

***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 1/12th of the amount required to redeem the principal amount of such Term Bonds which are to be redeemed as of the next ensuing mandatory Redemption Date, which amounts and dates, if any, with respect to a series of Bonds shall be set forth in the Supplemental Resolution relating thereto.

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

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

D. After said 60th day but prior to the date on which the Registrar selects the Term Bonds to be redeemed, the Bond Commission may use the 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 1/16th 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 1/2% 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.

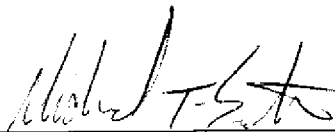
Section 11.11. Table of Contents and Headings. The Table of Contents and headings of the articles, sections and subsections hereof are for convenience only and shall neither control nor affect in any way the meaning or construction of any of the provisions hereof.

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.



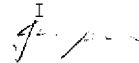
Chairman

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]

A handwritten signature in black ink, appearing to be "J. L. ...", written above a horizontal line.

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	Redemption
_____ (Dates Inclusive) _____	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

<u>Year ()</u> _____	<u>Principal Amount</u>
-----------------------	-------------------------

_____ Bonds Maturing _____

<u>Year ()</u> _____	<u>Principal Amount</u>
-----------------------	-------------------------

_____ Bonds Maturing _____

<u>Year ()</u> _____	<u>Principal Amount</u>
-----------------------	-------------------------

_____ Bonds Maturing _____

<u>Year ()</u> _____	<u>Principal Amount</u>
-----------------------	-------------------------

_____ Bonds Maturing _____

<u>Year ()</u> _____	<u>Principal Amount</u>
-----------------------	-------------------------

* Final Maturity _____

In the event of any redemption of less than all outstanding Bonds, Bonds shall be selected for redemption by lot or in such other manner deemed appropriate by the Paying Agent. If less than all the Bonds are to be redeemed, the Bonds to be redeemed shall be

identified by reference to the Series designation, date of issue, CUSIP numbers and Maturity Dates.

Notice of any redemption of this Bond, unless waived, shall be given by the 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 1, 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 \$2,445,000,435,000, TAXABLE SEWER REFUNDING REVENUE BONDS, SERIES 2003 D, IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT MORE THAN \$180,000,185,000, AND TAX-EXEMPT SEWER REFUNDING REVENUE BONDS, SERIES 2004 A, IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT MORE THAN \$2,445,000,620,000, 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 \$2,445,000,435,000, 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-80,000,185,000 (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 \$2,455,000,620,000, to provide for the current refunding of the Series 1994 Bonds on May 1, 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 ~~Series 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 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 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 lesser 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 exchange of the Series 2004 A Bonds for the proceeds representing 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 ~~52,744,570.00~~\$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 ~~\$180,000~~\$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 _____ ~~Series 2003 D Bonds or portion thereof~~ (to the extent monies in the Escrow Fund are insufficient therefor) shall be paid to the paying agent for the Series 2003 D Bonds.

4. 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,~~

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.

5. 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~~ ~~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 hereof) shall be promptly eliminated with monies from the Depreciation Fund.

~~_____ana any other bonds payable from the revenues of the System subsequent to the issuance of the Series 2003 C Bonds and the Series _____ unless otherwise determined, shall, following issuance of the Series 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 Bonds-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 ~~Series 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, 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 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 ~~Series 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 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.

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.

Section 12. This Supplemental Resolution shall be effective immediately following adoption thereof.

Adopted this 28th day of August, 2003.

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

<u>Y</u>	<u>P</u>	<u>Interest Rate</u>	<u>Price or Yield</u>
March 1, 2004	\$2,435,000	3.00%	100%

\$970,000 Serial Bonds

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>
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

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>
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

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>
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

<u>Year</u> <u>(May 1)</u>	<u>Principal Amount</u>
2005	\$
2006	
2007	
2008	
2009*	

Term Bonds Maturing May 1, 2017

<u>Year</u> <u>(May 1)</u>	<u>Principal Amount</u>
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 redemption.

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:

fff) Mandatory Sinking Fund Redemption. The Bonds maturing on [redacted] are subject to mandatory sinking fund redemption prior to maturing on [redacted] 1 of the [redacted] 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 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 Payment 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 AMOUNT OF \$1,250,000 (THE "SERIES 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 ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$1,250,000 (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 AS 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.

_____ hereby pay _____ 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 Bonds are not subject to optional redemption. ~~Under 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:~~

During which	(Dates Inclusive)	redemption Price

_____ Mandatory ~~ring~~ Redemption. Ilse 13oncts maturing
_____, arc subject to mandatory sinking ~~fund~~
redemption prior to maturing on _____ of tnc years ana 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:

_____g

_____ Yrncipal 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 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 —, 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 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"), (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 AMOUNT OF \$ _____ (THE "SERIES 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 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	Redemption
_____ <u>(Dates Inclusive)</u> _____	_____ <u>Price</u> _____

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

Bonds Maturing

<u>Year (—)</u>	<u>Principal Amount</u>
-----------------	-------------------------

Bonds Maturing

<u>Year (—)</u>	<u>Principal Amount</u>
-----------------	-------------------------

Bonds Maturing

<u>Year (—)</u>	<u>Principal Amount</u>
-----------------	-------------------------

Bonds Maturing

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

<u>Year (—)</u>	<u>Principal Amount</u>
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* 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.

\$2,620,000

PEA RIDGE PUBLIC SERVICE DISTRICT
Taxable Sewer Refunding Revenue Bonds, Series 2003 C and
Taxable Sewer Refunding Revenue Bonds, Series 2003 D

CROSS-RECEIPT FOR SERIES 2003 C AND
SERIES 2003 D BONDS AND BOND PROCEEDS

The undersigned Vice President of CREWS & ASSOCIATES, INC. (the "Underwriter"), for and on behalf of the Underwriter, 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 11th day of September, 2003, in New York, New York, the Underwriter received the entire original issue of \$2,435,000 in aggregate principal amount of the Pea Ridge Public Service District Taxable Sewer Refunding Revenue Bonds, Series 2003 C (the "Series 2003 C Bonds"), and the entire original issue of \$185,000 in aggregate principal amount of the Pea Ridge Public Service District Taxable Sewer Refunding Revenue Bonds, Series 2003 D (the "Series 2003 D Bonds" and, collectively with the Series 2003 C Bonds, the "Bonds"). The Series 2003 C Bonds, as so received on original issuance, are dated September 1, 2003, are in fully registered form, are numbered from CR-1 upward in order of maturity, and are registered in the name of "CEDE & CO." The Series 2003 D Bonds, as so received on original issuance, are dated September 1, 2003, are in fully registered form, are numbered from DR-1 upward in order of maturity, and are registered in the name of "CEDE & CO."

2. At the time of such receipt of the Bonds upon original issuance, they had been executed by Michael Seaton, as Chairman of the Issuer, and the official seal of the Issuer had been impressed upon such Bonds and attested by Frank Sampson, as Secretary of the Issuer, by their respective manual signatures, and the Bonds have each been manually authenticated by an authorized officer of United Bank, Inc., as Registrar.

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

Par Amount of Series 2003 C Bonds	\$2,435,000.00
Par Amount of Series 2003 D Bonds	185,000.00
Less: Underwriters' Discount	<u>(85,150.00)</u>
Purchase Price	<u>\$2,534,850.00</u>
Plus: Accrued Interest of Series 2003 C Bonds (September 1, 2003 - September 11, 2003)	\$ 2,029.17
Plus: Accrued Interest of Series 2003 D Bonds (September 1, 2003 - September 11, 2003)	<u>154.17</u>
TOTAL	<u>\$2,537,033.34</u>

Payment for the Bonds was made in immediately available funds (federal funds wire) in the amount of \$2,537,033.34.

WITNESS our signatures on this 11th day of September, 2003.

CREWS & ASSOCIATES, INC.

By _____
Its Vice President

PEA RIDGE PUBLIC SERVICE DISTRICT

By Michael T. Suth
Its Chairman

08/29/03
692580.00003

\$2,620,000

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
Sewer Refunding Revenue Bonds, Series 2004 A

DIRECTION TO AUTHENTICATE AND DELIVER BONDS

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

Ladies and Gentlemen:

There are delivered to you herewith (or have previously been delivered to you) as Registrar for the above-captioned Bonds:

1. Bonds No. CR-1 through CR-9, constituting the entire original issue of the Pea Ridge Public Service District Taxable Sewer Refunding Revenue Bonds, Series 2003 C, dated September 1, 2003, in the aggregate principal amount of \$2,435,000, and Bond No. DR-1, constituting the entire original issue of the Pea Ridge Public Service District Taxable Sewer Refunding Revenue Bonds, Series 2003 D, dated September 1, 2003, in the aggregate principal amount of \$185,000 (collectively, the "Bonds"), executed by the Chairman and Secretary of Pea Ridge Public Service District (the "Issuer") and bearing the official seal of the Issuer. The Bonds are authorized to be issued under and pursuant to a Resolution adopted by the Issuer on August 6, 2003, as supplemented by a Supplemental Resolution adopted by the Issuer on August 28, 2003 (collectively, the "Resolution").
2. Copies of the Resolution duly certified by the Secretary of the Issuer.
3. A list of the names in which the Bonds are to be registered upon original issuance, together with taxpayer identification and other information as requested by you.

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

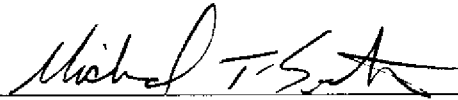
5. A copy of the Escrow Agreement and such other documents, certificates and verifications as required by the Original Purchaser.

You are hereby requested and authorized, pursuant to Section 3.12 of the Resolution, to authenticate, register and deliver the Bonds to Crews & Associates, Inc., the Original Purchaser thereof.

Additionally, if the Pea Ridge Public Service District Sewer Refunding Revenue Bonds, Series 2004 A, Bonds Nos. AR-1 to AR-9, are issued and delivered to you on March 1, 2004, you are also hereby requested and authorized, pursuant to Section 3.12 of the Resolution, to authenticate, register and deliver such Bonds to Crews & Associates, Inc., the Original Purchaser thereof.

Dated this 11th day of September, 2003.

PEA RIDGE PUBLIC SERVICE DISTRICT

By 
Its Chairman

W. U. Y. f. r. i. n. F. # S
t. i. f. l. i.
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

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>BOND DATE</u>	<u>CUSIP NO.</u>
3.00%	May 1, 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 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").

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 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 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 1, 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

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 _____

K. J. Smith
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.

SPECIAL

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

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>BOND DATE</u>	<u>CUSIP NO.</u>
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 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-3

\$155,000

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
PEA RIDGE PUBLIC SERVICE DISTRICT
TAXABLE SEWER REFUNDING REVENUE BOND,
SERIES 2003 C

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>BOND DATE</u>	<u>CUSIP NO.</u>
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

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>BOND DATE</u>	<u>CUSIP NO.</u>
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 & 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

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>BOND DATE</u>	<u>CUSIP NO.</u>
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

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>BOND DATE</u>	<u>CUSIP NO.</u>
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 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-7

\$155,000

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
PEA RIDGE PUBLIC SERVICE DISTRICT
TAXABLE SEWER REFUNDING REVENUE BOND,
SERIES 2003 C

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>BOND DATE</u>	<u>CUSIP NO.</u>
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

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>BOND DATE</u>	<u>CUSIP NO.</u>
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

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>BOND DATE</u>	<u>CUSIP NO.</u>
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

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>BOND DATE</u>	<u>CUSIP NO.</u>
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 1 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 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 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 *[Signature]*
Its Authorized Officer

RECEIVED
SEP 11 2003

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.

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

Sewer Refunding Revenue Bonds, Series 2004 A

REGISTRAR'S CERTIFICATE

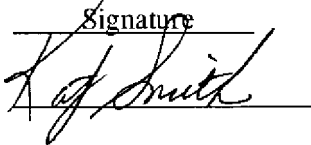
United Bank, Inc., Charleston, West Virginia (the "Bank"), as Registrar for the above-captioned Bonds (the "Bonds"), hereby certifies as follows, all capitalized terms used herein to have the same meanings set forth in the Resolution of Pea Ridge Public Service District (the "Issuer") adopted August 6, 2003, as supplemented (collectively, the "Resolution"):

1. The Bank is a state banking corporation duly organized, validly existing, and in good standing under the laws of the State of West Virginia, may lawfully conduct business in West Virginia, and is lawfully empowered, pursuant to such laws, to accept the duties and obligations contemplated and as provided under the Resolution and to serve in the capacity of Registrar under the Resolution.

2. The Bank has duly authorized, by all necessary action, the authentication of the Bonds and the execution and delivery of this Certificate and the acceptance of all duties of Registrar under the Resolution, and any and all other documents and agreements as may be required to be executed, delivered and received by the Bank in order to carry out, give effect to, and consummate the transactions contemplated thereby.

3. The person indicated in paragraph 4 below was at the time of the authentication of the Bonds, and is now, a duly elected, qualified and acting incumbent in his or her office; and, pursuant to authorization from the Board of Directors of the Bank, such person, in his or her official capacity, was and is authorized to authenticate the Bonds for and on behalf of the Bank.

4. Appearing opposite the name and title of the person indicated below is a true and correct specimen of his or her signature.

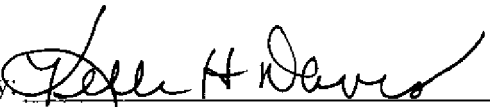
<u> Name </u>	Title	<u> Signature </u>
Kathy Smith	Vice President and Trust Officer	

5. There have been filed with the Bank all of the documents listed in Section 3.12 of the Resolution; the Bonds have been duly authenticated and delivered to the Original Purchaser, and proceeds of the Bonds have been deposited as required by the Resolution.

6. Attached hereto as EXHIBIT A is a correct listing of the Bond numbers, CUSIP numbers, maturity dates, principal amounts, interest rates and yields of the Bonds.

WITNESS my signature on this 11th day of September, 2003.

UNITED BANK, INC.

BY: 
Its: Authorized Officer

09!09//03
692580.00003

EXHIBIT A

SERIES 2003 C BOND TERMS

<u>Bond No.</u>	<u>CUSIP</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
CR-1	704538BY2	May 1, 2009	\$510,000.00	3.000%	3.000%
CR-2	704538BZ9	May 1, 2010	\$145,000.00	3.000	3.000
CR-3	704538CA3	May 1, 2011	\$155,000.00	3.000	3.000
CR-4	704538CB1	May 1, 2012	\$165,000.00	3.000	3.000
CR-5	704538CC9	May 1, 2013	\$170,000.00	3.000	3.000
CR-6	704538CD7	May 1, 2014	\$180,000.00	3.000	3.000
CR-7	704538CE5	May 1, 2015	\$155,000.00	3.000	3.000
CR-8	704538000	May 1, 2017	\$340,000.00	3.000	3.000
CR-9	704538BW6	May 1, 2020	\$615,000.00	3.000	3.000

SERIES 2003 D BOND TERMS

<u>Bond No.</u>	<u>CUSIP</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
DR-1	704538BX4	May 1, 2009	\$185,000.00	3.000%	3.000%

SERIES 2004 A BOND TERMS

Bond No.	CUSIP	Maturity Date	Principal Amount	Interest Rate	Yield
AR-1	704538BM8	May 1, 2009	\$695,000.00	3.250%	3.250%
AR-2	704538BN6	May 1, 2010	\$145,000.00	3.700	3.700
AR-3	704538BP1	May 1, 2011	\$155,000.00	4.000	4.000
AR-4	704538BQ9	May 1, 2012	\$165,000.00	4.200	4.200
AR-5	704538BR7	May 1, 2013	\$170,000.00	4.400	4.400
AR-6	704538BS5	May 1, 2014	\$180,000.00	4.600	4.600
AR-7	704538BT3	May 1, 2015	\$155,000.00	4.700	4.700
AR-8	704538BU0	May 1, 2017	\$340,000.00	4.900	4.900
AR-9	704538BV8	May 1, 2020	\$615,000.00	5.100	5.100



September 11, 2003

**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
Sewer Refunding Revenue Bonds, Series 2004 A**

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 Gentleman:

Based upon the rates and charges set forth in the Final Order of the Public Service Commission of West Virginia entered March 23, 2003, in Case No. 02-1213-PSD-CN, the current operation and maintenance expenses of Pea Ridge Public Service District (the "Issuer") and the current number and type of customers of the Issuer, it is my opinion that such rates and charges will be sufficient to provide revenues which, together with other revenues of the sewerage system (the "System") of the Issuer, will pay all repair, operation and maintenance expenses of the System and leave a balance each year equal to at least 115% of the maximum amount required in any year for debt service on the Issuer's Sewer Refunding Revenue Bonds, Series 2004 A (the "Series 2004 A Bonds"), or, in the event the Series 2004 A Bonds are not issued, the Issuer's Taxable Sewer Refunding Revenue Bonds, Series 2003 D (the "Series 2003 D Bonds" and, together with the Series 2004 A Bonds, the "Bonds"), and all other obligations secured by or payable from the revenues of the System, on a parity with the Series 2004 A Bonds, or, in the event the Series 2004 A Bonds are not issued, the Series 2003 D Bonds, including the Issuer's Sewer Revenue Bonds, Series 1992 (West Virginia SRF Program), Sewerage System Design Revenue Bonds, Series 2000 (West Virginia SRF Program), Sewer Revenue Bonds, Series 2003 A (West Virginia SRF Program) and Sewer Revenue Bonds, Series 2003 B (West Virginia Water Development Authority) (collectively, the "Prior

Bonds") and, in the event the Series 2004 A Bonds are not issued, the Issuer's Sewer Refunding Revenue Bonds, Series 1994 (the "1994 Bonds").

It is my further opinion that (1) the rates and charges of the System are sufficient to produce Net Revenues equal to not less than the sum of (a) 115% of the Maximum Annual Debt Service on the Prior Bonds and the Series 2004 A Bonds, or, in the event the Series 2004 A Bonds are not issued, on the Prior Bonds, the Series 1994 Bonds and the Series 2003 D Bonds, in any Fiscal Year, 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, or, in the event the Series 2004 A Bonds are not issued, the amount, if any, required to be deposited in the respective reserve accounts for the Prior Bonds, the Series 1994 Bonds and the Series 2003 D Bonds, 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 (2) the Net Revenues actually derived from the System during the Fiscal Year preceding the date of the actual issuance of the Series 2004 A Bonds, or, in the event the Series 2004 A Bonds are not issued, the Series 2003 D Bonds, plus the estimated increased annual Net Revenues expected to be received after the date of issuance of the Series 2004 A Bonds, or, in the event the Series 2004 A Bonds are not issued, the Series 2003 D Bonds, are not less than 115% of the Maximum Annual Debt Service on the Prior Bonds and the Series 2004 A Bonds, or, in the event the Series 2004 A Bonds are not issued, on the Prior Bonds, the 1994 Bonds and the Series 2003 D Bonds, all in accordance with the resolutions authorizing the Prior Bonds, the Series 1994 Bonds and the Bonds.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael D. Griffith, CPA". The signature is fluid and cursive, with the letters "M", "D", and "G" being particularly prominent.

Michael D. Griffith, CPA

\$2,435,000
Pea Ridge Public Service District
Taxable Sewer Refunding Revenue Bonds
Series 2003 C,
\$185,000
Pea Ridge Public Service District
Taxable Sewer Refunding Revenue Bonds
Series 2003 D,
and
When, As and If Issued,
\$2,620,000
Pea Ridge Public Service District
Sewer Refunding Revenue Bonds
Series 2004 A

RULE 15c2-12 CERTIFICATE

The undersigned hereby certifies and represents to Crews & Associates, Inc. (the "Underwriter") that he is the duly appointed and acting Chairperson of the Pea Ridge Public Service District (the "District") authorized to execute and deliver this Certificate and further certifies on behalf of the District to the Underwriter as follows:

(1) This Certificate is delivered to enable the Underwriter to comply with Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule") in connection with the offering and sale of the District's Taxable Sewer Refunding Revenue Bonds, Series 2003 C, Taxable Sewer Refunding Revenue Bonds, Series 2003 D, and when, as and *if issued*, Sewer Refunding Revenue Bonds, Series 2004 A (collectively, the "Bonds").


(2) In connection with the offering and sale of the Bonds, there has been prepared a Preliminary Official Statement, dated August 21, 2003, setting forth information concerning the Bonds and the issuer of the Bonds (the "Preliminary Official Statement").

(3) As used herein, "Permitted Omissions" shall mean the offering price(s), interest rate(s), selling compensation, aggregate principal amount, principal amount per maturity, delivery dates, ratings, the identity of the Underwriter and other terms of the Bonds and any underlying obligations depending on such matters, all with respect to the Bonds and any underlying obligations.

(4) The Preliminary Official Statement is, except for the Permitted Omissions, final as of its date, and the information therein is accurate and complete except for the Permitted Omissions.

(5) If, at any time prior to the execution of the final bond purchase agreement, any event occurs as a result of which the Preliminary Official Statement might include an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the District shall promptly notify the Underwriter thereof.

IN WITNESS WHEREOF, I have hereunto set my hand as of the 11^x day of September,
2003.


