
3.00%	May I, 2013	September 1, 2003	704538CC9

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: ONE HUNDRED SEVENTY THOUSAND DOLLARS

KNOW ALL MEN BY THESE PRESENTS: That PEA RIDGE PUBLIC SERVICE DISTRICT (WEST VIRGINIA), a public service district and public corporation and political subdivision of the State of West Virginia in Cabell 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 May 1 and November 1 of each year, commencing May I, 2004 (the"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.

SPECIMEN

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

No. CR-6 $180,000

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
PEA RIDGE PUBLIC SERVICE DISTRICT
TAXABLE SEWER REFUNDING REVENUE BOND,
SERIES 2003 C

INTEREST RATE	MATURITY DATE	BOND DATE	CUSIP NO.
3.00%	May 1, 2014	September 1, 2003	704538CD7

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: ONE HUNDRED EIGHTY THOUSAND DOLLARS

KNOW ALL MEN BY THESE PRESENTS: That PEA RIDGE PUBLIC SERVICE DISTRICT (WEST VIRGINIA), a public service district and public corporation and political subdivision of the State of West Virginia in Cabell 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 May I and November 1 of each year, commencing May 1, 2004 (the"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.

SPECIMEN

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to Issuer or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede Sc 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. CR-7 $155,000

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
PEA RIDGE PUBLIC SERVICE DISTRICT
TAXABLE SEWER REFUNDING REVENUE BOND,
SERIES 2003 C

INTEREST RATE	MATURITY DATE	BOND DATE	CUSIP NO.
3.00%	May 1, 2015	September 1, 2003	70453SCE5

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: ONE HUNDRED FIFTY FIVE THOUSAND DOLLARS

KNOW ALL MEN BY THESE PRESENTS: That PEA RIDGE PUBLIC SERVICE DISTRICT (WEST VIRGINIA), a public service district and public corporation and political subdivision of the State of West Virginia in Cabell 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 May 1 and November 1 of each year, commencing May 1, 2004 (the"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.

SPECIMEN

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("OTC"), 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 OTC (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. CR-8 $340,000

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
PEA RIDGE PUBLIC SERVICE DISTRICT
TAXABLE SEWER REFUNDING REVENUE BOND,
SERIES 2003 C

INTEREST RATE	MATURITY DATE	BOND DATE	CUSIP NO.
3.00%	May 1, 2017	September 1, 2003	704538CG0

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: THREE HUNDRED FORTY THOUSAND DOLLARS

KNOW ALL MEN BY THESE PRESENTS: That PEA RIDGE PUBLIC SERVICE DISTRICT (WEST VIRGINIA), a public service district and public corporation and political subdivision of the State of West Virginia in Cabell 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 May 1 and November 1 of each year, commencing May 1, 2004 (the"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.

SPECIMEN

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

No. CR-9 $615,000

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
PEA RIDGE PUBLIC SERVICE DISTRICT
TAXABLE SEWER REFUNDING REVENUE BOND,
SERIES 2003 C

INTEREST RATE	MATURITY DATE	BOND DATE	CUSIP NO.
3.00%	May I, 2020	September I, 2003	704538BW6

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: SIX HUNDRED FIFTEEN THOUSAND DOLLARS

KNOW ALL MEN BY THESE PRESENTS: That PEA RIDGE PUBLIC SERVICE DISTRICT (WEST VIRGINIA), a public service district and public corporation and political subdivision of the State of West Virginia in Cabell 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 May 1 and November 1 of each year, commencing May I, 2004 (the"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.