Michael Seaton, Chairperson

\$2,620,000

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,
Sewer Refunding Revenue Bonds, Series 2004 A

JOINT CERTIFICATE OF ISSUER, ESCROW AGENT AND PAYING AGENT

The undersigned Chairman of Pea Ridge Public Service District, a public service district and public corporation of the State of West Virginia (the "Issuer") and the undersigned Executive Director of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Escrow Agent" and the "Paying Agent") hereby jointly certify as follows in connection with the above-captioned Bond issues, all terms to have the same meanings set forth in the hereinafter-described Escrow Agreement:

1. We have executed on behalf of the Issuer and the Escrow Agent and Paying Agent, the Escrow Agreement by and between the Issuer and the Escrow Agent and Paying Agent, dated September 11, 2003 (the "Escrow Agreement").

2. The Government Securities and moneys on deposit in the Escrow Fund created pursuant to the Escrow Agreement are shown by the Verification Report of Smith, Cochran and Hicks, P.L.L.C., Certified Public Accountant, to be in amounts sufficient to pay the interest on the Series 2003 C Bonds and the Series 2003 D Bonds, when due, and to effect the special mandatory redemption of the Series 2003 C Bonds and the purchase of the Series 2004 A Bonds, and the proceeds of the Series 2004 A Bonds, together with certain funds of the Issuer, are shown to be in amounts sufficient to discharge the Series 1994 Bonds described in the Escrow Agreement, including payment of the entire principal amount of the Series 1994 Bonds then outstanding, the redemption premium and interest accrued thereon, on the redemption date thereof, being May 1, 2004, at which time the liens of the Series 1994 Bonds and the resolution pursuant to which the Series 1994 Bonds were issued will be discharged.

3. In the event the Series 2004 A Bonds are not issued, the Government Securities and moneys on deposit in the Escrow Fund are shown by the Verification Report of Smith, Cochran and Hicks, P.L.L.C., Certified Public Accountants, to be in amounts sufficient to effect the mandatory tender of the Series 2003 C Bonds on March 1, 2004.

WITNESS our signatures on this 11th day of September, 2003.


PEA RIDGE PUBLIC SERVICE DISTRICT

By

Its Chairman

WEST VIRGINIA MUNICIPAL BOND
COMMISSION, as Escrow Agent and Paying Agent

By


Its Executive Director

09/D7/D3
692580.00003

[TO BE MAILED BY CERTIFIED OR REGISTERED MAIL TO
ALL REGISTERED OWNERS, THE BOND INSURER
AND THE ORIGINAL PURCHASER OF THE SERIES 1994 BONDS
NOT LESS THAN 30 NOR MORE THAN
60 DAYS PRIOR TO MAY 1, 2004]

NOTICE OF REDEMPTION

\$3,035,000
PEA RIDGE PUBLIC SERVICE DISTRICT
SEWER REFUNDING REVENUE BONDS, SERIES 1994
Dated November 1, 1994

TO THE REGISTERED OWNERS, BOND INSURER AND ORIGINAL PURCHASER
OF THE ABOVE-CAPTIONED BONDS:

You are hereby notified that all the Sewer Refunding Revenue Bonds, Series 1994, of Pea Ridge Public Service District (the "District"), dated November 1, 1994 (the "Series 1994 Bonds"), have been ordered by the District to be redeemed on May 1, 2004 (the "Redemption Date"), in accordance with the provisions of the Resolution authorizing issuance of the Series 1994 Bonds. The outstanding Series 1994 Bonds mature on May 1 in the following years:

<u>Principal Amount</u>	<u>Maturity Date (May 1)</u>	<u>CUSIP*</u>	<u>Interest Rate</u>
\$90,000	2004	704538AR8	6.20%
\$95,000	2005	704538AS6	6.30%
\$565,000	2010	704538AX5	6.70%
\$610,000	2014	704538BC0	6.90%
\$1,135,000	2020	704538BH9	7.00%

All Series 1994 Bonds outstanding as of the Redemption Date are to be surrendered to:


J. P. Morgan Chase & Co.
250 W. Huron
Cleveland, **OH 44113**
Attention: Corporate Trust Officer

for payment of the Redemption Price thereof (which Redemption Price is equal to the principal amount of each of the Series 1994 Bonds to be redeemed, plus a premium of 2% of the principal amount of each of the Series 1994 Bonds to be redeemed) and interest accrued thereon to May 1, 2004.

There has been deposited with J. P. Morgan Chase & Co., successor to PNC Bank, Ohio, National Association, Cincinnati, Ohio, as paying agent for the Series 1994 Bonds, an amount sufficient to pay, on the Redemption Date, the Redemption Price of the Series 1994 Bonds and interest accrued thereon. On the Redemption Date, interest will cease to accrue on all Series 1994 Bonds.

In accordance with the terms of the Interest and Dividend Tax Compliance Act of 1983, payers are required to withhold 31% of payment upon redemption to certain bondholders who do not provide a correctly completed Form W-9 entitled "Payer's Request for Taxpayers Identification Number." If you need a copy of the Form W-9, you should be able to obtain one at your local bank or IRS service center. Please return a correctly completed Form W-9 to the address above with your Series 1994 Bonds to avoid any such withholding penalties.

PEA RIDGE PUBLIC SERVICE DISTRICT

By 
Chairman

J. P. MORGAN CHASE & CO., as Paying
Agent

By
Its:

Dated: _____, 2004

* No representation is made as to the correctness of the CUSIP numbers as printed on the Series 1994 Bonds or as contained in this notice of redemption.

09107103
692580.00003

PEA RIDGE PUBLIC SERVICE DISTRICT
Post Office Box 86
Barboursville, West Virginia 25504

March 1, 2004

Redemption of Pea Ridge Public Service District
Sewer Refunding Revenue Bonds, Series 1994, dated November 1, 1994

J. P. Morgan Chase & Co.,
as successor to PNC Bank, Ohio, National Association
Registrar and Paying Agent in
Connection with Pea Ridge Public Service District
Sewer Refunding Revenue Bonds, Series 1994
250 West Huron
Cleveland, Ohio 44113

Ladies and Gentlemen:

Enclosed is the "Notice of Redemption" in connection with the above-captioned Bonds. You are hereby directed to send by first class mail, not less than 30 nor more than 60 days prior to May 1, 2004 (the "Redemption Date"), and publish in accordance with industry standards, this notice in accordance with the redemption notice provisions of the ordinance authorizing the issuance of the Series 1994 Bonds.

The directions contained in this letter are made in accordance with the provisions of the Resolution adopted by the Public Service Board of the Pea Ridge Public Service District (the "Board") on August 6, 2003, as amended and supplemented by a Supplemental Resolution duly adopted by the Board on August 28, 2003, authorizing the issuance of its Sewer Refunding Revenue Bonds, Series 2004 A, to be dated March 1, 2004 (the "Series 2004 A Bonds"), and the redemption of the Series 1994 Bonds on the Redemption Date.


Please apply the proceeds of the Series 2004 A Bonds solely to pay the Redemption Price of the Series 1994 Bonds on the Redemption Date.

J. P. Morgan Chase & Co.
Page 2

If at any time you have any questions about the instructions contained in this letter, please communicate with L. Frederick Williams, of Steptoe & Johnson PLLC, Bond Counsel, Charleston, West Virginia, or with me.

Very truly yours,

PEA RIDGE PUBLIC SERVICE DISTRICT

By _____
Its Chairman

Copy to:
L. Frederick Williams, Esquire

02/23/04
692580.00003

CH616246.1

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
SEWER REFUNDING REVENUE BONDS, SERIES 2004 A

ESCROW AGREEMENT

This ESCROW AGREEMENT, made and entered into as of September 11, 2003, by and between PEA RIDGE PUBLIC SERVICE DISTRICT (the "Issuer") and the WEST VIRGINIA MUNICIPAL BOND COMMISSION (the "Commission" or the "Escrow Agent" and the "Paying Agent").

WITNESETH THAT:

WHEREAS, 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 System Refunding Revenue Bonds, Series 1994, dated November 1, 1994, issued in the original aggregate principal amount of \$3,035,000, of which approximately \$2,405,000 maturing after May 1, 2004 are presently outstanding (the "Series 1994 Bonds");

WHEREAS, 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 duly adopted on November 10, 1994 (collectively, the "1994 Resolution");

WHEREAS, the Issuer has determined to issue its Taxable Sewer Refunding Revenue Bonds, Series 2003 C (the "Series 2003 C Bonds"), and Taxable Sewer Refunding Revenue Bonds, Series 2003 D (the "Series 2003 D Bonds" and together with the Series 2003 C Bonds, the "Series 2003 Bonds"), on the date hereof and, on March 1, 2004, to issue its Sewer Refunding Revenue Bonds, Series 2004 A (the "Series 2004 A Bonds"), pursuant to a Resolution duly adopted on August 6, 2003, as amended and supplemented by a supplemental resolution adopted on August 28, 2003 (collectively, the "Resolution"), and

contemporaneously with the issuance of the Series 2003 C Bonds and Series 2003 D Bonds, apply the proceeds thereof to the purchase of United States Treasury Obligations (the "Government Securities") to be deposited, together with certain cash amounts, in the Escrow Fund herein described;

WHEREAS, the Escrow Agent will cause to be purchased on behalf of the Issuer, with proceeds of the Series 2003 C Bonds and Series 2003 D Bonds, the Government Securities described in the Verification Report, dated September 11, 2003, of Smith, Cochran & Hicks, P.L.L.C., a firm of independent certified public accountants, attached hereto as EXHIBIT A - VERIFICATION REPORT (the "Verification Report");

WHEREAS, the Government Securities and certain cash amounts shall be delivered to the Escrow Agent simultaneously with the delivery of the Series 2003 C Bonds and the Series 2003 D Bonds;

WHEREAS, the Escrow Agent shall pay the interest on the Series 2003 C Bonds and the Series 2003 D Bonds, when due, through and including March 1, 2004, from funds deposited in the Escrow Fund;

WHEREAS, by their purchase of a Series 2003 Bond, the Series 2003 Bondholders have unconditionally and irrevocably agreed, 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, Series 2004 A Bonds in a principal amount equal to the then outstanding principal amount of the Series 2003 Bonds at a purchase price equal to \$2,435,000;

WHEREAS, by its purchase of a Series 2003 Bond, each Series 2003 Bondholder has irrevocably appointed the Escrow Agent as its agent and attorney in fact and instructed 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, to the Paying Agent for the Series 2003 Bonds, which will transfer such amounts to Crews & Associates, Inc. (the "Underwriter"), which will purchase from the Issuer a like amount of Series 2004 A Bonds 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;

WHEREAS, 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;

WHEREAS, if the Series 2004 A Bonds are issued on March 1, 2004, moneys in the Escrow Fund shall be delivered by the Escrow Agent to the Paying Agent of the Series 2003 Bonds for the special mandatory redemption of the Series 2003 Bonds and, in accordance with the instructions of the Issuer to the Paying Agent of the Series 2003 Bonds, the Paying Agent shall transfer the redemption proceeds of the Series 2003 Bonds (\$2,435,000) to the Underwriter for the purchase of the Series 2004 A Bonds and thereafter, the proceeds of the Series 2004 A Bonds (\$2,435,000) shall be transferred to the paying agent of the Series 1994 Bonds, which along with \$18,100.00 to be transferred from the reserve account for the Series 1994 Bonds on May 1, 2004 and \$175,480.00 to be paid to the paying agent for the Series 1994 Bonds by the Issuer on or before May 1, 2004, shall be sufficient to pay the entire principal amount of the Series 1994 Bonds then outstanding (including those Series 1994 Bonds maturing on May 1, 2004), the redemption premium, if any, and interest accrued thereon (collectively, the "Redemption Price"), on the redemption date thereof, being May 1, 2004 (the "Redemption Date");

WHEREAS, if the Series 2004 A Bonds are not issued on March 1, 2004, the Series 2003 C Bonds shall be subject to mandatory tender to the Escrow Agent, at which time the Escrow Agent shall apply the cash and the Government 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 interest to and including March 1, 2004, and the Series 2003 C Bonds shall not be subject to redemption pursuant to the special mandatory redemption provisions of the Resolution and in such event, no Series 2004 A Bonds will be issued and neither the Escrow Agent, the Paying Agent of the Series 2003 C Bonds 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;

WHEREAS, if the Series 2004 A Bonds are not issued on March 1, 2004, the Series 2003 D Bonds shall remain outstanding subject to their terms;

WHEREAS, the issuer has found it desirable to appoint the Escrow Agent and the Escrow Agent has agreed to such appointment for the purposes of holding title, as trustee, to the Government Securities, receiving payments of the principal thereof and interest thereon, when due, applying such amounts to pay the interest on the Series 2003 Bonds and

the Series 2003 Bonds, when due, and to effect the special mandatory redemption of the Series 2003 Bonds and investing and reinvesting any cash balances which may at any time not be needed for immediate disbursement, and if the Series 2004 A Bonds are not issued, applying the Government Securities and cash to pay the mandatory tender of the Series 2003 C Bonds; and

WHEREAS, the Issuer has found it desirable to appoint the Paying Agent of the Series 2003 Bonds and the Paying Agent of the Series 2003 Bonds has agreed to such appointment for the purposes of effecting the special mandatory redemption of the Series 2003 Bonds, purchasing or exchanging the Series 2004 A Bonds and disbursing the proceeds of the Series 2004 A Bonds to the paying agent of the Series 1994 Bonds for payment of the Redemption Price of the Series 1994 Bonds on the Redemption Date;

NOW, THEREFORE, in consideration of the mutual agreements contained herein, and in order further to secure payment of the Series 2003 C Bonds, the Series 2003 D Bonds and the Series 1994 Bonds, as heretofore provided, the parties hereto mutually undertake, promise and agree for themselves, their respective representatives, successors and assigns, as follows:

1. There is hereby created and established with the Escrow Agent an irrevocable trust fund to be known as the Escrow Fund, to be held in the custody of the Escrow Agent, separate and apart from all other funds of the Issuer and the Escrow Agent. The deposit of securities or moneys in the Escrow Fund shall constitute an irrevocable deposit of such securities or moneys in trust therefor, and such securities or moneys, together with any income or interest earned thereon, shall be applied, except as otherwise provided herein, to the payment of interest on the Series 2003 C Bonds and the Series 2003 D Bonds, when due, the special mandatory redemption of the Series 2003 C Bonds and the Series 2003 D Bonds, and the purchase of the Series 2004 A Bonds, and thereafter, the proceeds of the Series 2004 A Bonds, together with certain funds provided directly to the paying agent for the Series 1994 Bonds by the Issuer on May 1, 2004, shall be applied to the payment of the Redemption Price of the Series 1994 Bonds on the Redemption Date, all in accordance with paragraph 5 hereof, or if the Series 2004 A Bonds are not issued, the funds held in the Escrow Account shall be applied, except as otherwise provided herein, to the mandatory tender of the Series 2003 C Bonds, all in accordance with paragraph 6 hereof.

2. Concurrently with the delivery of the Series 2003 Bonds, the Issuer shall cause proceeds of the Series 2003 Bonds in the amount of \$2,481,988.30 to be deposited in the Escrow Fund, and thereupon \$2,481,988.30 to be applied to the purchase of the Government Securities. Maturing principal and interest (together with reinvestment proceeds thereof) of the Government Securities in the Escrow Fund shall be applied solely to the payment of interest on the Series 2003 C Bonds and the Series 2003 D Bonds, when due, the

special mandatory redemption of the Series 2003 C Bonds and the Series 2003 D Bonds, the payment of interest on the Series 2004 A Bonds on May 1, 2004, and the purchase of the Series 2004 A Bonds, and thereafter, the proceeds of the Series 2004 A Bonds, together with a transfer of \$18,100.00 from the reserve account for the 1994 Bonds and \$175,480.00 provided directly to the paying agent for the Series 1994 Bonds by the Issuer, shall be applied solely to the payment of the Redemption Price of the Series 1994 Bonds and accrued interest thereon on the Redemption Date; or if the Series 2004 A Bonds are not issued, the funds held in the Escrow Account and the Series 2003 C Sinking Fund shall be applied to the mandatory tender of the Series 2003 C Bonds. Smith, Cochran & Hicks, P.L.L.C., has certified in its Verification Report that the Government Securities, together with the income to be derived therefrom, will be sufficient to pay the interest on the Series 2003 C Bonds and the Series 2003 D Bonds, when due, and to effect the special mandatory redemption of the Series 2003 C Bonds and the Series 2003 D Bonds, and the purchase of the Series 2004 A Bonds, the payment the interest due on the Series 2004 A Bonds on May 1, 2004, and that the proceeds of the Series 2004 A Bonds, together with \$18,100.00 to be transferred from the reserve account for the Series 1994 Bonds on May 1, 2004, will be sufficient to pay the principal amount and a redemption premium of 2% on all Series 1994 Bonds maturing after May 1, 2004 on the Redemption Date, and that, if the Series 2004 A Bonds are not issued, the Government Securities held in the Escrow Fund, together with the income to be derived therefrom, will be sufficient to pay the mandatory tender of the Series 2003 C Bonds. The Issuer hereby authorizes and directs the Escrow Agent to subscribe to the purchase of the Government Securities.

3. If the Series 2004 A Bonds are issued, then on May 1, 2004, the Commission shall transfer (i) \$18,100.00 from the moneys in the reserve account for the Series 1994 Bonds to the paying agent for the Series 1994 Bonds and (ii) \$240,000 from the moneys in the reserve account for the Series 1994 Bonds to the Series 2004 A Bonds Reserve Account. Any balance remaining in the reserve account for the Series 1994 Bonds shall be returned by the Commission to the Issuer. In the event the Series 2004 A Bonds are not issued, the Commission shall not transfer any moneys from the reserve account of the Series 1994 Bonds.

4. The Escrow Agent shall have no authority to reinvest funds or make substitutions of the Government Securities acquired hereunder under this Escrow Agreement except as follows:

If requested by the Issuer, and upon receipt of an opinion of nationally recognized bond counsel that such substitution will not cause any of the Series 2004 A Bonds, when issued, to be an "arbitrage bond" as defined in Section 148 of the Internal Revenue Code of 1986, as amended and then in effect (the "Code"), or to be subject to treatment under Section 148 as an obligation not described in Section 103 of the Code, the Escrow Agent may substitute other United States Treasury Obligations for the Government Securities described herein, provided that (i) such United States Treasury Obligations being substituted

are non-callable and sufficient to pay interest on the Series 2003 C Bonds and the Series 2003 D Bonds on March 1, 2004 and to effect the special mandatory redemption of the Series 2003 Bonds and the purchase of the Series 2004 A Bonds, and that the proceeds of the Series 2004 A Bonds, together with certain funds from the reserve account of the Series 1994 Bonds and certain funds to be provided by the Issuer on May 1, 2004, will be sufficient to pay the Redemption Price of the Series 1994 Bonds on the Redemption Date, or if the Series 2004 A Bonds are not issued, to pay the mandatory tender of the Series 2003 C Bonds and (ii) the composite yield thereon is equal to or in excess of the composite yield of the Government Securities hereto for which they are being substituted, and provided further, that the Escrow Agent receives verification by a Certified Public Accountant of all of the foregoing matters.

5. A. If the Series 2004 A Bonds are issued on March 1, 2004, the Escrow Agent shall transfer to the Paying Agent of the Series 2003 Bonds from the Escrow Fund (i) \$34,495.83 to pay the accrued interest on the Series 2003 C Bonds through March 1, 2004, (ii) \$2,620.83 to pay the accrued interest on the Series 2003 D Bonds through March 1, 2004 and (iii) \$2,435,000.00 to effect the special mandatory redemption of the Series 2003 Bonds, and the Paying Agent of the Series 2003 Bonds shall transfer the redemption proceeds of the Series 2003 Bonds (\$2,435,000.00) to the Underwriter. The Underwriter shall then, as consideration for the purchase of the Series 2004 A Bonds, immediately transfer the \$2,435,000.00 to the Escrow Agent who shall invest such amount in Government Securities.

(The Underwriter, the Escrow Agent, the Paying Agent for the Series 2003 Bonds and the Issuer may agree that the foregoing transfers of \$2,435,000 among the various parties shall be deemed completed and such amount simply remain in the Escrow Account.) On May 1, 2004, the Escrow Agent shall transfer \$2,435,000.00 from the Escrow Account to the paying agent for the Series 1994 Bonds, in immediately available funds. Such amount (\$2,435,000.00) along with \$18,100.00 to be transferred on such date from the reserve account for the Series 1994 Bonds and \$175,480.00 to be deposited on or before such date by the Issuer with such paying agent shall, in the aggregate, be in an amount sufficient to pay the Redemption Price of the Series 1994 Bonds (including those Series 1994 Bonds maturing on May 1, 2004) on the Redemption Date. Also on May 1, 2004 the Escrow Agent shall transfer \$18,682.08 from the Escrow Fund to pay accrued interest on the Series 2004 A Bonds through May 1, 2004. On March 1, 2004 the Issuer shall provide appropriate written instructions to Chase Manhattan Bank, as successor to PNC Bank, Ohio, National Association, the paying agent of the Series 1994 Bonds, to cause it to send written notification by first-class mail to all registered owners of the Series 1994 Bonds not less than 30 days nor more than 60 days prior to May 1, 2004, in accordance with the requirements of the 1994 Resolution.

6. If the Series 2004 A Bonds are not issued on March 1, 2004, the Escrow Agent shall transfer to the Paying Agent of the Series 2003 C Bonds from the Escrow Fund, in immediately available funds, \$2,469,495.83, which is an amount sufficient to pay the tendered Series 2003 C Bonds at a price equal to the principal amount thereof, plus interest

accrued to and including March 1, 2004. The Series 2003 D Bonds shall remain outstanding subject to their terms.

7. The holders of the Series 2003 C Bonds and the Series 2003 D Bonds (with respect to interest only and with respect to any remaining balance after the payment of the Series 2003 C Bonds should the Series 2004 A Bonds not be issued) shall have an express lien on all moneys and assets in the Escrow Fund until paid out, used and applied in accordance with this Escrow Agreement.

8. Subject to the provisions of paragraph 18 hereof, after the payment of all amounts required to be paid pursuant to paragraph 5 of this Escrow Agreement, the amounts remaining in the Escrow Fund, if any, shall be deposited by the Escrow Agent in the Series 2004 A Bonds Sinking Fund, and applied to payment of the Series 2004 A Bonds.

9. The Escrow Agent shall be entitled to fees for services rendered under this Escrow Agreement and reasonable expenses as set forth in EXHIBIT B - ESCROW AGENT FEES, attached hereto. The Issuer shall pay from its own funds to the Escrow Agent the amounts at the times set forth in EXHIBIT B. In no event shall such fees or expenses be paid from the Escrow Fund, nor shall the Escrow Agent or the Paying Agent of the Series 2003 C Bonds or Series 2003 D Bonds have any lien whatsoever upon any of the moneys or Government Securities in the Escrow Fund for the payment of such fees or expenses.

10. The Issuer and the Escrow Agent independently hereby covenant that no part of the moneys or funds at any time in the Escrow Fund shall be used directly or indirectly to acquire any securities or obligations, the acquisition of which would cause any of the Series 2004 A Bonds, when issued, to be an "arbitrage bond" as defined in Section 148 of the Code, or to be subject to treatment under Section 148 as an obligation not described in Section 103 of the Code.

11. Neither the Escrow Agent nor the Paying Agent shall have any responsibility with respect to the sufficiency of this Escrow Agreement to pay the interest on the Series 2003 C Bonds and the Series 2003 D Bonds, when due, and to effect the special mandatory redemption of the Series 2003 C Bonds or the Series 2003 D Bonds, the purchase of the Series 2004 A Bonds and the payment of Series 1994 Bonds. The liability of the Paying Agent of the Series 2003 Bonds for the Redemption Price of the Series 1994 Bonds shall be limited to the payment of all amounts required to be paid pursuant to paragraph 5 hereof. or if the Series 2004 A Bonds are not issued, to the payment of all amounts required to be paid in connection with the mandatory tender of the Series 2003 C Bonds pursuant to paragraph 6 hereof. Neither the Escrow Agent nor the Paying Agent shall be liable or responsible because of the failure of the Issuer to perform any act required of it by this Escrow Agreement. Neither the Escrow Agent nor the Paying Agent shall have any responsibility to the Issuer or any other person in connection with this Escrow Agreement,

except as specifically provided herein, and shall not be responsible for anything done or omitted to be done by them except for their own negligence or willful default in the performance of any obligation imposed on it hereunder.

12. By execution of this Escrow Agreement, the Escrow Agent and the Paying Agent accept the duties and obligations as Escrow Agent and the Paying Agent respectively hereunder. The Escrow Agent and the Paying Agent represent that they each have all requisite power and have taken all action necessary to execute the trusts hereby created.

13. If the Escrow Agent or the Paying Agent is called upon by the terms of this Escrow Agreement to determine the occurrence of any event or contingency, they may request from the Issuer or any other person such reasonable additional evidence as they in their discretion may deem necessary to determine any fact relating to the occurrence of such event or contingency, and in this connection may inquire and consult with the Issuer, at any time. They may request an opinion of counsel for a determination of any legal issue which might arise in the performance of their duties hereunder and may act in accordance with the advice given in such opinion.

14. The Escrow Agent shall not be liable for any loss resulting *from* any investment made pursuant to the terms and provisions of this Escrow Agreement.

15. The Escrow Agent and the Paying Agent may act upon any notice, request, waiver, consent, certificate, receipt, authorization, power of attorney or other instrument or document which they in good faith believe to be genuine and correct and to have been signed or sent by the proper person or persons.

16. The Escrow Agent and the Paying Agent may resign or be removed by the Issuer, and thereby become discharged from the trusts hereby created, by notice given to the Issuer not less than thirty (30) days before such resignation or removal shall take effect. Such resignation or removal shall take effect immediately, however, upon the earlier appointment of a new Escrow Agent or the Paying Agent hereunder and acceptance of the trusts hereby created. The Escrow Agent and the Paying Agent shall continue to serve as such until a successor is appointed and the funds held hereunder transferred. The Escrow Agent shall provide a proper accounting to the Issuer of all funds deposited pursuant to this Escrow Agreement within 30 days of the appointment of a successor Escrow Agent. If no such appointment has been made at the end of the 30-day period, the Escrow Agent may petition a court of competent jurisdiction for appointment of a successor or temporary Escrow Agent. In the event of the resignation or removal of the Escrow Agent, the Escrow Agent shall rebate to the Issuer any fees theretofore paid in advance by the Issuer to the Escrow Agent for its services under this Escrow Agreement.

17. This Escrow Agreement is made for the benefit of the Issuer, the Escrow Agent and the holders of the Series 2003 C Bonds, the Series 2003 D Bonds and the Series 1994 Bonds, except as otherwise expressly provided herein. This Escrow Agreement may be modified or amended at anytime, provided, however, that no such modification or amendment shall be made which would, materially adversely affect the interest of any of the holders of the Series 2003 C Bonds, the Series 2003 D Bonds and the Series 1994 Bonds.

18. If any outstanding Series 1994 Bonds are not presented for payment on the Redemption Date, and moneys are held by the Paying Agent for payment thereof, such moneys shall be held for such purposes for a period of 5 years from the date such payment was due, at which time such moneys shall be paid to the Issuer. Following such payment to the Issuer, the Issuer shall be responsible for payment to any holder of the Series 1994 Bonds presenting such Series 1994 Bonds to the Paying Agent for the amount payable to such holder.

19. This Escrow Agreement shall terminate when the Escrow Agent and the Paying Agent Bonds have paid all amounts required to be paid pursuant to paragraph 5 or paragraph 6 hereof or, in the event any outstanding Series 1994 Bonds have not been presented for payment on such dates as described in paragraph 18 above, the earlier of 5 years from the date such payment was due or the date on which the Series 1994 Bonds have been presented for payment. Upon termination of this Escrow Agreement, any remaining moneys and Government Securities in the Escrow Fund shall be transferred as provided in paragraph 8 hereof.


20. If any one or more of the covenants or agreements provided in this Escrow Agreement to be performed on the part of any of the parties hereto shall be determined by a court of competent jurisdiction to be contrary to law, such covenant or agreement shall be deemed and construed to be severable from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Escrow Agreement.

21. This Escrow Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

22. This Escrow Agreement is made in the State of West Virginia under the Constitution and laws of such State and is to be so construed.

IN WITNESS WHEREOF, the parties hereto have executed this Escrow Agreement on the day and year first above written.

PEA RIDGE PUBLIC SERVICE DISTRICT

By 
Its Chairman

WEST VIRGINIA MUNICIPAL BOND
COMMISSION, as Escrow Agent and Paying Agent

By 
Its Executive Director

09/02/03
69258().00003

EXHIBIT A - VERIFICATION REPORT

[Included as Transcript Document No. 26]

EXHIBIT B - ESCROW AGENT FEES



**STEPTOE &
JOHNSON**
ATTORNEYS AT LAW

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P.O. Box 1588

Charleston, WV 25326-1588

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Writer's Contact Information

C

September 11, 2003

Pea Ridge Public Service District
Taxable Sewer Refunding Revenue Bonds, Series 2003 C and Series 2003 D
And
When, As and If issued
Sewer Refunding Revenue Bonds, Series 2004 A

HAND DELIVER

Mr. R. Witter Hallan
Executive Director
West Virginia Municipal Bond Commission
8 Capitol Street, Suite 500
Charleston, West Virginia 25301

Dear Mr. Hallan:

As bond counsel for Pea Ridge Public Service District (the "Issuer"), we wish to advise you that on September 11, 2003 (the "Settlement Date"), the Issuer will deliver its Taxable Sewer Refunding Revenue Bonds, Series 2003 C ("Series 2003 C Bonds"), and Taxable Sewer Refunding Revenue Bonds, Series 2003 D ("Series 2003 D Bonds and together with the Series 2003 C Bonds, the "Bonds") to Crews & Associates, Inc., Charleston, West Virginia (the "Underwriter"), the purchaser thereof.

On the Settlement Date, the Issuer will wire a portion of the proceeds of the Bonds to the West Virginia Municipal Bond Commission (the "Commission"), in the amount of \$2,484,171.64. \$2,481,988.30, of this amount shall be deposited in the Escrow Fund created under the Escrow Agreement by and among the Issuer and the Commission, as Escrow Agent and Paying Agent. \$2,481,017.90 of the amount deposited in the Escrow Fund shall be used to purchase that certain United States Treasury Bill, CUSIP number 912795 PM 7, maturing February 26, 2004 (the "Governmental Security") in the principal amount of \$2,492,000.00. I hereby certify that the Governmental Security was selected by the Issuer and not by the Commission nor the West Virginia State Treasurer's Office.

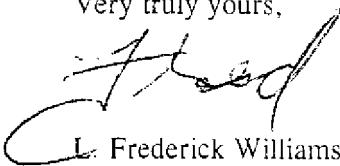


Mr. R. Witter Hallan

Page 2

If you have any questions regarding the foregoing, please feel free to call me.

Very truly yours,

A handwritten signature in black ink, appearing to read "Fred", written in a cursive style.

L. Frederick Williams, Jr.

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r925U0 (X1003



Smith, Cochran & Hicks, P.L.L.C.

Certified Public Accountants

Beckley Bridgeport Charleston Montgomery

405 Capitol Street • Suite 908 • Charleston, West Virginia 25301 • 304-345-1151 • Fax 304-346-6731

Pea Ridge Public Service District
Huntington, West Virginia

Steptoe & Johnson PLLC
Charleston, West Virginia

West Virginia Municipal Bond Commission
Charleston, West Virginia

Crews & Associates, Inc.
Little Rock, Arkansas

Goodwin & Goodwin, LLP
Charleston, West Virginia

\$2,435,000
Pea Ridge Public Service District
Taxable Sewer Refunding Revenue Bonds
Series 2003C

\$185,000
Pea Ridge Public Service District
Taxable Sewer Refunding Revenue Bonds
Series 2003D

and when, as and if issued:

\$2,620,000
Pea Ridge Public Service District
Sewer Refunding Revenue Bonds
Series 2004A

We have been provided certain schedules relating to the issuance of the above captioned bond issues (the "2003C Bonds", the "2003D Bonds" and the "2004A Bonds", collectively the "Bonds") and the refunding of certain outstanding bonds described herein, prepared on behalf of the Pea Ridge Public Service District (the "Issuer") and provided to us by Crews & Associates, Inc. (the "Underwriter").

The bonds to be refunded consist of the \$3,035,000 Pea Ridge Public Service District (West Virginia) Sewer Refunding Revenue Bonds, Series 1994 maturing May 1, 2005 and thereafter (the "Prior Bonds"). The refunding of the Prior Bonds will occur on May 1, 2004 assuming compliance with the provisions and requirements of the Bond Resolution dated August 6, 2003, as supplemented and amended.

We have been engaged to verify the mathematical accuracy of certain calculations related to the issuance of the Bonds. Those calculations are: 1) the calculations of the principal and the interest thereon provided by cash and securities deposited to the

Escrow Fund and 2) the sufficiency of the cash flow provided by the Escrow Fund to pay the interest accrued on the Series 2003C and 2003D through March 1, 2004, and the defeasance requirements of the Prior Bonds.

The procedures we performed consisted of and were limited to verifying the mathematical accuracy of the computations contained in those schedules. Because these procedures do not constitute an examination of prospective financial statements in accordance with standards established by the American Institute of Certified Public Accountants, we do not express an opinion on whether the prospective financial information is presented in conformity with AICPA presentation guidelines or on whether the underlying assumptions provide a reasonable basis for the presentation.

In the course of our engagement, we were furnished with relevant portions of the offering statement for the Prior Bonds. We compared the information contained in the schedules provided to us by the Underwriter with certain information set forth in the above-mentioned documents with respect to principal payment dates and amounts and interest payment dates and rates. We found the information contained in such schedules in agreement with the information set forth in that document.

In our opinion, the calculations provided to us are arithmetically accurate and reflect the anticipated receipts from the Escrow Fund, together with the initial deposits of accrued interest on the 2003C and 2003D Bonds on deposit with the Trustee, will be sufficient to pay, when due: 1) the interest accrued on the 2003C Bonds and 2003D Bonds on March 1, 2004; 2) together with \$18,100 to be transferred from the reserve account for the Prior Bonds on May 1, 2004, the principal of the Prior Bonds on May 1, 2004 at a price of 102% of the principal amount; and, 3) the interest accrued on the 2004A Bonds on May 1, 2004, assuming the 2004A Bonds are issued. The proceeds of the 2004A Bonds will effect the special mandatory redemption at par on March 1, 2004 of the 2003C and 2003D Bonds in the event the 2004A Bonds are issued. In the event the 2004A Bonds are not issued, the anticipated receipts from the Escrow Fund, together with the initial deposits of accrued interest on 2003C and 2003D Bonds on deposit with the Trustee, will be sufficient to pay, when due: 1) the interest accrued on the 2003C Bonds and 2003D Bonds on March 1, 2004; 2) the mandatory tender of the 2003C Bonds on March 1, 2003 at a price of 100% of the principal amount; and, 3) the interest accrued on the 2003D Bonds on May 1, 2004.

The terms of our engagement are such that we have no obligation to update this report because of events occurring, or data or information coming to our attention subsequent to the date of this report.

This report is not to be referred to or quoted without our prior written consent, except that reference thereto may be made in the Official Statement, Bond Purchase Agreement and in the closing documents and opinions of Counsel relating to the Bonds.

Charleston, West Virginia
September 11, 2003

Smith, COCIAAC^{tAk}

2, PLLC

This Preliminary Official Statement and Official Statement constitute an offer to sell securities. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell securities in any jurisdiction in which such offer, solicitation or sale would be unlawful or qualification under the securities laws of such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 22, 2003

NEW ISSUE - BOOK ENTRY ONLY

In the opinion of Steptoe & Johnson PLLC, Bond Counsel, under existing laws, regulations, published rulings and judicial decisions of the United States of America, as presently written and applied, interest on the Taxable Bonds is not excludable from gross income for federal income tax purposes. However, in the opinion of Bond Counsel, under existing laws of the State of West Virginia, the Taxable Bonds, and the interest thereon are exempt from all taxation by the State of West Virginia, or any county, municipality, political subdivision or agency thereof and from personal and corporate net income taxes imposed directly thereon by the State of West Virginia, except inheritance, estate and transfer taxes. It is a condition to the issuance and delivery of the Series 2004 Bonds that the Paying Agent, as defined below, receive from Bond Counsel, the Mature Opinion of Bond Counsel substantially in the form attached hereto as Appendix B (the "Series 2004 Bond Counsel Opinion") to the effect that under existing laws, regulations, published rulings and judicial decisions of the United States of America, as presently written and applied, interest on the Series 2004 Bonds is excludable from gross income of the holders thereof for federal income tax purposes. Such opinion may provide, however, that interest on the Series 2004 Bonds is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals and corporations, however, interest paid to corporate holders of the Series 2004 Bonds may be indirectly subject to alternative minimum tax under certain circumstances. Further, the Series 2004 Bond Counsel Opinion will provide that, under existing laws of the State of West Virginia, the Series 2004 Bonds, and the interest thereon are exempt from all taxation by the State of West Virginia, or any county, municipality, political subdivision or agency thereof and from personal and corporate income taxes imposed directly thereon by the State of West Virginia, except inheritance, estate and transfer taxes. The Series 2004 Bond Counsel Opinion may be modified as described under "TAX MATTERS Permitted Modifications of the Series 2004 Bond Counsel Opinion" herein. See "TAX MATTERS."

\$2,445,000*
PEA RIDGE PUBLIC SERVICE DISTRICT
TAXABLE SEWER REFUNDING REVENUE BONDS
SERIES 2003 C

\$175,000*
PEA RIDGE PUBLIC SERVICE DISTRICT
TAXABLE SEWER REFUNDING REVENUE BONDS
SERIES 2003 D

AND
WHEN, AS AND IF ISSUED

\$2,620,000*
PEA RIDGE PUBLIC SERVICE DISTRICT
SEWER REFUNDING REVENUE BONDS
SERIES 2004 A

Dated: September 1, 2003**

Due: May 1, as shown on the inside cover page

The Series 2003 Bonds, consisting of \$2,445,000* Pea Ridge Public Service District, Taxable Sewer Refunding Revenue Bonds, Series 2003 C (the "Series 2003 C Bonds") and \$175,000* Pea Ridge Public Service District, Taxable Sewer Refunding Revenue Bonds, Series 2003 D (the "Series 2003 D Bonds") and collectively with the Series 2003 C Bonds, the "Taxable Bonds"), and when, as and if issued, the \$2,620,000* Pea Ridge Public Service District, Sewer Refunding Revenue Bonds, Series 2004 A Bonds, as defined below, are issuable only as fully registered bonds without coupons in denominations of \$5,000 and integral multiples thereof for any year of maturity. All of the Taxable Bonds and the Series 2004 Bonds, if issued, initially will be maintained under a book-entry system under which The Depository Trust Company, New York, New York ("DTC"), will act as securities depository. Purchases of the Taxable Bonds and the Series 2004 Bonds, if issued, will be in book-entry form only. Interest on the Series 2003 C Bonds is payable March 1, 2004. Interest on the Series 2003 D Bonds is payable May 1, 2004, and each November 1 and May 1 thereafter. Interest on the Series 2004 Bonds, if issued, will be payable May 1, 2004, and each November 1 and May 1 thereafter. So long as the Taxable Bonds and, if issued, the Series 2004 Bonds, are maintained under a book-entry system, payments of the principal of and premium, if any, and interest on the Taxable Bonds and, if issued, the Series 2004 Bonds, will be made when due by United Bank, Inc., Charleston, West Virginia, as Paying Agent, to OTC in accordance with the Resolution and the Supplemental Resolution, and the Paying Agent will have no obligation to make any payments to any beneficial owner of any Taxable Bonds or, if issued, any Series 2004 Bonds. See "BOOK ENTRY ONLY SYSTEM."

Pursuant to the Resolution, described below, the Pea Ridge Public Service District (the "District") has agreed, upon satisfaction of the conditions described herein, to issue on March 1, 2004 (the "Series 2004 Bonds Issuance Date"), its Sewer Refunding Revenue Bonds, Series 2004 (the "Series 2004 Bonds") and, together with the Taxable Bonds, referred to herein as the "Bonds") for the purpose of providing for a current refunding of the 1994 Bonds described herein. If the Series 2004 Bonds are issued and delivered as described herein, the Taxable Bonds will be subject to payment at maturity or mandatory redemption on the Series 2004 Bonds Issuance Date, at which time the Paying Agent shall deliver to each owner of a Taxable Bond a Series 2004 Bond in an amount equal to the outstanding principal amount of its Taxable Bonds on the terms and conditions described herein, and each purchaser of the Taxable Bonds irrevocably appoints the Escrow Agent as its agent and attorney-in-fact for effecting such purchase, all as more fully described herein. The District makes no representation to any purchaser of any Taxable Bonds as to whether the issuance of the Series 2004 Bonds will occur. No potential purchaser of any Taxable Bonds should base any investment decision with respect to the Taxable Bonds upon any assumption regarding the likelihood of issuance of the Series 2004 Bonds.

The Bonds are being issued by the District pursuant to a resolution duly adopted by the public service board of the District on August 6, 2003, as supplemented by a supplemental resolution duly adopted by the public service board of the District (collectively, the "Resolution"). The proceeds of the Taxable Bonds together with other funds available for such purpose, shall be used (i) to purchase United States Treasury obligations or otherwise enter into a guaranteed investment agreement with a provider rated at least "AA" or "Aa" by Standard & Poors Rating Services ("S&P") and Moody's Investors Service, Inc. ("Moody's"), respectively, and to provide cash which shall be deposited with other available moneys with the Escrow Agent, hereinafter defined, and used, (a) in the event the Series 2004 Bonds are issued on the Series 2004 Bonds Issuance Date, to pay at maturity or redeem the Taxable Bonds, and effect the purchase of the Series 2004 Bonds in accordance with the irrevocable instructions of the Taxable Bondholders, the proceeds of such Series 2004 Bonds being used to refund on May 1, 2004, at a redemption price of 102% of par, plus accrued interest to May 1, 2004, the District's Sewer Refunding Revenue Bonds, Series 1994, issued in the original aggregate principal amount of \$3,035,000 (the "1994 Bonds"), maturing after May 1, 2004, which were previously issued by the District to refinance certain indebtedness incurred for the acquisition and construction of a sewerage system (the "System"); or (b) in the event the Series 2004 Bonds are not issued on the Series 2004 Bonds Issuance Date, to purchase at maturity the Series 2003 C Bonds; (ii) to fund a debt service reserve fund for the Series 2004 Bonds, if issued; and (iii) to pay the costs of issuing the Bonds and certain other costs relating to the refunding.