SPECIMEN

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

No. DR-I $185,000

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
PEA RIDGE PUBLIC SERVICE DISTRICT
TAXABLE SEWER REFUNDING REVENUE BOND,
SERIES 2003 D

INTEREST RATE	MATURITY DATE	BOND DATE	CUSIP NO.
3.00%	May 1, 2009	September 1, 2003	704538BX4

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: ONE HUNDRED EIGHTY FIVE THOUSAND DOLLARS

KNOW ALL MEN BY THESE PRESENTS: That PEA RIDGE PUBLIC SERVICE DISTRICT (WEST VIRGINIA), a public service district and public corporation and political subdivision of the State of West Virginia in Cabell 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 May I and November 1, in each year, beginning May 1, 2004 (each an "Interest Payment Date"), until maturity or until the date fixed for redemption if this Bond is called for prior redemption and payment on such date is provided for. Capitalized terms used and not defined herein shall have the meanings ascribed thereto in the hereinafter described Resolution.

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

This Bond is one of an issue of a series of bonds, in the aggregate principal amount of $185,000 designated "Taxable Sewer Refunding Revenue Bonds, Series 2003 D" (the "Bonds"), of the Issuer, of like tenor and effect, except as to number, denomination, date of maturity and interest rate, dated September I, 2003, the proceeds of which are to be used, together with other funds of the Issuer, to facilitate the subsequent issuance and sale of its Sewer Refunding Revenue Bonds, Series 2004 A (the "Series 2004 A Bonds"), on March 1, 2004, the proceeds of which will be used to currently refund the Issuer's Sewer Refunding Revenue Bonds, Series 1994 (the "Series 1994 Bonds"), which were issued to refinance the cost of acquisition and construction of certain improvements to the sewerage system of the Issuer (the "System"), and to pay costs of issuance of the Bonds and the Series 2003 C Bonds hereinafter described.

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 August 6, 2003, and supplemented by a supplemental resolution duly adopted by the Issuer on August 28, 2003 (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.

IF THE SERIES 2004 A BONDS ARE NOT ISSUED ON MARCH 1, 2004, THE BONDS SHALL ON AND AFTER SUCH DATE BE ON A PARITY, WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH (1) THE SERIES 1994 BONDS AND (2) THE PRIOR BONDS.

This Bond is payable only from and secured by a pledge of the securities and cash deposited in the Escrow Fund (as defined in the Bond Legislation) and earnings thereon, which shall be sufficient to pay the principal of and interest on some or all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose and to make the other payments required by the Resolution, or in the event the Escrow Fund is insufficient, from a like exchange of an equal amount of Series 2004 A Bonds. This Bond does not constitute an indebtedness of the Issuer within any constitutional or statutory provision or limitation, nor shall the Issuer be obligated to pay the same or the interest hereon except from such Escrow Fund. If the Series 2004 A Bonds are not issued on or before March 1, 2004, the Bonds shall on and after such date be payable from and secured by a first lien on the Net Revenues derived from the System on a parity with the lien of the Series 1994 Bonds and the Prior Bonds. The Issuer has entered into certain further covenants with the Registered Owners of the Bonds, for the terms of which reference is made to the Resolution. Remedies provided the Registered Owners of the Bonds are exclusively as provided in the Resolution, to which reference is here made for a detailed description thereof.

All monies received from the sale of the Bonds except for accrued interest thereon and monies used to pay costs of issuance, shall be applied solely to the purchase of securities to be deposited in the Escrow Fund, and there shall be, and hereby is, created and granted a lien upon such monies, until so applied, in favor of the Registered Owners of the 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) Mandatory Redemption. By its purchase of this Bond, each Bondholder shall unconditionally and irrevocably agree, upon the authentication and issuance of the Series 2004 A Bonds in accordance with the provisions of the Resolution and delivery of the Series 2004 A Bond Counsel Opinion as provided in the Resolution, to purchase on March 1, 2004 (the "Series 2004 A Bonds Issuance Date"), Series 2004 A Bonds in a principal amount