IN THE EVENT THE SERIES 2004 BONDS ARE NOT ISSUED ON THE SERIES 2004 BONDS ISSUANCE DATE, THE SERIES 2003 C BONDS FUNDS AND SECURITIES ON DEPOSIT WITH THE ESCROW AGENT SHALL INSTEAD BE APPLIED TO THE PURCHASE OF THE

SERIES 2003 C BONDS AT HILIR S'tA•LED MAIURf1'Y DALE 01' MARCH I, 2004 IN SUCH EVENT, IIIIE SERIES 2003 D BONDS WILL REMAIN OUTSTANDING.

The 1994 Bonds are secured under the terms of a resolution of the Distract duly adopted by the public service board of the District on September 29, 1994, as supplemented by a supplemental resolution duly adopted by the public service board of the District on November 10, 1994 (collectively, the "Series 1994 Resolution"). Until the Series 2004 Bond Issuance Date, the Taxable Bonds will be payable From United States Treasury obligations and/or a guaranteed investment agreement as described above, and from cash deposited with the West Virginia Municipal Bond Commission (the "Bond Commission"), as escrow agent (the "Escrow Agent"), pursuant to an Escrow Agreement, dated as of September 1, 2003, between the District and the Escrow Agent (the "Escrow Agreement"). If the Series 2004 Bonds are issued on the Series 2004 Bonds Issuance Date, amounts on deposit with the Escrow Agent will be delivered to the Paying Agent and in accordance with irrevocable instructions of the District to the Paying Agent, the Paying Agent will effect the purchase of the Series 2004 Bonds and the proceeds of the Series 2004 Bonds will be applied to refund the 1994 Bonds and defease the lien of the Series 1994 Resolution securing the 1494 Bonds. In the event the Series 2004 Bonds are not issued on the Series 2004 Bond Issuance Date, the Series 2003 C Bonds shall be subject to payment by the Paying Agent on such date, for purchase at a price of par plus accrued interest to such date, such amounts payable from funds on deposit with the Escrow Agent, on the terms and conditions described in the Escrow Agreement.

On and after the Series 2004 Bond Issuance Date, when, as and if issued, the Series 2004 Bonds, will be payable from and further secured by the Net Revenues derived from the System and from funds on deposit in the Series 2004 Bonds Sinking Fund, and the Series 2004 Bonds Reserve Account therein. The Taxable Bonds and, when, as and if issued, the Series 2004 Bonds, do not constitute an indebtedness of the District within the meaning of any constitutional or statutory provisions or limitations, and the District shall not be obligated to pay the principal or premium, if any, of the Taxable Bonds and, when, as and if issued, the Series 2004 Bonds, except from the Net Revenues and such funds on deposit. Neither the Rill faith and credit nor the taxing power of the District shall be deemed to be pledged to, nor shall any tax be levied for, the payment of the principal of or the premium, if any, or interest on the Taxable Bonds and, when, as and if issued, the Series 2004 Bonds.

The Taxable Bonds and the Series 2004 Bonds, when as and if issued, are subject to redemption and or tender prior to maturity as provided herein.

The District has designated the Series 2004 Bonds as "qualified tax-exempt obligations" for purposes of Section 265(6)(3) of the Code.

In the event of the issuance of the Series 2004 Bonds, the Taxable Bonds will be *subject* to mandatory redemption on March 1, 2004. If the Series 2004 Bonds are not issued and delivered on the Series 2004 Bonds issuance Date as described herein, the principal of and interest on the Taxable Bonds shall be paid until March 1, 2004, from amounts on deposit with the Escrow Agent, pursuant to the Escrow Agreement. If the Series 2004 Bonds are issued on the Series 2004 Bonds Issuance Date, amounts on deposit with the Escrow Agent will be used to redeem the Taxable Bonds, purchase the Series 2004 Bonds and refund the 1994 Bonds.

This cover page and the preceding pages contain certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision. The Taxable Bonds and, when as and if issued, the Series 2004 Bonds, are offered when, as and if issued and received by the Underwriter, subject to prior sale, to withdrawal or modification of the offering without notice and to the unqualified approval of legality by Steptoe & Johnson PLLC, Charleston, West Virginia, Bond Counsel. Certain legal matters will be passed upon for the District by Ronald J Flora, Milton, West Virginia, Counsel to the District. Certain legal matters will be passed upon for the Underwriter by Goodwin & Goodwin, LIP, Charleston, West Virginia, as counsel to the Underwriter. It is expected that the Taxable Bonds will be available for delivery at DTC in New York, New York, on or about September 2, 2003.

Crews & Associates, Inc.

Dated: September 2003

*Preliminary, subject to change.

**The Series 2004 Bonds, if issued, shall be dated March 1, 2004.

\$2,445,000*
**PEA RIDGE PUBLIC SERVICE DISTRICT
 TAXABLE SEWER REFUNDING REVENUE BONDS
 SERIES 2003 C**

5175,000*
**PEA RIDGE PUBLIC SERVICE DISTRICT
 TAXABLE SEWER REFUNDING REVENUE BONDS
 SERIES 2003 D**

**AND
 WHEN, AS AND IF ISSUED****

\$2,620,000*
**PEA RIDGE PUBLIC SERVICE DISTRICT
 SEWER REFUNDING REVENUE BONDS
 SERIES 2004 A**

\$2,445,000*
MATURITY SCHEDULE - SERIES 2003 C BONDS*

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>
March 1, 2004	\$ 2,455,000		

\$175,000*
MATURITY SCHEDULE- SERIES 2003 D BONDS*

\$175,000 % Term Bonds due March 1, 2004 at _%

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>
May 1, 2005	\$,000	%	%
May 1, 2006	_,000		
May 1, 2007	_,000		
May 1, 2008	,000		
May 1, 2009	_,000		

MATURITY SCHEDULE - SERIES 2004 A BONDS*

When, as and if issued

S, ___,000 Serial Bonds

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>
May 1, 2005	\$,000	%	%
May 1, 2006	_,000		
May 1, 2007	_,000		
May 1, 2008	_,000		
May 1, 2009	_,000		
May I, 2010	,000		
May 1, 2011	_,000		
May 1, 2012	_,000		
May I, 2013	_,000		
May I, 2014	_,000		
May 1, 2015	,000		

\$,000 _% Term Bonds due May 1, 2020 at _%

* Preliminary, subject to change.

**The Series 2004 Bonds, if issued, shall be dated March 1, 2004.

PEA RIDGE **PUBLIC SERVICE DISTRICT**

PUBLIC SERVICE BOARD

Michael Seaton, Chairman
Charles Woolcock, Vice Chairman
Frank Sampson, Secretary/Treasurer

Richardina Foster, General Manager

DISTRICT'S ATTORNEY

Ronald J. Flora, Esq.
Milton, West Virginia

BOND COUNSEL

Steptoe and Johnson PLLC
Charleston, West Virginia

UNDERWRITER'S COUNSEL

Goodwin & Goodwin, LLP
Charleston, West Virginia

AUDITOR

Ralph W. Bassett, Jr., CPA
Milton, West Virginia

UNDERWRITER

Crews & Associates, Inc.
Charleston, West Virginia

DEPOSITORY BANK

First State Bank of Barboursville
Barboursville, West Virginia

REGISTRAR

United Bank, Inc.
Charleston, West Virginia

PAYING AGENT

West Virginia Municipal Bond Commission
Charleston, West Virginia

VERIFICATION AGENT

Smith, Cochran & Hicks, P.L.L.C.
Charleston, West Virginia

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Taxable Bonds and, as when and if issued, the Series 2004 Bonds, in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized by the District or the Underwriter to give any information or to make any representations, other than as contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. The information set forth herein has been obtained from the District and other sources that are believed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriter. The information and any expression of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the District, as it relates to the System, since the date hereof. This Official Statement is submitted in connection with the sale of securities referred to herein, and may not be reproduced or used, in whole or in part, for any other purposes.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2003/2004 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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OFFICIAL STATEMENT

\$2,445,000*

**PEA RIDGE PUBLIC SERVICE DISTRICT
TAXABLE SEWER REFUNDING REVENUE BONDS
SER[ES 2003 C**

5175,000*

**PEA RIDGE PUBLIC SERVICE DISTRICT
TAXABLE SEWER REFUNDING REVENUE BONDS
SERIES 2003 D**

AND

WHEN, AS AND IF ISSUED

\$2,620,000*

**PEA RIDGE PUBLIC SERVICE DISTRICT
SEWER REFUNDING REVENUE BONDS
SERIES 2004 A**

INTRODUCTION

This Official Statement, including the cover page and appendices, is provided for the purpose of setting forth certain information concerning the District, the District's sewer system hereinafter described and the District's (i) \$2,445,000* aggregate principal amount of Taxable Sewer Refunding Revenue Bonds, Series 2003 C (the "Series 2003 C Bonds"); (ii) \$175,000* aggregate principal amount of Taxable Sewer Refunding Revenue Bonds, Series 2003 D (the "Series 2003 D Bonds" and, together with the Series 2003 C Bonds, the "Taxable Bonds"); and (ii) when, as and if issued, \$2,620,000* aggregate principal amount of Sewer Refunding Revenue Bonds, Series 2004 A (the "Series 2004 Bonds"). The Taxable Bonds, and, when as and if issued, the Series 2004 Bonds, are being issued pursuant to the Constitution and laws of the State of West Virginia (the "State"), specifically Chapter 16, Article 13A and Chapter I3, Article 2E of the Code of West Virginia of 1931, as amended (collectively, the "Act"), and a resolution duly adopted by the Public Service Board of the District on August 6, 2003 (the "Original Resolution"), as supplemented and amended by a supplemental resolution duly adopted by the Public Service Board of the District, pursuant to the Original Resolution (the "Supplemental Resolution" and together with the Original Resolution, the "Resolution ").

*Preliminary, subject to change.

The proceeds of the Taxable Bonds, together with other funds available for such purpose, shall be used (i) to purchase United States Treasury obligations or otherwise enter into a guaranteed investment agreement with a provider rated at least "AA" or "Aa" by Standard & Poors Rating Services ("S&P") and Moody's Investors Service, Inc. ("Moody's"), respectively, and to provide cash which shall be deposited with other available moneys with the Escrow Agent, hereinafter defined, and used, (a) in the event the Series 2004 Bonds are issued on March 1, 2004 (the "Series 2004 Bonds Issuance Date"), to redeem the Taxable Bonds, and effect the purchase of the Series 2004 Bonds in accordance with the irrevocable instructions of the Taxable Bondholders, the proceeds of such Series 2004 Bonds to be used to refund on May 1, 2004, at a redemption price of 102% of par, plus accrued interest to May 1, 2004, the District's Sewer Refunding Revenue Bonds, Series 1994, issued in the original aggregate principal amount of \$3,035,000 (the "1994 Bonds"), maturing after May 1, 2004, which were previously issued by the District to refinance certain indebtedness incurred for the acquisition and construction of a sewer system (the "System"); or (b) in the event the Series 2004 Bonds are not issued on the Series 2004 Bonds Issuance Date, to purchase at maturity the Series 2003 C Bonds; (ii) to fund a debt service reserve fund for the Series 2004 Bonds; and (iii) to pay the costs of issuing the Bonds and certain other costs relating to the refunding.

Until March 1, 2004, the Taxable Bonds will be payable from United States Treasury obligations and/or a guaranteed investment agreement as described above, and from cash deposited with the West Virginia Municipal Bond Commission (the "Bond Commission"), as escrow agent (the "Escrow Agent"), pursuant to an Escrow Agreement, dated as of September 1, 2003, between the District and the Escrow Agent (the "Escrow Agreement"). If the Series 2004 Bonds are issued on March 1, 2004, amounts on deposit with the Escrow Agent will be delivered to the Paying Agent and in accordance with irrevocable instructions by the District to the Paying Agent, the Paying Agent will transfer such amounts to the Underwriter, which will purchase the Series 2004 Bonds on behalf of such Taxable Bondholders, and the proceeds of the Series 2004 Bonds will be applied to refund the 1994 Bonds and defease the lien of Series 1994 Resolution securing the 1994 Bonds. In the event the Series 2004 Bonds are not issued on March 1, 2004, the Series 2003 C Bonds shall be subject to payment by the Paying Agent on March 1, 2004, at a price of par plus accrued interest to such date, such amounts payable from funds on deposit with the Escrow Agent, on the terms and conditions described in the Escrow Agreement. See "FINANCING PLAN."

In the event the Series 2004 Bonds are issued, the Series 2004 Bonds will be payable from and secured by the Net Revenues, as defined in the Resolution, derived from the System and from funds on deposit in the Series 2004 Bonds Sinking Fund and the Series 2004 Bonds Reserve Account therein on parity with the District'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"), 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, Series 2000 Bonds, Series 2003 A Bonds and Series 2003 B Bonds collectively

referred to herein as the "Prior Bonds"). The Taxable Bonds and, when as and if issued, the Series 2004 Bonds will not constitute an indebtedness of the District within the meaning of any constitutional or statutory provisions or limitations, and the District shall not be obligated to pay the Taxable Bonds and, when as and if issued, the Series 2004 Bonds, or premium, if any, or the interest thereon except from such Net Revenues and such funds on deposit.

Pursuant to the Resolution, the District has covenanted and agreed to establish and collect just and equitable rates and charges for the use of the System and the services rendered thereby as will produce for each fiscal year Net Revenues, as defined in the Resolution and hereinafter, equal to at least 115% of the maximum amount required in any year to pay the principal of and interest on the Prior Bonds, and, from and after March 1, 2004, the Series 2004 Bonds, if issued, and all other obligations secured by a lien on or payable from Net Revenues prior to or on a parity with the Prior Bonds, and, from and after March 1, 2004, the Series 2004 Bonds, if issued,; 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 Bond Reserve Account and the Reserve Accounts for obligations on a parity with the Prior Bonds, and, from and after March I, 2004, the Series 2004 Bonds, if issued, are funded at least at the requirement, 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 Prior Bonds, and, from and after March 1, 2004, the Series 2004 Bonds, if issued, and all other obligations secured by a lien on or payable from such revenues on a parity with the Prior Bonds, and, from and after March 1, 2004, the Series 2004 Bonds, if issued. See "ADDITIONAL SECURITY FOR THE BONDS - Rate Covenant." The payment of the principal or redemption price of and interest on the Bonds will be made as described hereinafter under the heading "FINANCING PLAN."

The Taxable Bonds and, when as and if issued, the Series 2004 Bonds will be dated, will mature, will bear interest and will be subject to redemption prior to maturity as more fully described on the cover page and under the heading "THE BONDS" herein. The Bonds initially will be maintained under a book-entry system. So long as the Bonds are maintained under a book-entry system, the manner of payment, the denominations, the transfer and exchange of ownership and the method of providing notice of redemption to the owners of the Bonds shall be determined as described under the "BOOK-ENTRY ONLY SYSTEM" herein. If the book-entry system is discontinued, principal of, interest, and premium, if any, on the Taxable Bonds, and, when as and if issued, the Series 2004 Bonds, will be payable by the West Virginia Municipal Bond Commission, as paying agent (the "Paying Agent") to the owners thereof at the addresses appearing in the books kept by the Paying Agent as registrar (the "Registrar"). For further information describing the method of payment and other matters in the event the book-entry system is discontinued, see "THE BONDS" herein.

The District may, prior to the issuance of the Series 2004 Bonds, issue additional bonds on a parity with the Prior Bonds, and, when as and if issued, the Series 2004 Bonds, for the purpose of financing the cost of the construction or acquisition of additions, improvements and betterments to the System and/or refunding one or more or all series of bonds issued pursuant to the Resolution subject, in each case, to certain tests and conditions provided for by the Resolution. See "ADDITIONAL SECURITY FOR THE BONDS - Additional Parity Bonds."

The Taxable Bonds and the Series 2004 Bonds are offered when, as and if issued and received on behalf of the underwriter appearing on the cover page hereof (the "Underwriter"), subject to prior sale, to withdrawal or modification of the offering without notice and to the unqualified approval of the legality by Steptoe & Johnson PLLC, Charleston, West Virginia, Bond Counsel. Certain legal matters will be passed upon for the District by Ronald J. Flora, Milton, West Virginia, Counsel to the District. Certain legal matters will be passed upon for the Underwriter by Goodwin & Goodwin, LLP, Charleston, West Virginia, as counsel to the Underwriter. Verification of certain mathematical computations relating to the payment from the Escrow Fund of debt service on the Taxable Bonds until March 1, 2004, and the refunding of the 1994 Bonds will be performed by Smith, Cochran & Hicks, P.L.L.C., Charleston, West Virginia, certified public accountants. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS" herein.

Brief descriptions of the Taxable Bonds, the Series 2004 Bonds, the refunding of the 1994 Bonds, the System, the District and certain provisions of the Resolution and the Act, as defined in the Resolution and hereinafter, are set forth in this Official Statement, as well as other information contained in the appendices hereto. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Resolution, the Escrow Agreement, provisions of the Act and other applicable laws of the State are qualified in their entirety by reference to each such document or law. References herein to the Taxable Bonds and the Series 2004 Bonds are qualified in their entirety by reference to the form thereof included in the Resolution and the information with respect thereto included in the aforesaid documents. Capitalized terms used and not otherwise defined in this Official Statement shall have the respective meanings given them in the Resolution. Copies of the Resolution, the Escrow Agreement and other applicable documents may be obtained from the District or, during the period of offering the Taxable Bonds, and, when as and if issued, the Series 2004 Bonds, from the Underwriter.

FINANCING PLAN

The proceeds of the Taxable Bonds, together with other funds available for such purpose, shall be used (i) to purchase United States Treasury obligations or otherwise enter into a guaranteed investment agreement with a provider rated at least "AA" or "Aa" by Standard & Poors Rating Services ("S&P") and Moody's Investors Service, Inc. ("Moody's"), respectively, and to provide cash which shall be deposited with other available moneys with the Escrow Agent, hereinafter defined, and used, (a) in the event the Series 2004 Bonds are issued on the Series 2004 Bonds Issuance Date, to redeem the Taxable Bonds, purchase the Series 2004 Bonds in accordance with the irrevocable instructions of the Taxable Bondholders, the proceeds of such Series 2004 Bonds to be used to refund on May 1, 2004, at a redemption price of 102% of par, plus accrued interest to May 1, 2004, the 1994 Bonds, maturing after May 1, 2004, which were previously issued by the District to refinance certain indebtedness incurred for the acquisition and construction of the System; or (b) in the event the Series 2004 Bonds are not issued on the Series 2004 Bonds Issuance Date, to purchase at maturity the Series 2003 C Bonds; (ii) to fund a debt service reserve fund for the Series 2004 Bonds; and (iii) to pay the costs of issuing the Bonds and certain other costs relating to the refunding.

Until March 1, 2004, the Taxable Bonds will be payable from United States Treasury obligations and/or a guaranteed investment agreement as described above, and from cash deposited

with the West Virginia Municipal Bond Commission (the "Bond Commission), as escrow agent (the "Escrow Agent"), pursuant to an Escrow Agreement, dated as of September 1, 2003, between the District and the Escrow Agent (the "Escrow Agreement"). If the Series 2004 Bonds are issued on the Series 2004 Bonds Issuance Date, amounts on deposit with the Escrow Agent will be delivered to the Paying Agent, which will in turn deliver such funds to the Underwriter, and, in accordance with irrevocable instructions by the District to the Paying Agent, the Underwriter will purchase on behalf of the Taxable Bondholders the Series 2004 Bonds and such proceeds will be applied to refund the 1994 Bonds and defease the lien of Series 1994 Resolution securing the 1994 Bonds. In the event the Series 2004 Bonds are not issued, the Series 2003 C Bonds shall be purchased at their maturity on March 1, 2004, for purchase at a price of par plus accrued interest to such date, such amounts payable from funds on deposit with the Escrow Agent, on the terms and conditions described in the Escrow Agreement.

If the Series 2004 Bonds are issued, the Bond Commission will cause to be given notice of the call for redemption prior to maturity of the 1994 Bonds designated for prior redemption on May 1, 2004, as described above, and the Escrow Agent will disburse from the Escrow Fund to the Bond Commission such amounts as shall be necessary to pay the redemption price thereof. The Escrow Agent will also disburse to the Paying Agent funds from the Escrow Fund in accordance with the terms of the Escrow Agreement funds to provide for the debt service requirements for the Taxable Bonds through March 1, 2004.

Estimated Sources and Uses of Funds (1)

Sources of Funds:

- Principal Amount of Series 2003/2004 Bonds
- Other Available Funds (2)
- Accrued Interest

Total Sources

Uses of Funds:

- Escrow Fund (3)
- Underwriter's Discount
- Costs of Issuance (4)
- Underwriter's Discount
- Deposit to Series 2004 Bonds
- Reserve Account
- Accrued Interest

Total Uses

- (1) This table assumes that the Series 2004 bonds will be issued on the Series 2004 Bonds Issuance Date. If the Series 2004 Bonds are not issued on the Series 2004 Bonds Issuance Date, the Series 2003 C Bonds shall be subject to mandatory tender to the Paying Agent on March 1, 2004, at a price of par plus accrued interest to such date, such amounts payable from funds on deposit with the Escrow Agent.

- (2) Includes: moneys held by the Bond Commission in the existing Series 1994 Bonds Sinking Fund and Reserve Account therein.
- (3) The amount set forth in the Escrow Agreement as required, together with the income thereon, to effect the payment of debt service on the Taxable Bonds until March 1, 2004, and, on March 1, 2004, to pay the redemption/tender price of the Taxable Bonds as described above. Redemption of the Series 2003 D Bonds will occur through the exchange of such bonds for an equal principal amount of the Series 2004 Bonds.
- (4) Includes legal and financing fees, printing costs and other miscellaneous expenses relating to the issuance of the Taxable Bonds and, when as and if issued, the Series 2004 Bonds.

THE BONDS

General

The Taxable Bonds are dated and bear interest from September 1, 2003, upon original issuance. The Series 2004 Bonds, when as and if issued, shall be dated and shall bear interest from March 1, 2004. After original issuance, any Taxable Bonds issued prior to the first interest payment will be dated September 1, 2003, and any Series 2004 Bond issued prior to the first interest payment will be dated March 1, 2004. Any Series 2003/2004 Bond issued in exchange on or subsequent to said first interest payment date will be dated as of the interest payment date next preceding the date of authentication thereof; unless the date of authentication is an interest payment date on which interest on said Series 2003/2004 Bond shall have been paid in full or duly provided for, in which case said Series 2003/2004 Bond shall be dated such date of authentication; or unless, as shown by the records of the Registrar, as defined below, interest on such Series 2003/2004 Bond shall be in default, in which case any Series 2003/2004 Bond issued in exchange for a Series 2003/2004 Bond surrendered for transfer or exchange shall be dated as of the date to which interest has been paid in full. The Series 2003 C Bonds will bear interest from their date, payable on March 1, 2004, upon original issuance, at the rate per annum and will mature on March 1, 2004, and in the amount set forth on the cover page of this Official Statement. The Series 2003 D Bonds will bear interest payable on May 1, 2004, and each November 1 and May 1 thereafter (subject to redemption on March 1, 2004, in the event of the issuance of the Series 2004 Bonds), at the rates per annum and will mature on the dates and in the amounts set forth on the cover page of this Official Statement. If issued on the Series 2004 Bonds Issuance Date, the Series 2004 Bonds will bear interest from their date, payable semiannually on each May 1 and November 1, commencing May 1, 2004, upon original issuance, at the rates per annum and will mature on the dates and in the amounts set forth on the cover page of this Official Statement.

The Series 2003/2004 Bonds will be issued as fully registered bonds without coupons in denominations of \$5,000 and integral multiples thereof for any year of maturity. The Series 2003/2004 Bonds initially shall be maintained under a book-entry system; Beneficial Owners shall have no right to receive physical possession of the Series 2003/2004 Bonds and payments of principal or redemption price of and interest on the Series 2003/2004 Bonds will be made as described herein under "BOOK-ENTRY ONLY SYSTEM." If the book-entry system is

discontinued, interest on the Series 2003/2004 Bonds will be payable by check or draft made payable and mailed to the owners thereof at the addresses appearing in the books kept by the Registrar as of the 15th day of the month preceding such interest payment date or, in the event of a default in the payment of the Series 2003/2004 Bonds, that special record date to be fixed by the Registrar by notice given to the owners not less than 10 days prior to said special record date (the "Record Date"). If the book-entry system is discontinued, principal of and premium, if any, on the Series 2003/2004 Bonds will be payable to the owner thereof upon surrender thereof at the principal corporate trust department office of the Paying Agent.

So long as the Series 2003/2004 Bonds are maintained under a book-entry system, transfers of ownership interests in the Series 2003/2004 Bonds will be made as described herein under "BOOK-ENTRY ONLY SYSTEM." If the book-entry system is discontinued, ownership of any Series 2003/2004 Bond may be transferred upon surrender thereof to the Registrar, together with a written instrument of transfer satisfactory to the Registrar, duly executed by the registered owner or his duly authorized attorney or legal representative. Upon any such transfer of a Series 2003/2004 Bond, there will be issued another Series 2003/2004 Bond or Series 2003/2004 Bonds, at the option of the transferee, of the same aggregate principal amount, series, maturity and interest rate as said Series 2003/2004 Bond. For every exchange or transfer of Series 2003/2004 Bonds, the Registrar may make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer. Any service charge of the Registrar and any applicable tax or other governmental charge shall be paid by the District.

Issuance of Series 2004 Bonds

Irrevocable Agreement to Purchase Series 2004 Bonds. By its purchase of the Taxable Bonds, each Taxable Bonds Bondholder shall unconditionally and irrevocably agree, upon the authentication and issuance of the Series 2004 Bonds in accordance with the provisions of the Resolution and delivery of the Series 2004 Bond Counsel Opinion as provided in the Resolution, and in substantially the form attached as Appendix B hereto, on March 1, 2004 (the "Series 2004 Bonds Issuance Date"), to purchase on such date Series 2004 Bonds in a principal amount equal to the then Outstanding principal amount of its Taxable Bonds at a purchase price equal to the principal amount thereof (the "Series 2004 Bond Purchase Price"). In the Resolution, each Taxable Bonds Bondholder, by its purchase of the Taxable Bonds, 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 Taxable Bonds redeemed pursuant to the special mandatory redemption provisions of the Taxable Bonds (see "THE BONDS -- Redemption -- Special Mandatory Redemption of Taxable Bonds" below), to the Paying Agent for the Taxable Bonds, which, in turn, will transfer such amounts to the Underwriter, which will purchase from the District said amount of Series 2004 Bonds on behalf of the Taxable Bonds Bondholder, all for the purpose of satisfying the Taxable Bonds Bondholder's obligation to purchase Series 2004 Bonds. Such purchase shall be made by the Underwriter on behalf of the Taxable Bonds Bondholder (unless enjoined by a court of competent jurisdiction in the event of a bankruptcy or insolvency of a Taxable Bonds Bondholder or due to other similar circumstances) automatically and without the necessity of any further action on the part of each Taxable Bonds Bondholder. Each Taxable Bonds Bondholder, by its purchase of the Taxable Bonds, pledges to the Escrow Agent/Paying Agent the proceeds of the redemption of the

Taxable Bonds held by such Bondholder to be applied to the purchase by the Underwriter of a like amount of Series 2004 Bonds on behalf of and for the account of such Taxable Bonds Bondholder.

Each Taxable Bonds Bondholder, by its purchase of the Taxable Bonds, is deemed under the Resolution 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 acknowledgement, acceptance, signature or receipt of a copy of the Resolution by such Taxable Bonds Bondholder.

Certain Agreements of District with Respect to Series 2004 Bonds. In accordance with and subject to the terms of the Resolution, the District agrees to issue and sell the Series 2004 Bonds on the *Series 2004 Bonds Issuance Date*, at the Series 2004 Bonds Purchase Price to the Taxable Bonds Bondholders as their names appear, as of the Series 2004 Bonds Issuance Date, on the Bond Register maintained by the Paying Agent. The District agrees in the Resolution to take all action lawful within its control, if any, which may be required between the date of the Resolution and the Series 2004 Bonds Issuance Date to validly issue the Series 2004 Bonds with the Series 2004 Bond Counsel Opinion, in substantially the form attached hereto as Appendix B, on the Series 2004 Bonds Issuance Date upon payment of the Series 2004 Bond Purchase Price. To that end, the District covenants and agrees in the Resolution 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 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 Bonds, regulations, proposed regulations or rulings of administrative agencies occurring or in effect on or prior to the Series 2004 Bonds Issuance Date which relate solely to the state income tax treatment of interest on the Series 2004 Bonds or the federal income tax treatment of the Series 2004 Bonds (including any changes which indicate that interest on the Series 2004 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 Bonds in the gross income of the holders thereof (except with respect to the application of any alternative minimum tax provisions of the Code), the District will nonetheless be obligated to issue the Series 2004 Bonds with the Series 2004 Bond Counsel Opinion, as modified by Bond Counsel to appropriately reflect the changes, and each Taxable Bonds Bondholder agrees in the Bond Purchase Agreement to accept and purchase with the redemption proceeds of its Taxable Bonds the Series 2004 Bonds bearing interest at the rate and containing the other terms and conditions provided for in the Resolution.

Notwithstanding the forgoing, the District will be relieved of its obligation to issue the Series 2004 Bonds and to obtain delivery of the Series 2004 Bond Counsel Opinion if there shall have been enacted, adopted, proposed, promulgated or endorsed after the date of the Resolution any provision 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 Bonds, the exclusion from gross income of interest on the Series 2004 Bonds for federal income tax purposes of the Internal Revenue Code of 1986, as amended (the "Code"), or the District's obligations under applicable securities laws, and the District shall have determined in good faith that

compliance therewith would impose a substantial and material economic or administrative burden on the District or otherwise substantially adversely affect the District; 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 District of its obligation to issue the Series 2004 Bonds. Any such determination made by the District will be conclusive, final and binding on the Taxable Bonds 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 Bonds are not issued on the Series 2004 Bonds Issuance Date, the Series 2003 C Bonds will mature on such date and 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 payment of the Series 2003 C Bonds and the Series 2003 D Bonds will not be subject to redemption pursuant to the special mandatory redemption provisions of the Resolution and in such event, no Series 2004 Bonds will be issued and neither the Escrow Agent, the Paying Agent nor the District will have any liabilities to or be subject to any claim by any Taxable Bonds Bondholder, and each Taxable Bonds Bondholder by accepting Taxable Bonds agrees to such provisions.

Authorization of Series 2004 Bonds; Issuance and Delivery of the Series 2004 Bonds.

Each Taxable Bonds Bondholder agrees in connection with his or her purchase of the Taxable Bonds to deposit with the Paying Agent (i) from the redemption proceeds of his or her Taxable Bonds on or before 10:00 a.m., Charleston, West Virginia time, on the Series 2004 Bonds Issuance Date, the Series 2004 Bonds Purchase Price with respect to the Series 2004 Bonds that such Taxable Bonds Bondholder is obligated to purchase, and (ii) the Taxable Bonds held by such Taxable Bonds Bondholder. Each Taxable Bonds Bondholder has appointed the Escrow Agent as its agent and attorney-in-fact for the purpose of effecting such payment from the redemption proceeds of the Taxable Bonds held by the Paying Agent on behalf of such Taxable Bonds Bondholder. By its purchase of the Taxable Bonds, each Taxable Bonds Bondholder pledges to the Escrow Agent/Paying Agent the proceeds of the redemption of the Taxable Bonds held by such Taxable Bonds Bondholder to be applied to the purchase by the Underwriter of a like amount of Series 2004 Bonds on behalf of and for the account of such Taxable Bonds Bondholder.

The Paying Agent is required under the Resolution to authenticate and deliver the Series 2004 Bonds to the order of the Taxable Bonds Bondholders entitled thereto, as described above (see "Irrevocable Agreement to Purchase Series 2004 Bonds"), but only upon the receipt of the Series 2004 Bond Counsel Opinion.

Upon satisfaction of the foregoing conditions to the issuance of the Series 2004 Bonds, the Paying Agent will deliver to the Escrow Agent a written certificate (the "First Delivery Certificate"):

(i) stating that the foregoing conditions to issuance of the Series 2004 Bonds have been satisfied and that it therefore proposes to issue the Series 2004 Bonds;

(ii) advising the Escrow Agent of the Taxable Bonds which are Outstanding and the holders of which are therefore obligated to purchase Series 2004 Bonds pursuant to the Resolution; and

(iii) advising the Escrow Agent that it is prepared to redeem each Taxable Bond pursuant to the special mandatory redemption provisions of the Resolution upon the purchase by the holder thereof of the corresponding Series 2004 Bond and that it is prepared to transfer the proceeds of such redemption to the Escrow Agent upon transfer by the Escrow Agent to the Paying Agent of the Series 2004 Bond Purchase Price.

In the event the Series 2004 Bonds are issued on the Series 2004 Bonds Issuance Date, the Paying Agent will transfer the funds as aforesaid to the Underwriter, which will automatically take steps to purchase the Series 2004 Bonds on behalf of each Taxable Bonds Bondholder without further direction, and each Taxable Bond shall be redeemed by the Paying Agent on the Series 2004 Bonds Issuance Date notwithstanding the failure of any Taxable Bonds Bondholder to present the Taxable Bonds owned by such Taxable Bonds Bondholder to the Paying Agent.

Within ten (10) Business Days following the issuance and delivery of the Series 2004 Bonds under the Resolution, in the event Series 2004 Bonds have been issued, the Paying Agent will mail to the persons who were Taxable Bonds Bondholders immediately prior to the Series 2004 Bonds Issuance Date by first class mail, postage prepaid, at the address of each Taxable Bonds Bondholder shown on the Bond Register whose Taxable Bond has been paid on its maturity date (in the case of the Series 2003 C Bonds) or redeemed under the mandatory redemption provisions of the Resolution (in the case of the Series 2003 D Bonds) and for whom a corresponding Series 2004 Bond has been purchased under the Resolution, a notice setting forth the information provided in the Resolution (see "THE BONDS -- Redemption - - Notice of Redemption" below) with respect to the Taxable Bonds redeemed and advising such holder that upon the surrender of such holder's Taxable Bonds to the Paying Agent, the Paying Agent will deliver to such Taxable Bonds Bondholder the Series 2004 Bond purchased on its behalf. Such notice shall provide the address of the Paying Agent to which Taxable Bonds are to be presented.

In the event the foregoing conditions to the issuance of the Series 2004 Bonds are not satisfied, the Paying Agent shall deliver to the Escrow Agent a written certificate stating such and on the Series 2004 Bonds Issuance Date the Paying Agent will mail to the Taxable Bonds Bondholders by first class mail, postage prepaid, at the address of each Taxable Bonds Bondholder shown on the Bond Register, a notice stating that the Series 2004 Bonds were not issued on the Series 2004 Bonds Issuance Date and will not be issued under the Resolution, and that such Taxable Bonds Bondholders are no longer obligated to purchase such Series 2004 Bonds, that the Series 2003 C Bonds are no longer subject to redemption pursuant to the special mandatory redemption provisions of the Resolution, but are subject to mandatory tender for purchase by the Escrow Agent from funds and securities on deposit therewith at a price of par plus accrued interest to March 1, 2004, and that the Series 2003 D Bonds will remain outstanding in accordance with their terms. In such event, the Series 2003 C Bonds will be deemed paid on such date and shall no longer be outstanding.

Redemption*

Optional Redemption

- A. The Taxable Bonds shall not be subject to optional redemption.

B. If issued, the Series 2004 Bonds shall not be subject to optional redemption.

Mandatory Sinking Fund Redemption

A. The Taxable Bonds shall not be subject to mandatory sinking fund redemption.

B. If issued, the Series 2004 Bonds maturing May 1, 2020, shall be subject to mandatory sinking fund redemption on May 1, in the years and amounts (with the Series 2004 Bonds to be redeemed being selected by lot) and at the price of par plus accrued interest to the date fixed for redemption as follows:

Year (May 1)	Principal Amount
2016	\$ __,000
2017	_____,000
2018	_____,000
2019	_____,000
2020	_____,000

*Preliminary, subject to change.

Mandatory Redemption of Taxable Bonds

Upon the satisfaction of the conditions set forth in the Resolution for the issuance of the Series 2004 Bonds, and upon the performance by the Escrow Agent, on behalf of each Taxable Bonds Bondholder of such Taxable Bonds Bondholder's obligation to purchase Series 2004 Bonds in an amount equal to the then Outstanding principal amount of such Taxable Bonds Bondholder's Taxable Bonds, each Taxable Bond with respect to which the foregoing conditions have been satisfied shall be subject to mandatory redemption on the Series 2004 Bonds Issuance Date, without notice, at a price equal to the principal amount thereof, plus accrued interest thereon to and including the date fixed for redemption. With respect to the Series 2003 D Bonds, the redemption price may be satisfied by the issuance of a like amount of the Series 2004 Bonds. In the event the conditions set forth in the Resolution for the issuance of the Series 2004 Bonds are satisfied, but the Escrow Agent is prevented by a court of competent jurisdiction from performing on behalf of a Taxable Bonds Bondholder its obligation to purchase a corresponding amount of Series 2004 Bonds, as set forth above, then the Series 2003 C Bonds shall not be subject to mandatory redemption and will instead be subject to mandatory tender as described below.

Mandatory Tender of Taxable Bonds

In the event the Series 2004 Bonds are not issued on the Series 2004 Bonds Issuance Date, the Series 2003 C Bonds, other than accrued interest, 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 March 1, 2004. The Series 2003 C Bonds shall be deemed paid in such event and will no longer be outstanding.

Manner of Redemption and Tender

With respect to mandatory redemption of the Taxable Bonds, within ten (10) Business Days following the issuance and delivery of the Series 2004 Bonds under the Resolution, in the event Series 2004 Bonds have been issued, the Paying Agent will mail to the persons who were Taxable Bonds Bondholders immediately prior to the Series 2004 Bonds Issuance Date by first class mail, postage prepaid, at the address of each Taxable Bonds Bondholder shown on the Bond Register whose Taxable Bonds have been redeemed under the mandatory redemption provisions of the Resolution and for whom a corresponding Series 2004 Bond has been purchased under the Resolution, a notice setting forth the information provided in the Resolution with respect to the Taxable Bonds redeemed and advising such holder that upon the surrender of such holder's Taxable Bonds to the Paying Agent, the Paying Agent will deliver to such Taxable Bonds Bondholder the Series 2004 Bond purchased on its behalf. Such notice shall provide the address of the Paying Agent to which Taxable Bonds are to be presented.

With respect to the Series 2003 C Bonds, in the event the Series 2004 Bonds are not issued on the Series 2004 Bonds Issuance Date, the Paying Agent shall deliver to the Escrow Agent a written certificate stating such and on the Series 2004 Bonds Issuance Date the Paying Agent will mail to the Series 2003 C Bonds Bondholders by first class mail, postage prepaid, at the address of each Series 2003 C Bonds Bondholder shown on the Bond Register, a notice stating that the Series 2004 Bonds were not issued on the Series 2004 Bonds Issuance Date and will not be issued under the Resolution, and that such Series 2003 C Bonds Bondholders are no longer obligated to purchase such Series 2004 Bonds and that the Series 2003 C Bonds are subject to payment by the Escrow Agent from funds and securities on deposit therewith at a price of par plus accrued interest to March 1, 2004, the maturity date of such Series 2003 C Bonds.

Notice of Redemption

Except as provided elsewhere herein in connection with mandatory redemption and tender of the Taxable Bonds, so long as the Series 2003/2004 Bonds are maintained under a book-entry system, notice of the call for any redemption of the Series 2003/2004 Bonds shall be given as described below under "BOOK-ENTRY ONLY SYSTEM." At any other time, notice to the registered owner of any redemption shall be given by the Registrar not less than 30 nor more than 60 days prior to the date fixed for redemption by first class mail at the address appearing in the Register. Failure to receive such notice or any defect in the mailing thereof shall not affect the validity of any proceedings for the redemption of the Series 2003/2004 Bonds; and failure to mail such notice shall not affect the validity of any such proceedings for any Series 2003/2004 Bond with respect to which no such failure has occurred. Notice of redemption having been given in the manner hereinabove and in the Resolution described and moneys necessary therefor having been deposited the Series 2003/2004 Bonds specified in such notice shall on the date fixed for redemption be deemed paid, and interest thereon shall cease to accrue.

BOOK-ENTRY ONLY SYSTEM

The information in this section has been obtained from sources that the District and the Underwriter believe to be reliable, but neither the District nor the Underwriter take any responsibility for the accuracy thereof.

The Depository Trust Company

1. The Depository Trust Company ("DTC"), New York, NY, will act as Series 2003/2004 Bonds depository for the Taxable Bonds. The Series 2003/2004 Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond will be issued for each maturity of the Series 2003/2004 Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

2. DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of the Series 2003/2004 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2003/2004 Bonds on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners

are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2003/2004 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2003/2004 Bonds, except in the event that use of the book-entry system for the Series 2003/2004 Bonds is discontinued.

4. To facilitate subsequent transfers, all Series 2003/2004 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2003/2004 Bonds with DTC and their registration in the name of Cede & Co., or such other DTC nominee, do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2003/2004 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2003/2004 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2003/2004 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2003/2004 Bonds, such as redemptions, defaults, and proposed amendments to the bond documents. For example, Beneficial Owners of the Series 2003/2004 Bonds may wish to ascertain that the nominee holding the Series 2003/2004 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Series 2003/2004 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2003/2004 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2003/2004 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds on the Series 2003/2004 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by

standing instructions and customary practices, as is the case with the Series 2003/2004 Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC [nor its nominee] or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Series 2003/2004 Bonds at any time by giving reasonable notice to the District. Under such circumstances, in the event that a successor depository is not obtained, bonds are required to be printed and delivered.

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

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

ADDITIONAL SECURITY FOR THE BONDS

The Series 2003/2004 Bonds are special obligations of the District and are payable as to principal, premium, if any, and interest solely from the sources described below. The District is under no obligation to pay the Series 2003/2004 Bonds except from said sources.