equal to the then outstanding principal amount of such Bondholder's Series 2003 D Bonds at a purchase price equal to the principal amount thereof (the "Series 2004 A Bonds Purchase Price"). By its purchase of this Bond, each Bondholder irrevocably appoints the Escrow Agent (as defined in the Resolution) as its agent and attorney in fact and instructs the Escrow Agent on its behalf to transfer the redemption proceeds of this Bond redeemed pursuant to the special mandatory redemption provisions of this Bond to the Paying Agent for the Bonds, which will transfer such amounts to the Original Purchaser (as defined in the Resolution), which will purchase from the Issuer said amount of Series 2004 A Bonds on behalf of such Bondholder, or exchange the Series 2003 D Bonds for a like amount of Series 2004 A Bonds, all for the purpose of satisfying such Bondholder's obligation to purchase the Series 2004 A Bonds. Such purchase or exchange shall be made by the Original Purchaser on behalf of the Bondholder (unless enjoined by a court of competent jurisdiction in the event of a bankruptcy or insolvency of a Bondholder or due to other similar circumstances) automatically and without the necessity of any further action on the part of each Bondholder. Each Bondholder, by its purchase of this Bond, pledges to the Escrow Agent and Paying Agent the proceeds of the redemption of this Bond to be applied to the purchase or exchange by the Original Purchaser of a like amount of Series 2004 A Bonds on behalf of and for the account of such Bondholder. Each Bondholder, by its purchase of this Bond, is deemed to agree to, acknowledge and accept the terms and conditions described above and to be bound by all of the provisions of the Resolution, without the necessity of any written acknowledgment, acceptance, signature or receipt of a copy of the Resolution by such Bondholder.

Upon the satisfaction of the conditions set forth in the Resolution for the issuance of the Series 2004 A Bonds, and upon the performance by the Escrow Agent, on behalf of each Bondholder of such Bondholder's obligation to purchase Series 2004 A Bonds in an amount equal to the then outstanding principal amount of such Bondholder's Bonds, each Bond with respect to which the foregoing conditions have been satisfied shall be subject to mandatory redemption on March 1, 2004, without notice; at a price equal to the ratio of the principal amount thereof to $2,620,000 times $2,435,000 (the gross redemption proceeds for all Series 2003 Bonds), plus accrued interest thereon to and including the date fixed for redemption. In the event the conditions set forth in the Resolution for the issuance of the Series 2004 A Bonds are satisfied, but the Escrow Agent is prevented by a court of competent jurisdiction from performing on behalf of a Bondholder its obligation to purchase a corresponding amount of Series 2004 A Bonds, as set forth above, then this Bond shall not be subject to mandatory redemption and will remain outstanding in accordance with its terms.

With respect to the mandatory redemption of this Bond, in the event Series 2004 A Bonds have been issued and delivered, within ten (10) business days following such issuance and delivery, the Paying Agent will mail to the persons who were Series 2003 D Bondholders immediately prior to the Series 2004 A Bonds Issuance Date by first class mail, postage prepaid, at the address of each Bondholder shown on the Bond Register whose Bond has been redeemed under the mandatory redemption provisions of the Resolution and for whom a corresponding Series 2004 A Bond has been purchased and/or

exchanged under the Resolution, a notice setting forth the information provided in the Resolution with respect to the Bonds redeemed and advising such holder that upon the surrender of such holder's Bonds to the Paying Agent, the Paying Agent will deliver to such Bondholder the Series 2004 A Bonds purchased and/or exchanged on its behalf. Such notice shall provide the address of the Paying Agent to which this Bond is to be presented.

In the event the Series 2004 A Bonds are not issued on the Series 2004 A Bonds Issuance Date, this Bond shall remain outstanding in accordance with its terms.

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.

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 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, PEA RIDGE 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

SPECIMEN

ATTEST:

Secretary

SPECIMEN

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

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

Dated: September 11, 2003.

UNITED BANK, INC.,
as Registrar

By _____
Its Authorized Officer

SPECIMEN

ASSIGNMENT

Social Security or Other Identifying Number of Assignee _____

_____

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

_____

_____

_____the within Bond and does hereby irrevocably constitute and appoint_____

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

Dated: _____

_____

SIGNATURE GUARANTEED:

_____

(Bank, Trust Company or Firm)

_____

(Authorized Officer)

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