Sources of Payment

The payment of the debt service on the Taxable Bonds until March 1, 2004, shall be made from funds on deposit with the Escrow Agent in accordance with the Escrow Agreement as described above. In the event the Series 2004 Bonds are not issued, the Prior Bonds shall continue to be secured forthwith equally and ratably by a first lien on and pledge of the Net Revenues derived from the System and the funds on deposit in the Prior Bonds Sinking Fund and the Prior Bonds Reserve Account therein and the Series 2003 D Bonds shall be secured from March 1, 2004 forward, equally and ratably by a first lien on and pledge of the Net Revenues of the System. In the event the Series 2004 Bonds are issued, the Series 2004 Bonds shall be secured forthwith equally and ratably by a first lien on and pledge of Net Revenues derived from the System and the funds on deposit in the respective Sinking Funds and Reserve Accounts, if any, therein. Net Revenues derived from the System in an amount sufficient to pay the principal of, premium, if any, and interest on the respective Bonds and to make the payments into the respective Sinking Funds and all other payments provided for in the Resolution, and the funds in the respective Sinking Funds and the Reserve Accounts therein are irrevocably pledged to the payment of the principal of, premium,

if any, and interest on the respective Bonds as the same become due and for the other purposes provided in the Resolution.

Rate Covenant

The District has covenanted and agreed in the Resolution to establish and collect just and equitable rates and charges for the use of the System and the services rendered thereby as will produce for each fiscal year Net Revenues, as defined in the Resolution and hereinafter, equal to at least 115% of the maximum amount required in any year to pay the principal of and interest on all obligations secured by a lien on or payable from Net Revenues prior to or on a parity with the Prior Bonds and, when, as and if issued, the Series 2004 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 Bond Reserves Account and the Reserve Accounts for obligations on a parity with the Prior Bonds and, when, as and if issued, the Series 2004 Bonds, are funded at least at the requirement, 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 Prior Bonds and, when, as and if issued, the Series 2004 Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Prior Bonds and, when, as and if issued, the Series 2004 Bonds.

The District further covenants and agrees that it will, to the extent or in the manner authorized by law, immediately adjust and increase its rates to provide funds sufficient to comply with the aforementioned rate covenant.

Series 2004 Bonds Reserve Account

If the Series 2004 Bonds are issued, \$ _____,000 shall be transferred from the Reserve Account established under the Series 1994 Resolution to the Series 2004 Bonds Reserve Account (the "Series 2004 Bonds Reserve Requirement." In the event funds in the Revenue Fund are insufficient to pay the principal of and/or interest on the Series 2004 Bonds, the Bond Commission shall withdraw and transfer to the Series 2004 Bonds Sinking Fund sufficient amounts to make payments of principal of and/or interest on the Series 2004 Bonds as the same becomes due from cash on deposit in the Series 2004 Bonds Reserve Account.

In the event of a transfer from the Series 2004 Bonds Reserve Account to the Series 2004 Bonds Sinking Fund as aforesaid, the District shall replenish the Series 2004 Bonds Reserve Account through twelve (12) equal monthly payments.

Application of Revenues

All Gross Revenues are to be deposited in the Revenue Fund established with First State Bank of Barboursville, as the depository bank (the "Depository Bank"), for disposition in the following order of priority; first, for use by the District for the Operating Expenses of the System; second, (a) for monthly deposit in the respective Sinking Funds established with the Bond Commission, the amounts required to pay principal and interest on the Prior Bonds, and (b) if the Series 2004 Bonds are issued, for monthly deposit in the Sinking Fund established with the Bond Commission, (i) of a sum equal to 116 of the amount of interest which will become due on the Series

2004 Bonds on the next ensuing semiannual interest payment date (beginning May 1, 2004 with respect to the Series 2004 Bonds), on parity with the Prior Bonds, with appropriate modification in the fraction of the amount of interest to be deposited monthly prior to the first interest payment date), and (ii) beginning thirteen months prior to the next succeeding principal payment date or mandatory redemption date, of a sum equal to 1/12 of the amount of principal which will mature or be redeemed and become due on the Series 2004 Bonds on the next ensuing principal payment date or mandatory redemption date; third, (a) for deposit in the respective Reserve Accounts established with the Bond Commission the amounts required by the Prior Bonds' Resolutions, and (b) for restoration of any deficiency in the funding of the Series 2004 Bonds Reserve Account; and fourth, for monthly transfer to the Depreciation Fund, beginning with the first month following delivery of the Series 2004 Bonds, of a sum equal to two and one-half percent (2 1/2%) of Gross Revenues (excluding payments to any Reserve Account). Excess moneys on deposit in the Revenue Fund in any given month may be used solely for the lawful purpose of the System.

In the event the Series 2004 Bonds are not issued, the Series 2003 C Bonds shall be subject to mandatory tender from funds and securities on deposit with the Escrow Agent. In such event, the Series 2003 D Bonds will remain outstanding and shall be payable on parity with the Prior Bonds as described above.

Enforcement of Collections

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

Additional Parity Bonds

The Resolution provides that the District may, prior to the issuance of the Series 2004 Bonds, issue additional bonds on a parity with the Prior Bonds and, when, as and if issued, the Series 2004 Bonds, with respect to their lien on the Net Revenues of the System (the "additional parity bonds") for the following purposes and under the following conditions:

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

No such additional parity bonds shall be issued at any time, however, unless and until there has been procured and filed with the Public Service Board of the District a written statement by an Independent Certified Accountant, 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, if any, shall not be less than 115% of the maximum annual debt service on the following:

- (1) The Bonds then Outstanding (other than the Taxable Bonds) prior to March 1, 2004;
- (2) Any additional parity bonds theretofore issued pursuant to the provisions contained in the Resolution then Outstanding; and
- (3) The additional parity bonds then proposed to be issued.

The "increased annual Net Revenues 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 enacted by the Issuer and approved by the Public Service Commission, the time for appeal of which shall have expired (without successful appeal) prior to the date of issuance of such additional parity bonds, and shall not exceed the amount to be stated in the aforementioned certificate of the Independent Certified Accountant, which shall be filed in the office of the Public Service Board prior to the issuance of such additional parity bonds.

All covenants and other provisions of the Resolution (except as to details of such additional parity bonds inconsistent herewith) shall be for the equal benefit, protection and security of the Holders of the Series 2004 Bonds and the Holders of any additional parity bonds theretofore or subsequently issued from time to time within the limitations of and in compliance herewith. All the Bonds, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the Net Revenues of the System, and their source of and security for payment from the Net Revenues, without preference of any Bond over any other. The District shall comply fully with all the increased payments into the various funds and accounts created in the Resolution required for and on account of such additional parity bonds, in addition to the payments required for Bonds theretofore issued pursuant to the Resolution.

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

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

PEA RIDGE PUBLIC SERVICE DISTRICT AND CABELL COUNTY, WEST VIRGINIA

Cabell County, comprised of some 286 square miles in the extreme western part of West Virginia, was founded in 1809 and named to honor William H. Cabell, who served as Governor of Virginia from 1805 to 1808. While Barboursville originally served as the County Seat, it was moved to Huntington in 1887.

The City of Huntington, founded in 1870 by railroad magnate Collis P. Huntington and chartered by the legislature in 1871, is located in the heart of the Tri-State region of West Virginia, Ohio, and Kentucky. This area is approximately halfway between Pittsburgh, PA and Louisville, KY along a strategic east-west corridor.

Huntington is the center of a metropolitan statistical area ("MSA") with a population of 313,930 (according to the US Census, 2001). The Huntington MSA is a diversified economy of manufacturing, service and agriculture and includes Cabell and Wayne Counties, West Virginia, Boyd, Carter and Greenup Counties, Kentucky, and Lawrence County, Ohio. Huntington is approximately 45 miles west of Charleston, the capital of West Virginia, 128 miles east of Lexington, Kentucky, and 140 miles southeast of Columbus, Ohio.

Huntington is one of the largest cities in West Virginia and serves as the principal trading center and shipping port for the coal fields of southwest West Virginia and eastern Kentucky. It is the center for quality hand blown and handcrafted glassware. Its economy is supported also by the chemical industry, electrical products, nickel, wood products, paint, and dyes.

The Barboursville area, located near the junction of the Mud and Guyandotte Rivers, was a crossroads for Shawnee Indians. Hunting plentiful game and mining the salt near Salt Rock, West Virginia, they established early, well-used trails. In 1813, an act of the General Assembly established the Village of Barboursville of 339 people. Barboursville served as the center of political activity until after the Civil War and the completion of the C&O Railroad to Huntington.

In 1888, the Cabell County records, ledgers, paper and books were moved to Huntington ending Barboursville's 75 years as the County Seat. In 1930, Route 60 bypassed the village and with river rail business disappearing, Barboursville became a quiet, residential setting of historic homes. Today, Barboursville is a thriving community with large retail developments including state's largest shopping mall.

Age and Sex		Race	
Male	46,229	White	90,370
Female	50,555	Black or African American	4,150
Ages 14 and Below	16,030	American Indian & Alaska Native	174
Ages 15 to 19	7,163	Asian	749
Ages 20 to 24	9,314	Native Hawaiian & Other Pacific	38
Ages 25 to 34	12,727	Some other race	196
Ages 35 to 44	13,176	Two or More Races	1,107

Ages 45 to 54	13,375
Ages 55 to 64	9,500
Ages 65 and Older	15,499
Median Age	37.5

Population by Decades

Date	Population	Population Change	Annual % Change
1900	29,252	-	-
1910	46,685	17,433	4.8
1920	65,746	19,061	3.5
1930	90,786	25,040	3.3
1940	97,459	6,673	0.7
1950	108,035	10,576	1.0
1960	108,202	167	0.0
1970	106,918	-1,284	-0.1
1980	106,835	-83	0.0
1990	96,827	-10,008	-1.0
2000	96,784	-43	0.0

Source: The Real Estate Center

Housing

Housing prices vary within the region. The average price of a home sold last year by multiple listing service is as follows:

Charleston: \$120,000
Huntington: \$82,500
Putnam County: \$143,500
Ashland, Kentucky: \$96,000

Source: Advantage Valley

Total Households	41,180
Family Households	25,474
Non-Family Households	15,706
Persons 65 and Over, Living Alone	11,223
Average Household Size	2.27
Total Housing Units	45,615
Occupied Housing Units	41,810
Owner Occupied Units	26,591
Rented Occupied Units	14,589

Source: Bureau of Employment Programs

Top Ten Major Employers - Huntington

Company	Service	4 of Employees
CSX Huntington Division	Railroad	3,400
St. Mary's Hospital	Healthcare	2,000
Marshall University	Higher Education	2,000
Cabell Huntington Hospital	Healthcare	1,500
Applied Card Systems	Credit Card Processing	1,000
Special Metals	Alloy Metal Manufacturing	950
Alcon Surgical, Incorporated	Surgical Lens Manufacturing	550
Steel of West Virginia	Steel Manufacturer	477
Army Corps of Engineers	Federal Government	450
TeleSpectrum	Teleservice	400

Source: Huntington Area Development Council

Employment and Unemployment Statistics - Annual Averages

The table below indicates employment and unemployment statistics for Cabell County, Huntington MSA, and the state of West Virginia for the past five years.

Huntington MSA	1997	1998	1999	2000	2001
Civilian Labor Force	137,800	136,800	139,000	138,000	138,600
Total Employment	128,400	128,000	129,600	129,900	129,900
Total Unemployment	9,500	8,800	9,400	8,100	8,600
Unemployment Rate	6.9	6.4	6.8	5.9	6.2

Source: WV Bureau of Employment Programs

Cabell County	1997	1998	1999	2000	2001
Civilian Labor Force	43,280	42,490	43,430	43,600	44,070
Total Employment	40,840	40,280	41,190	41,570	42,010
Total Unemployment	2,440	2,210	2,240	2,030	2,060
Unemployment Rate	5.6	5.2	5.2	4.6	4.6

Source: WV Bureau of Employment Programs

Employment and Wages Covered by Unemployment Compensation Programs

Employment Annual Average (2000)	51,525
Total Wages, Annual (2000)	\$1,363,995,508
Annual Wage, Average (2000)	\$26,472
Weekly Wage, Annual Average	\$509.09

Source: WV Bureau of Employment Programs

Communications

Newspaper: The City of Huntington is served by only one newspaper, *The Herald Dispatch*. The paper's weekly subscriber circulation is 37,174 and the Sunday edition is slightly over 40,000. Marshall University has one campus paper, the *Parthenon*.

Television: The Huntington region has access to 4 television stations, which include WSAZ, WOWIC, WCHS, and WVAH. Cable is provided by Triax and Adelphia.

Radio: A total of 17 radio stations can be found in the Huntington area.

Utilities and Services

Electricity: American Electric Power

Natural Gas: Mountaineer Gas Company, Columbia Gas Transmission, and Southern Public Service Gas

Water: West Virginia American Water Company

Telephone: Verizon

Transportation

Huntington and Cabell County are served by a diverse transportation system. Cabell County is served by U.S. Interstate 64, U.S. Highway 52 and U.S. Highway 60, and State Highways 2,10,152 and 527. Cabell County's railroad transportation is provided by Amtrak and CSX. The Huntington Tri-State Airport is located approximately ten miles west of Huntington. USAir is the major airline providing service to Huntington, with commuter service provided by Comair. The Ohio River extends the accessibility of the Huntington MSA from Pittsburgh, Pennsylvania to Cairo, Illinois.

Education

Marshall University, located in the Huntington MSA, with its nearly 16,000 students, offers a full range of educational, cultural and athletic opportunities. The Marshall School of Medicine and several major hospitals have long contributed to Huntington's reputation as a

regional health care center. The Marshall University Community College provides programs of study, which are occupational-technical in nature and are developed with the cooperation of local businesses and industry.

Public Schools

Grades - PK-12

Number of Students - 12,235

Number of Schools - 31

Cabell County Public School System consists of 2 high schools, 1 alternative school, 1 technology school (Cabell County Career Technology School), 7 middle schools and 20 elementary schools. In the 1999-2000 school year, Cabell County graduated 888 high school students.

The following table gives some insight into the level of staffing in this district.

	<i>Total #'s</i>	<i>Students Per Staff Member</i>	<i>State Average</i>
<i>Teachers</i>	864.5	14.5	14.1
<i>Industrial Aides</i>	124.0	98.7	95.0
<i>Guidance Counselors</i>	26.0	470.6	451.9
<i>Librarians/Media Specialists</i>	10.5	1165.2	886.3
<i>District-Level Administrators</i>	19.0	643.9	1083.2
<i>School-Level Administrators</i>	40.0	305.9	274.9

Source: National Center for Educational Statistics, 2002

Activities

Parks:

- April Dawn Park
- Altizer Park
- Barboursville Community Park
- Harris Riverfront Park
- Memorial Park and Arch

Recreation:

- Ritter Park
- Rotary Park
- Virginia Point Park
- Westmoreland Park

Performing Arts:

- The Marshall Artists Series
- The Huntington Chamber Orchestra and Symphonic Band

Mountain State Murder Mystery
Greater Huntington Park and
Huntington Outdoor Theater
Marshall University Theater
Huntington Dance Theater Company

Attractions:

Benjy's Harley-Davidson Motorcycle Museum
Blenko Glass Company
Birke Art Gallery
Camden Park
Heritage Farm Museum & Village
Huntington Museum of Art
Jenkins Plantation
Madie Carroll House
Museum of Radio and Technology

Other:

Cam Henderson Center
Marshall Stadium
Veterans Memorial Field

Medical

Hospitals	5	Beds	1,030
Doctors	422	Dentists	54

Climate

Temperature (Degrees F) Mean Annual Average: 55
January Averages: High: 41 Low: 23
July Averages: High: 84 Low: 65
Long Term Precipitation (inches):
January 2.83 July 4.65 Annual 41.5
Mean Annual Snowfall Range (inches): 20-30

SEWER SYSTEM

The District was created on April 3, 1957, by order of the Cabell County Commission. Currently, the District serves 3,960 customers and a population of approximately 8,120 in the East and West Pea Ridge areas stretching along Route 60 to Huntington, WV.

Sewer Service

The District was issued Permit No. WV0027413 by the State of West Virginia Division of Environmental Protection on August 20, 1999, to operate and maintain three wastewater and collection systems

Former Ohio River PSD Collection System

A wastewater collection system comprised of approximately 740 linear feet of six (6) inch gravity sewer lines, 5,500 linear feet of eight (8) inch gravity line, 20 manholes, necessary cleanouts, two (2) lift stations, 100 linear feet of one and one half (1 ½) inch force main, 2,500 linear feet of three (3) inch force main, and all requisite appurtenances.

These facilities serve an estimated 400 people and convey wastewater to the City of Huntington's collection and treatment system for ultimate treatment and discharge to the Ohio River.

Plant "A" Collection and Treatment System

The existing 850,000 gallon per day wastewater collection and treatment system consists of approximately 14,100 linear feet of six (6) inch gravity sewer line, 75,700 feet of eight (8) inch gravity sewer line, 13,700 linear feet of ten (10) inch gravity sewer line, 3,800 linear feet of twelve (12) inch gravity sewer line, 457 manholes, 12 cleanouts, 14 lift stations, 600 linear feet of two (2) inch force main, 8,500 linear feet of six (6) inch force main, 5,700 linear feet of eight (8) inch diameter 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 unit, 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 people in the eastern portion of the 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 10,400 linear feet of six (6) inch gravity sewer line, 40,400 linear feet of eight (8) inch gravity sewer line, 2,300 linear feet of ten (10) inch gravity sewer line, 207 manholes, five (5) lift stations, 3,000 linear feet of two (2) inch force main, 640 linear feet of four (4) inch force main, 2,100 linear feet of six (6) inch force main, and a 364,000 gallon per day treatment facility consisting of four (4) 69,800 gallon aeration tanks, four (4) 15,000 rectangular clarifiers, ultraviolet disinfection units, an 8,500 gallon aerated sludge holding tank, and all necessary appurtenances.

This facility is designed to serve a population equivalent to 3,640 people in the western portion of the District and discharge treated wastewater through Outlet No. 002 to the Guyandotte River and Mile Point 2.8

Sewer Usage

<u>Year Ended</u>	<u>Total</u>
<u>June 30</u>	<u>Gallons</u>
2002	283,777,500
2001	245,685,000
2000	262,222,500
1999	230,443,200

Customers

<u>Year Ended</u>	<u>Total</u>
<u>June 30</u>	
2002	3,960
2001	3,100
2000	3,001
1999	3,301
1998	3,202

Major Users (Projected for 2002-2003)

	<u>Customer</u>	<u>Consumption (gallons)</u>	<u>Revenues</u>
1	Forrest Bluff LDD	5,615,000	\$28,152
2	Golden Corral	5,464,350	\$25,015
3	Guyan Country Club	4,104,225	\$18,831
4	Red Roof Inn	3,144,675	\$14,471
5	Days Inn	2,763,523	\$12,737

District Personnel

The District employs a total of 11 full-time employees. The senior managers of the district include Richardina Foster, General Manager, with 6 years of experience, Sue Myers, Office Manager, with 4 years of experience- and Richard Seacrest, Field Supervisor, with 15 years of experience.

Future Expansion and Upgrades

The District is currently overseeing the addition of and replacement of approximately 16 miles of 1.5 inch through 10 inch mains, construction of 8 new duplex submersible lift stations, upgrade of 14 existing sewage lift stations, the abandonment of the Guyan Estates aerated lagoon and the J.H. Richmond wastewater treatment plant, upgrade of the two existing wastewater treatment plants (Plant A and Plant B), and construction of a new 2,624 square foot office building.

The expansion will add approximately 438 additional customers in East and West Pea Ridge, Rt. 2/Hillview Drive, Norway Avenue, Cedar Crest, East Cabell Heights, Darnell Rd., Tallwood/Baker area, Guyan Estates, and the former J.H. Richmond system area in Cabell County, West Virginia.

Historical and Proforma Revenues, Expenses and Coverages

The covenants contained in the resolutions authorizing the issuance of the Prior Bonds include a required debt service coverage ratio of 115%. According to these covenants, the District's rates should be established at a sufficient level that gross revenues less operating expenses, leaves a remaining balance of 115% of the maximum amount of debt service in any year (principal and interest) on all bonds outstanding.

The following table presents the actual, audited results of operations and historical debt service coverage ratio for the Prior Bonds for the fiscal years ended June 30, 1999, 2000, 2001, and 2002, actual, unaudited results of operations and historical debt service coverage ratio for the Prior Bonds for the fiscal year ended June 30, 2003, and budgeted results of operations and debt service coverage ratio for the Prior Bonds and the Taxable Bonds for the fiscal year ending June 30, 2004:

	Budgeted 2004	Unaudited 2003	Audited 2002	Audited 2001	Audited 2000	Audited 1999
Total Revenues	\$1,701,889	\$1,554,378	\$1,429,152	\$1,282,891	\$1,326,178	\$1,151,488
Total Expenses	\$1,076,259	\$948,258	\$1,046,931	\$934,594	\$759,664	\$815,445
Net Income	\$625,630	\$606,120	\$382,221	\$348,297	\$566,514	\$336,043
Debt Service	\$374,057	\$376,042	\$375,394	\$381,257	\$381,257	\$361,678
Coverage	1.67	1.61	1.04	0.91	1.49	0.93
Depreciation Expense	NIA	\$184,572	\$203,614	\$172,906	\$180,158	\$183,584
Interest Expense	\$221,786	\$122,302	\$226,967	\$222,254	\$225,397	\$204,000
Amortization	NIA	\$200	\$0	\$21,596	\$21,696	\$21,596

*Total expenses excludes depreciation , interest, and amortization expense

ESTIMATED ANNUAL DEBT SERVICE REQUIREMENTS*

The following table sets forth for July 1 of each year the amounts payable from Net Revenues as principal of and interest on the Prior Bonds and the estimated debt service on the Series 2003 D and Series 2004 A Bonds.

	Series 1992	Series 2000	Series 2003A	Series 2003B	Series 2003D	Series 2004A	Total Debt Service
2004	\$81,525	\$31,572		\$8,069.33			\$113,097
2005	79,725	31,572	\$103,580	8,068.70			222,946
2006	77,925	31,572	414,320	8,069.06			531,886
2007	76,125	31,572	414,320	8,068.40			530,085
2008	74,325	33,572	414,320	8,069.40			528,286
2009	92,300	31,572	414,320	8,068.56			546,261
2010	89,900	31,572	414,319	8,068.50			543,860
2011	87,300	31,572	414,316	8,068.76			541,257
2012	85,100	31,572	414,316	8,068.80			539,057
2013	82,900	31,572	414,316	8,069.16			536,857
2014	40,450	31,572	414,316	8,069.26			494,407
2015		31,572	414,316	8,068.56			453,957
2016		31,572	414,316	8,068.50			453,957
2017		31,572	414,316	8,068.46			453,956
2018		31,572	414,316	8,068.76			453,957
2019		31,572	414,316	8,068.70			453,957
2020		31,572	414,316	8,068.60			453,957
2021			414,316	8,068.70			422,385
2022			414,316	8,069.20			422,385
2023		-	414,316	8,069.26			422,385
2024			414,316				414,316
2025			414,316				414,316
2026			414,316				414,316
2027			414,316				414,316
2028			414,316				414,316
2029			414,316				414,316
2030			414,316				414,316
2031			414,316				414,316
2032			414,316				414,316
2033			414,316				414,316
2034			414,316				414,316
2035	-		<u>310,737</u>				310,737
Total	\$867,575	\$536,724	\$12,429,500	\$153,307			\$13,987,106

(1) This table assumes that the Series 2004 Bonds will be issued on the Series 2004 Bonds Issuance Date. In the event the Series 2004 Bonds are not issued on the Series 2004 Bonds Issuance Date, then the Prior Bonds and the 1994 Bonds will be payable on parity as to lien and source of payment.

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

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

Application of Bond Proceeds

Taxable Bonds

Proceeds of the Taxable Bonds will be deposited into the Escrow Fund and shall be applied as provided in the Escrow Agreement.

Series 2004 Bonds

The amount of the Series 2004 Bond proceeds necessary, together with other available funds available for such purpose, to refund the 1994 Bonds, which amount shall be set forth in the Escrow Agreement, shall be applied by the District pursuant to the provisions of the Escrow Agreement.

An amount of the proceeds of the Series 2004 Bonds equal to the Series 2004 Bonds Reserve Requirement shall be remitted to the Bond Commission for deposit in the Series 2004 Bonds Reserve Account, provided that, to the extent the Series 2004 Bonds Reserve Requirement is satisfied in whole or in part with a reserve account letter of credit, surety bond or other credit facility, or from proceeds of any fund or account established pursuant to the Series 1994 Resolution or other funds of the District, proceeds of the Series 2004 Bonds shall be deposited in the Series 2004 Bonds Reserve Account only to the extent needed to satisfy the balance of the Series 2004 Bonds Reserve Requirement.

Application of System Revenues

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

System Revenues; Flow of Funds

The entire Gross Revenues derived from the operation of the System and all parts thereof shall be deposited upon receipt in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in the Resolution and shall be kept separate and distinct from all other funds of the District and the Depository Bank and used only for the purposes a.nd in the manner herein provided. Until the Series 2004 Bonds are issued and the 1994 Bonds are defeased, the Taxable Bonds shall not be payable from the Net Revenues, and all Gross Revenues shall be disposed of in accordance with the Series 1994 Resolution and any other ordinance authorizing the issuance of additional bonds. Upon issuance of the Series 2004 Bonds and the defeasance of the 1994 Bonds, all Gross Revenues at any time on deposit in the Revenue Fund shall be disposed of only in the following order and priority:

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

(2) The District shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the 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 Bonds, for deposit in the Series 2004 Bonds Sinking Fund, a sum equal to 116th of the amount of interest which will become due on the Series 2004 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 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 Bonds Sinking Fund shall be reduced by the amount of accrued interest on the Series 2004 Bonds deposited therein; and (v) commencing 12 months prior to the first principal payment date or mandatory Redemption Date of the Series 2004 Bonds, for deposit in the Series 2004 A Bonds Sinking Fund and in the Series 2004 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 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 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 District 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 Bonds Reserve Account, an amount sufficient to remedy any decrease in value of the Series 2004 Bonds Reserve Account below the Series 2004 Bonds Reserve Requirement or any withdrawal from the Series 2004 Bonds Reserve Account, beginning with the first full calendar month following the date on which (a) the valuation of investments in the Series 2004 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 Bonds Reserve Account is less than the Series 2004 Bonds Reserve Requirement, or (b) any amount is withdrawn from the Series 2004 Bonds Reserve Account for deposit into the Series 2004 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 Bonds Reserve Account to an amount equal to the Series 2004 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 Bonds Reserve Account whenever and as long as the amount deposited therein shall be equal to the Series 2004 Bonds Reserve Requirement.

(4)The District shall next, on the first day of each month, from the moneys remaining in the Revenue Fund (as previously set forth in the Prior Resolutions and not in addition thereto), transfer to the 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 moneys from the Depreciation Fund.

(5) The District shall next, each month, from the moneys remaining in the Revenue Fund, 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 District or of the Depository Bank and shall be invested and reinvested in accordance with the Resolution. 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 moneys from the Depreciation Fund.

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

Notwithstanding anything herein to the contrary, in the event the Series 2004 Bonds are not issued on the Series 2004 Bonds Issuance Date, then all references above in the flow of funds herein to the Series 2004 Bonds shall be deemed to be deleted and shall instead refer to the 1994 Bonds and to the Series 2003 D Bonds, provided, however, that the provisions of the Series 1994 Resolution shall control.

Investments

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

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

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

(A) Qualified Investments acquired for the Series 2004 Bonds Reserve Account shall mature or be subject to retirement at the option of the holder within not more than 5 years from the date of such investment.

(B) The District shall, or shall cause the Bond Commission to semiannually transfer from the Series 2004 Bonds Reserve Account to the Series 2004 Bonds Sinking Fund, any earnings on the moneys deposited therein and any other funds in excess of the Series 2004 Bonds Reserve Requirement; provided, however, that there shall at all times remain on deposit in the Series 2004 Bonds Reserve Account an amount at least equal to the Series 2004 Bonds Reserve Requirement.

(C) In computing the amount in any fund or account, Qualified Investments shall be valued at the lower of the cost or the market price, exclusive of accrued interest. Valuation of all funds and accounts shall occur annually, except in the event of a withdrawal from the Series 2004 Bonds Reserve Account, whereupon it shall be valued immediately after such withdrawal. If amounts on deposit in the Series 2004 Bonds Reserve Account shall, at any time, be less than the Series 2004 Bonds Reserve Requirement, such deficiency shall be made up from the first available Net Revenues after required deposits to the Series 2004 Bonds Sinking Fund and otherwise in accordance with the Resolution.

(D) All amounts representing accrued and capitalized interest shall be held by the Bond Commission, pledged solely to the payment of interest on the Series 2004 Bonds and invested only in Government Obligations maturing at such times and in such amounts as are necessary to match the interest payments to which they are pledged.

(E) Notwithstanding the foregoing, all moneys deposited in the Series 2004 Bonds Sinking Fund may be invested by the Bond Commission in the West Virginia "consolidated fund" managed by the West Virginia Investment Management Board pursuant to Chapter 12, Article 6 of the West Virginia Code of 1931, as amended.

General Covenants

Enforcement of Collections. The District has covenanted diligently to enforce and collect all fees, rates, rentals or other charges for the services and facilities of the System and take all steps, actions and proceedings for the enforcement and collection of such fees, rates, rentals or other charges that become delinquent to the full extent permitted or authorized by State law.

Completion, Operation and Maintenance. The District will maintain the System in good condition and will operate the same as a revenue-producing enterprise in an efficient and economical manner, making such expenditures for equipment and for renewal, repair and replacement as may be proper for the economical operation and maintenance thereof from the Revenues of the System in the manner provided in the Resolution.

Sale of the System. The System may be sold, mortgaged, leased or otherwise disposed of only as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to defease the pledge created by the Resolution as provided by Section 10.01. The proceeds from such sale, mortgage, lease or other disposition of the System shall be immediately remitted to the Bond Commission for deposit in the respective Bonds Sinking Funds on a prorata basis, and otherwise as prescribed by Section 10.01. Any balance remaining after such defeasance shall be remitted to the District by the Bond Commission unless necessary for the payment of other obligations if the District payable out of the Revenues of the System.

The foregoing provision notwithstanding, the District shall have and hereby reserve 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 is not in excess of \$10,000, the District shall, by resolution, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof, and the District may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Depreciation Fund. If the amount to be received from such sale, lease or other disposition of said property shall be in excess of \$10,000 but not in excess of \$50,000, the District shall first, determine upon consultation with the Consulting Engineers, that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof, and may then, if it be so advised, by resolution duly adopted, approve and 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 Depreciation Fund. Payment of such proceeds into the Depreciation Fund shall not reduce the amounts required to be paid into said fund by other provisions of the Resolution.

No sale, lease or other disposition of the properties of the System shall be made by the District if the proceeds to be derived therefrom shall be in excess of \$50,000 and insufficient to defease the pledge created by the Resolution, as provided by Section 10.01, without the prior approval and consent in writing of the Holders of the Bonds then Outstanding. The District shall prepare the form of such approval and consent for execution by the then Holders of the Bonds for

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

Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. The District shall not issue any other obligations whatsoever payable from the Revenues of the System that rank prior to, or equally, as to lien on and source of and security for payment from the Revenues with, the Bonds, provided that additional bonds on a parity with the Bonds may be issued as provided in the Resolution. See "SECURITY FOR THE BONDS-Additional Parity Bonds." All obligations issued by the District payable from the Revenues of the System, except such additional parity bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on and source of and security for payment from Revenues and in all other respects, to the Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into all funds and accounts as set forth in the Resolution have been made and are current at the time of issuance of such subordinate obligations.

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

Insurance. The District will carry, with a reputable insurance carrier or carriers as is customarily covered with respect to works and properties similar to the System, which insurance shall initially cover the following risks and be in the following amounts:

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

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

C. 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 not less than 100% of the amount of any construction contract and to be required of each contractor dealing directly with the District and such payment bonds will be filed with the Clerk of the County Commission of the County in which such work is to be

performed prior to commencement of construction of any additions, betterments or improvements to the System in compliance with West Virginia Code Section 38-2-39.

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

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

F. FIDELITY BONDS will be provided as to every officer, member and employee of the District or the Public Service Board 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.

Services Rendered to the District. The District will not render or cause to be rendered any free services of any nature by its System, nor will any preferential rates be established for users of the same class; and, in the event the District or any department, agency, instrumentality, officer or employee of the District shall avail 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 District and any such department, agency, instrumentality, officer or employee. The revenues so received shall be deemed to be Revenues derived from the operation of the System, and shall be deposited and accounted for in the same manner as other Revenues derived from operation of the System.

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

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

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

The Public Service Board shall mail in each year to any registered owner of the Bonds requesting the same, an annual report containing a statement of Revenues, operating expenses and Net Revenues derived from the System, a balance sheet statement showing all deposits in the funds and accounts provided for in the Resolution and the status of all said funds, and the amount of any Bonds, notes or other obligations outstanding.

The District 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 said independent certified public accountants, or a summary thereof, to any registered owner of the Bonds.

Restrictions as to Arbitrage Bonds. The District shall not permit at any time or times any of the proceeds of the Series 2004 Bonds or any other funds of the District to be used directly or indirectly to acquire any securities or obligations the acquisition of which would cause any bond to be an "arbitrage bond" as defined in Section 148 of the Internal Revenue Code of 1986, as amended, and any regulations thereunder, and an authorized officer of the District shall deliver his certificate, based upon this covenant, with regard thereto to the Underwriter.

Operating Budget. The District shall annually, at least forty-five (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 District shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of ten percent (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 District shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the registered owner of any Bonds, within 30 days of the adoption thereof, and shall make available such budgets and resolutions at all reasonable times to any registered owner of the Bonds or anyone acting for and in behalf of such registered owner who requests the same.

Amendment. No materially adverse modification or amendment to the Resolution or any supplemental resolution may be made without the written consents of the registered owners of sixty percent in aggregate principal amount of each series of Bonds then outstanding, provided that no modification or amendment shall extend the maturity of or reduce the interest rate on, or otherwise alter the terms of payment of the principal of or interest on, any Bond without the express written

consent of the registered owner thereof. No amendment or modification shall be made that would reduce the percentage of Bonds required for consent to any such amendment or modification.

Defeasance. If the District shall pay or cause to be paid, or there shall otherwise be paid, to the registered owners of all Bonds the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Resolution, then the respective pledges of the Revenues and other monies and securities pledged under the Resolution, and all covenants, agreements and other obligations of the District on behalf of the registered owners of the Bonds, shall thereupon cease, terminate and become void and be discharged and satisfied, except as may be necessary to assure the exclusion of interest on the Series 2004 Bonds from gross income for federal income tax purposes.

Bonds for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due will provide 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 such Bonds, shall be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph. All Bonds shall, prior to the maturity thereof, be deemed to have been paid if there shall have been deposited with the Bond Commission or an escrow trustee either 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 dates thereof, or if the District irrevocably determines to redeem any of the Bonds prior to the maturity thereof, on and prior to said redemption date. Neither securities nor monies so deposited with the Bond Commission nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the respective principal of and interest on the Bonds; provided, that any cash received from such principal, redemption premium or 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, any redemption premium on and interest to become due on the Bonds on and prior to such maturity or redemption dates thereof, and interest earned from such reinvestments shall be paid over to the District as received by the Bond Commission or said escrow trustee free and clear of any trust, lien or pledge. With respect to defeasance, the term securities includes only Government Obligations.

Default and Remedies

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

A. If default occurs in the due and punctual payment of the principal of or interest on any Bonds;

B. If default occurs in the District's observance of any of the covenants, agreements or conditions on its part in the Resolution or any supplemental resolution or in the Bonds, and such default shall have continued for a period of thirty (30) days after the District shall have been given written notice of such default, requiring the same to be remedied, by the Bond Commission, the Depository Bank, Registrar or any other Paying Agent or any registered owner of the Bonds;

C. If the District files a petition seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States, of America; or

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

Remedies. Upon the happening and continuance of any Event of Default, any registered owner of the Bonds 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 proceedings enforce all rights of the registered owners of the Bonds, including the right to require the District to perform its duties under the Act and the Resolution; (iii) bring suit upon the Bonds; (iv) by action at law or bill in equity require the District to account as if it were the trustee of an express trust for the registered owners of the Bonds; and (v) by action or bill in equity enjoin any acts in violation of the Resolution or the rights of the registered owners of the Bonds; provided that, all rights and remedies of the holders of the Bonds shall be on a parity with the holders of the Prior Bonds.

Appointment of Receiver. Any Registered Owner of a Bond may, by proper legal action, compel the performance of the duties of the District under the Resolution and the Act, including 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 existing and continuing, any registered owner of the Bonds shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System on behalf of the District, with power to charge rates, fees and other charges sufficient to provide for the payment of operating expenses of the System, the payment of the Bonds and interest and the deposits into the-funds and accounts established with respect to the Bonds and to apply such rates, fees, charges or other Revenues in conformity with the provisions of the Resolution and the Act.

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

Whenever all that is due upon the Bonds and interest thereon and under any covenants of the Resolution for reserve, sinking or other funds and upon any other obligations and interest thereon having a charge, lien or encumbrance upon the Revenues of the System shall have been paid and made good, and all defaults under the provisions of the Resolution shall have been cured and made

good, possession of the System shall be surrendered to the District upon the entry of an order of the court to that effect. Upon any subsequent default, any registered owner of the Bonds shall have the same right to secure the further appointment of a receiver.

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

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

TAX MATTERS

Taxable Bonds

In the opinion of Steptoe & Johnson PLLC, Charleston, West Virginia ("Bond Counsel"), interest on the Taxable Bonds is not excludable from gross income for federal income tax purposes. The District and the Paying Agent will treat interest paid on the Taxable Bonds as being includable in gross income for federal income tax purposes for satisfying reporting and filing requirements imposed by law.

Bond Counsel is of the opinion that under existing laws of the state of West Virginia, the Taxable Bonds and the interest thereon are exempt from all taxation by the State of West Virginia or any county, municipality, political subdivision or agency thereof and from personal and corporate net income taxes imposed directly thereon by the State of West Virginia, except inheritance, estate and transfer taxes.

Series 2004 Bond Counsel Opinion

It is a condition to the issuance and delivery of the Series 2004 Bonds that the Paying Agent receive an opinion of Bond Counsel, or other nationally recognized bond counsel acceptable to the District, in substantially the form included herewith as Appendix B (the "Series 2004 Bond Counsel

Opinion"). The Series 2004 Bond Counsel Opinion may be modified as described under "Permitted Modifications of Series 2004 Bond Counsel Opinion" below.

Bond Counsel's ability to deliver the Series 2004 Bond Counsel Opinion will depend upon the laws, regulations, rulings and judicial decisions, including, but not limited to, federal income tax and securities laws and West Virginia law in effect at the time of issuance of the Series 2004 Bonds.

Bond Counsel has advised that, if the Series 2004 Bonds were issued now and the proceeds thereof applied within 90 days to the redemption of the 1994 Bonds, it would be able to deliver the opinion addressing the Series 2004 Bonds in substantially the form attached as Appendix B.

The District has designated the Series 2004 Bonds as "qualified tax-exempt obligations" for purposes of the Code and has covenanted that it does not reasonably expect to issue more than \$10,000,000 of tax-exempt obligations (other than private activity bonds and obligations issued to currently refund any obligation of the District to the extent the amount of the refunding obligation does not exceed the outstanding amount of the refunded obligation) during the calendar year 2004. Therefore, the Series 2004 Bonds, if issued, will be "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code, and the provisions of the Code which disallows all deductibility of interest expense incurred by financial institutions on debt incurred to purchase or carry most tax-exempt obligations will not apply to the Series 2004 Bonds; accordingly, 80% of the interest expense of a financial institution incurred for the purpose of purchasing or carrying the Series 2004 Bonds is deductible for federal income tax purposes.

The Code imposes certain requirements as a condition to exclusion from gross income of the interest on the Series 2004 Bonds for federal income tax purposes, including a requirement that the District rebate to the United States Treasury certain arbitrage earnings. The District will covenant or certify that it will comply with all applicable requirements of the Code. Failure of the District to comply with such requirements could result in interest on the Series 2004 Bonds being included in gross income for federal income tax purposes from the date of issue.

Ownership of the Series 2004 Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, property and casualty insurance companies, S corporations with "excess net passive income," individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Series 2004 Bonds.

Bond Counsel is further of the opinion that under the laws of the State of West Virginia, as presently written and applied, the Series 2004 Bonds and the interest thereon are exempt from all taxation by the State of West Virginia or any county, municipality, political subdivision or agency thereof, and from personal and corporate net income taxes imposed directly thereon by the State of West Virginia, except inheritance, estate and transfer taxes.

Permitted Modifications of the Series 2004 Bond Counsel Opinion

The Series 2004 Bond Counsel Opinion may be modified from that shown in Appendix B. Such a modification will be made to reflect changes in fact and changes or proposed changes in federal or state law, court decrees, regulations or proposed regulations or rulings of administrative agencies. If the changes solely affect the West Virginia income tax treatment of interest on the Series 2004 Bonds, or the federal income tax treatment (including alternative minimum tax treatment) of the Series 2004 Bonds, but do not result in the inclusion of interest on the Series 2004 Bonds in gross income for federal income tax purposes (except as such opinion may reflect the interest on the Series 2004 Bonds being includable in gross income for alternative minimum tax purposes), the Series 2004 Bond Counsel Opinion will be appropriately modified. Such a change in the Series 2004 Bond Counsel Opinion does not relieve a Taxable Bonds Bondholder from its obligation to purchase the Series 2004 Bonds. If such changes will result in Bond Counsel being unable to deliver an opinion to the effect that interest on the Series 2004 Bonds is excluded from gross income for federal income tax purposes, the Series 2004 Bonds will not be issued and delivered and the Taxable Bonds will no longer be subject to mandatory redemption as provided in the Resolution, but will instead be subject to mandatory tender as described in the Resolution.

APPROVAL OF LEGALITY

Legal matters incident to the authorization, sale and issuance of the Bonds are subject to the unqualified approving opinion of Steptoe & Johnson PLLC, Charleston, West Virginia, Bond Counsel. Certain legal matters will be passed upon for the District by Ronald J. Flora, Milton, West Virginia, Counsel for the District. Certain legal matters will be passed upon by Goodwin & Goodwin, LLP, Charleston, West Virginia, as Counsel to the Underwriter.

ABSENCE OF MATERIAL LITIGATION

There is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court, public board or body, now pending or, to the best knowledge of the District, threatened or affecting the District (or, to the District's knowledge, any basis therefor) wherein an unfavorable decision, ruling or finding would have a material adverse effect on the District's financial position or on the validity of the Taxable Bonds, the Resolution, the Escrow Agreement or any agreement to which the District is a party and which is a part of the issuance of the Taxable Bonds or, if issued, the Series 2004 Bonds.

NEGOTIABLE INSTRUMENTS

Pursuant to State law, the Taxable Bonds and, if issued, the Series 2004 Bonds are and have all the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia. See "THE BONDS - General."

UNDERWRITING

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

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Smith, Cochran & Hicks, P.L.L.C., independent certified public accountants, will (a) verify the mathematical accuracy of the arithmetical computation of the cash flow provided by the Escrow Fund; (b) verify that the projected income and principal of the securities and any cash deposited into the Escrow Fund is adequate to pay on debt service on the Taxable Bonds until March 1, 2004, and, on May 1, 2004, the redemption price of the 1994 Bonds. Such verifications will be based upon information supplied to Smith, Cochran & Hicks, P.L.L.C. by the Underwriter.

FINANCIAL STATEMENTS

Included herein as Appendix A are the audited financial statements of the District as of and for the twelve-month period ended June 30, 2002, and the report with respect to the audited financial statements as of and for the fiscal year ended June 30, 2002, dated August 15, 2002, of Ralph W. Bassett, Jr, certified public accountant. The financial statements included in Appendix A have been audited by Ralph W. Bassett, Jr. to the extent and for the period indicated in his report.

CONTINUING DISCLOSURE

The District has agreed in the Resolution to execute and deliver contemporaneously with the issuance of the Taxable Bonds a certificate or agreement to undertake for the benefit of the Registered Owners of the Taxable Bonds to provide certain financial and operating information of the System (the "Annual Information") not later than two hundred seventy (270) days following the end of the fiscal year of the District, commencing in 2004, and to provide the Annual Information to each National Recognized Municipal Securities Information Repository ("National Repository") and any State Information Depository ("State Depository") and to provide notice of the occurrence of the enumerated events to each National Repository or the Municipal Securities Rulemaking Board ("MSRB") and to any State Depository.

The District has agreed in the Resolution to execute and deliver contemporaneously with the issuance of the Series 2004 Bonds a certificate or agreement to undertake for the benefit of the

Registered Owners of the Series 2004 Bonds to provide certain financial and operating information of the System (the "Annual Information") not later than two hundred seventy (270) days following the end of the fiscal year of the District, commencing in 2004, and to provide the Annual Information to each National Recognized Municipal Securities Information Repository ("National Repository") and any State Information Depository ("State Depository") and to provide notice of the occurrence of the enumerated events to each National Repository or the Municipal Securities Rulemaking Board ("MSRB") and to any State Depository.

This continuing disclosure obligation is being undertaken by the District to assist the Underwriter in complying with Rule 15c2-12 promulgated by the SEC. The District has agreed to give notice in a timely manner to each National Repository, or the MSRB, and to each State Depository of any failure to supply the requested information. However, any such failure will not constitute a default under the terms of the Taxable Bonds. Registered Owners may contact the General Manager of the District at P.O. Box 86, Barboursville, West Virginia 25504 for more information. (See Appendix C - Form of Continuing Disclosure Certificate).

MISCELLANEOUS

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

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representation of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or owners of any of the Series 2003/2004 Bonds. The execution and distribution of this Official Statement have been authorized by the District.

PEA RIDGE PUBLIC SERVICE DISTRICT

By _____
Chairman

APPENDIX A
FINANCIAL STATEMENTS

PEA RIDGE PUBLIC SERVICE DISTRICT

FINANCIAL STATEMENTS

June 30, 2002 and 2001

Ralph W. Bassett, Jr.

**Certified Public Accountant
1156 S. Main Street
Milton, WV 25541
(304) 743-5573**

PEA RIDGE PUBLIC SERVICE DISTRICT

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PEA RIDGE PUBLIC SERVICE DISTRICT

BOARD OFFICIALS

June 30, 2002 and 2001

NAME	OFFICE	TERM ENDS
Michael Seaton	Chairman	September 14, 2006
Gary Childers	Vice Chairman	August 30, 2002
Chet Porter	Secretary- Treasurer	September 11, 2005
Ricardina B. Foster	General Manager	

RALPH W. BASSETT, JR.

Certified Public Accountant
1156 South Main Street
Milton, West Virginia 25541

August 15, 2002

INDEPENDENT AUDITOR'S REPORT

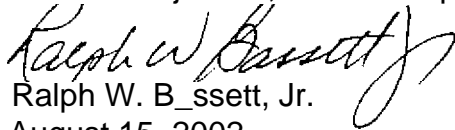
To the Commissioners
Pea Ridge Public Service District

We have audited the accompanying financial statements of Pea Ridge Public Service District, as of and for the years ended June 30, 2002 and 2001, as listed in the table of contents. These financial statements are the responsibility of Pea Ridge Public Service District management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2002, on our consideration of Pea Ridge Public Service District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.


Ralph W. Bassett, Jr.
August 15, 2002

Pena Ridge Public Service District
Balance Sheet
 June 30, 2002 and **2001**

	2002	2001
ASSETS		
Current Assets		
Cash on Hand	\$ 26,074	\$ 38,21
Customer Accounts Receivable-Net of Allowance	173,259	177,54
Prepayments	8,252	7,35
Total Current Assets	207,585	223,11
Property, Plant and Equipment		
Construction in Progress	423,614	351,52
Land	103,422	99,72
Plant & Equipment	7,368,731	7,260,0E
Accumulated Depreciation	(2,930,473)	(2,748,42)
Net Property, Plant and Equipment	4,965,294	4,962,8
Restricted Assets		
Reserve Funds	447,972	483,8C
Total Restricted Assets	447,972	483,8C
Other Assets		
Unamortized Debt Discount	370,463	392,0E
Total Other Assets	370,463	392,0E
TOTAL ASSETS	\$ 5,991,314	\$ 6,061,8,

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

Pea Ridge Public Service District
Balance Sheet
 June 30, 2002 and 2001

	2002	2001
LIABILITIES AND FUND BALANCE		
Current Liabilities		
Accounts Payable	\$ 168,087	\$ 113
Accrued Taxes	2,661	2
Accrued Wages	969	
Customer Security Deposits	43,845	39
Accrued Interest	31,994	28
Bonds/Notes Payable-Current Portion	257,265	225
Total Current Liabilities	504,821	410
Long Term Liabilities		
Bonds Payable, Net of Current Portion	3,667,338	3,772
Notes Payable, Net of Current Portion	16,592	44
Total Long Term Liabilities	3,683,930	3,817
Total Liabilities	4,188,751	4,22€
Fund Balance		
Contributions in Aid of Construction	3,299,372	3,29
Retained Deficit	(1,496,809)	(1,46(
Total Fund Balance	1,802,563	1,83:
 TOTAL LIABILITIES AND FUND BALANCE	 \$ 5,991,314	 \$ 6,061

The accompanying⁹ notes are an integral part of these financial statements.

11.3a Ricley Public Service District
Statement of Revenues, Expenses, and Changes in Retained Earnings (Deficit)
For the Fiscal Years Ended June **30, 2002 and 2001**

	2002	2001
<u>Operating Revenues</u>		
Sewer Revenues	\$ 1,396,385	\$ 1,254,684
Customer Penalties	18,280	19,954
Other Revenues	14,460	8,253
Total Operating Revenues	1,429,125	1,282,891
<u>Operating Expenses</u>		
Collection System Expenses	31,484	19,786
Pumping Costs	277,374	307,521
Treatment Expenses	348,346	293,608
Customer Accounts Expenses	57,863	27,567
Depreciation and Amortization	203,641	194,502
<u>Administrative & General Expenses</u>		
General Office Salaries	110,687	98,198
Office Supplies & Expense	37,055	34,283
Outside Services	19,132	12,671
Regulatory Expense	4,958	4,575
Insurance	20,867	20,453
Damages	-0-	454
Employee Health Insurance	71,276	56,665
Employee Pension Expense	13,836	12,427
Miscellaneous	7,109	7,396
Maintenance	1,796	1,259
Transportation	13,799	10,360
Employers Payroll Taxes	31,349	27,371
Total Administrative & General Expenses	331,864	286,112
Total Operating Expenses	1,250,572	1,129,096
Operating Income (Loss)	178,553	153,795
<u>Non-Operating Income (Expense)</u>		
Interest Income	15,475	30,204
Grants/Tap Fees	2,250	-0-
Interest Expense	(226,967)	(222,254)
Total Non-Operating Income (Expense)	(209,242)	(192,050)
Net Income (Loss)	(30,689)	(38,255)
Beginning Retained Deficit	(1,466,120)	(1,427,865)
Ending Retained Deficit	\$ (1,496,809)	\$ (1,466,120)

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

New Ridge Public Service District
Statement of Cash Flows
For the Fiscal Years Ended June 30, 2002 and 2001

	2002	2001
Cash flows from operating activities		
<u>Net Income</u>	\$ (30,689)	\$ (38,255)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	203,642	194,502
(Increase) decrease in accounts receivable	4,289	(9,436)
(Increase) decrease in prepaid expenses	(893)	(1,525)
(Increase) decrease in reserve for receivable	-0-	13,714
(Increase) decrease in employee advances	-0-	-0-
Increase (decrease) in accounts payable	54,327	47,661
Increase (decrease) in accrued interest	-0-	-0-
Increase (decrease) in accrued taxes payable	3,522	(1,174)
Increase (decrease) in customer deposits	3,895	4,750
<u>Total adjustments</u>	268,782	248,492
<u>Net cash provided (used) by operating activities</u>	238,093	210,237
Cash flow from investing activities:		
Contribution in aid of construction	-0-	-0-
<u>Cash payments for the purchase of property</u>	(184,459)	(294,884)
<u>Net cash provided (used) by investing activities</u>	(184,459)	(294,884)
Cash flow from financing activities:		
Proceeds from issuance of long-term debt	148,822	270,325
<u>Principal payments on long-term debt</u>	(250,422)	(168,742)
<u>Net cash provided (used) by financing activities</u>	(101,600)	101,583
Net increase (decrease) in cash and equivalents	(47,966)	16,936
Cash and equivalents, beginning of year	522,012	505,076
Cash and equivalents, end of year	\$ 474,046	\$ 522,012
Supplemental disclosures of cash flow information:		
Interest expense	\$ 226,967	\$ 222,254
Interest income	15,475	30,204

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

PEA RIDGE PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

June 30, 2002

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Introduction - The financial statements of Pea Ridge Public Service District are prepared in accordance with generally accepted accounting principles (GAAP) and all the relevant governmental accounting standards board (GASB) pronouncements.

Reporting Entity - The Pea Ridge Public Service District (the "District") provides sewer service to approximately 4,000 customers within Cabell County, West Virginia. The District is a *governmental entity* and a body corporate, *created by the Cabell County Commission* (the "Commission") under the provisions of Chapter 16 Article 13A of the West Virginia Code, as amended. The District is regulated by the Public Service Commission of West Virginia. Being a governmental unit, the District is exempt from both federal and state income taxes under Section 115 of the Internal Revenue Code. Accordingly, no provision for them has been made in these financial statements.

Basis of Presentation - The activities of the District are accounted for under enterprise fund accounting, that is similar to private business enterprises. The intent of the District is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Basis of Accounting - Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the general purpose financial statements. The District uses the accrual method of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when incurred.

Fixed Assets and Long-Term Liabilities - All enterprise funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on the balance sheet. The reported fund equity (net total assets) is segregated into contributed capital and accumulated earnings (deficit) components.

PEA RIDGE PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

June 30, 2002

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Note 1 Continued:

Fixed assets are stated at cost. Maintenance and repairs that neither materially add to the value nor appreciably prolong the life of fixed assets are charged against income in the year incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives of the assets are as follows:

Utility Plant	2-50 years
Office furniture and fixtures	10 years
Transportation equipment	5 years

Long-term debt financed by revenue bonds is accounted for as a long-term liability on the balance sheet.

Estimates - The preparation of general purpose financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the general purpose financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents - For the purpose of balance sheet as well as cash flow reporting, cash includes cash held at the District and cash on deposit in bank accounts, and cash equivalents include investments with original maturities of fewer than ninety days. Deposits were fully insured at June 30, 2002.

Accounts Receivable - Accounts Receivable, as presented, represent the total due the District at June 30, 2002. Allowance for doubtful accounts at June 30, 2002, was \$64,318.

Investments - Investments are reported at cost which approximates market value.

Restricted Assets - Monies accumulated in reserve accounts are classified as restricted assets due to bond document requirements.

PEA RIDGE PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

June 30, 2002

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits - Cash on hand and deposits with banking institutions either in checking or savings accounts are presented as cash in the accompanying financial statements. Such deposits at June 30, 2002 were entirely covered by federal depository insurance or secured by adequate bond or other securities held by the banking institution in the District's name. The District's deposits are categorized to give an indication of the level of risk assumed by the District at June 30, 2002. The categories are described as follows:

Category 1 - Insured or collateralized with securities held by the District or by its agent in the District's name.

Category 2 - Collateralized with securities held by the pledging institution's trust department or agent in the District's name.

Category 3 - Uncollateralized.

Deposits, categorized by level of risk, are:

	Category 1	Category 2	Category 3	Carrying Amount
Checking	\$ <u>26,074</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ 26,074
Municipal Bond Commission (See explanation below.)				<u>447,972</u>
Total Cash and Equivalents				\$ <u>474,046</u>

Restricted Assets - In accordance with GASB Statement No. 3, investments included in the Municipal Bond Commission restricted pool with the Investment Management Board through the West Virginia State Treasurer have not been classified as to the level of risk because they are not evidenced by securities that exist in physical or book entry form. Additionally, since these investments are commingled with the investments of other entities, the fair value at June 30, 2002, is not readily determinable and therefore, has not been disclosed. The balance in said accounts at June 30, 2002, was \$447,972.

PEA RIDGE PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

June 30, 2002

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NOTE 3 - CUSTOMER DEPOSITS

The District collects deposits on new and prior delinquent customers as required by the Rules of the WV Public Service Commission. These accounts are to be maintained in a separate bank account and are refunded with interest after twelve consecutive months of on-time payments. As of the audit report date, Pea Ridge PSD did not have sufficient funds on deposit in a separate account to meet the liability.

NOTE 4 - LONG TERM DEBT:

I. Bonds

A. 1992 Bond Issue

Pea Ridge Public Service District Water Development Authority "Sewer Revenue Bonds", Series 1992, issued December 1, 1992, in the aggregate principal amount of \$1,250,000 via the State Revolving Fund with terms of: 3% interest beginning in 1994. The District makes monthly payments to the Municipal Bond Commission of a sufficient amount to amortize quarterly the principal and interest payments as they become due. The principal balance outstanding on the Bonds at June 30, 2002, is \$ 800,000. Principal paid during the year on the bonds was \$ 60,000.

Outstanding principal	\$ 800,000
Less Current Portion	<u>(60,000)</u>
Outstanding, Net of Current	<u>\$ 740,000</u>

PEA RIDGE PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

June 30, 2002

Note 4 Continued:

Subsequent years estimated reductions:

Year	Principal	Interest	Total
6-30-03	\$ 60,000	\$ 23,325	\$ 83,325
6-30-04	60,000	21,525	81,525
6-30-05	60,000	19,725	79,725
6-30-06	60,000	17,925	77,925
6-30-07	60,000	16,125	76,125
Thereafter	<u>500,000</u>		
Total	<u>\$ 800,000</u>		

B. 1994 Bond Issue

Pea Ridge Public Service District "1994 Refunding Revenue Bonds", Series 1994, issued November 1, 1994, in the aggregate principal amount of \$ 3,035,000 with terms of: 5 - 7 % interest through the year 2020. The District makes monthly payments to the Municipal Bond Commission of a sufficient amount to amortize quarterly the principal and interest payments as they become due. The principal balance outstanding on the Bonds at June 30, 2002, is \$ 2,580,000. Principal paid during the year on the bonds was \$75,000.

Outstanding principal	\$ 2,580,000
Less Current Portion	<u>(85,000)</u>
Outstanding, Net of Current	<u>\$ 2,495,000</u>

PEA RIDGE PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

June 30, 2002

Note 4 Continued:

Subsequent years estimated reductions:

Year	Principal	Interest	Total
6-30-03	\$ 85,000	\$ 175,440	\$ 260,440
6-30-04	90,000	169,660	259,660
6-30-05	95,000	163,540	258,540
6-30-06	100,000	157,080	257,080
6-30-07	105,000	150,280	255,280
Thereafter	<u>2,105,000</u>		
Total	<u>\$ 2,580,000</u>		

C. 2000 Bond Issue

Pea Ridge Public Service District "2000 Design Loan" issued March 7, 2000 in the aggregate principal amount of \$477,000 with terms of 2% interest and 1% administrative fee payable over 20 years. The District began in March, 2002 making monthly payments to the Municipal Bond Commission in the amount of \$2,631 to amortize quarterly the principal and interest payments as they become due. The principal outstanding on the Bonds at June 30, 2002 is \$452,436.

Outstanding principal	\$ 452,436
Less Current Portion	<u>(20,098)</u>
Outstanding, Net of Current	\$ <u>432,338</u>

PEA RIDGE PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

June 30, 2002

Note 4 Continued:

Subsequent years estimated reductions:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
6-30-03	\$ 20,098	\$ 8,898	\$ 28,996
6-30-04	20,502	8,494	28,996
6-30-05	20,916	8,080	28,996
6-30-06	21,336	7,660	28,996
6-30-07	21,767	7,229	28,996
Thereafter	<u>347,817</u>		
Total	<u>\$ 452,436</u>		

II. Notes Payable

A. First State Bank note payable in 60 monthly installments of \$ 1,206.48 including interest at the rate of 8.5 percent per annum. Secured by a vehicle and equipment having a cost of \$ 58,460.

Outstanding Principal	\$ 10,116
Less Current Portion	<u>(10,116)</u>
Outstanding, Net of Current	<u>\$ -0-</u>

PEA RIDGE PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

June 30, 2002

Note 4 Continued:

Subsequent years estimated reductions:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
6-30-03	\$ 10,116	\$ 742	\$ 10,858
Total	\$ 10,116		

B. First State Bank note payable in 60 monthly installments of \$425.11 including interest at a rate of 9.0% per annum. Secured by a backhoe and trailer having a cost of \$20,413.

Outstanding Principal	\$ 8,483
Less Current Portion	<u>(4,484)</u>
Outstanding, Net of Current	<u>\$ 3,999</u>

Subsequent years estimated reductions:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
6-30-03	\$ 4,484	\$ 617	\$ 5,101
6-30-04	<u>3,999</u>	252	4,251
Total	<u>\$ 8,483</u>		

C. First State Bank note payable in 60 monthly installments of \$341.54 including interest at a rate of 10% per annum. Secured by a 2000 Ford F-150 pickup having a cost of \$16,500.

PEA RIDGE PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

June 30, 2002

Note 4 Continued:

Outstanding Principal	\$ 10,447
Less Current Portion	<u>(3,149)</u>
Outstanding, Net of Current	<u>\$ 7,298</u>

Subsequent years estimated reductions:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
6-30-03	\$ 3,149	\$ 949	\$ 4,098
6-30-04	3,478	620	4,098
6-30-05	<u>3,820</u>	278	4,098
Total	<u>\$ 10,447</u>		

D. First State Bank note payable in 18 monthly installments of \$4,493.0 including interest at a rate of 8% per annum. For the purpose of purchasing Mason Utility Company, inc., and secured by the assets of said Company.

Outstanding Principal	\$ 13,225
Less Current Portion	<u>(13,225)</u>
Outstanding, Net of Current	<u>\$ -0-</u>

Subsequent years estimated reductions:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
6-30-03	\$ <u>13,225</u>	\$ 255	\$ 13,480
Total	\$ <u>13,225</u>		

PEA RIDGE PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

June 30, 2002

Note 4 Continued:

E. First State Bank note payable in 18 monthly installments of \$5,340.14 including interest at a rate of 7% per annum. For the purchase of the Richmond Sewer System at a cost of \$90,000.

Outstanding Principal	\$ 66,488
Less Current Portion	<u>(61,193)</u>
Outstanding, Net of Current	\$ <u>5,295</u>

Subsequent years estimated reductions:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
6-30-03	\$ 61,193	\$ 2,889	\$ 64,082
6-30-04	<u>5,295</u>	45	5,340
Total	<u>\$ 66,488</u>		

Summary of Long Term Debt Obligations

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
6-30-03	\$ 257,265	\$ 213,115	\$ 470,380
6-30-04	183,274	200,596	383,870
6-30-05	179,736	191,623	371,359
6-30-06	181,336	182,665	364,001
6-30-07	186,767	173,634	360,401
Thereafter	<u>2,952,817</u>		
Total	<u>\$ 3,941,195</u>		

PEA RIDGE PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

June 30, 2002

NOTE 5 - DEBT SERVICE COVERAGE

The District is required to generate revenue sufficient to provide 115% of the yearly debt service after operating expenses have been paid.

	<u>6- 30-02</u>
Amount Available for Debt Service	\$ 390,807
Debt Service	375,394
 Coverage	 104 %

NOTE 6 - PENSION COSTS:

The District contributes to a cost-sharing (3.5% Employee, 5.5 % Employer) benefit pension plan administered by The Prudential. The plan provides retirement benefits to plan members and beneficiaries. The District is provided a financial report that includes financial statements and required supplementary information upon request.

NOTE 7 - PROPERTY AND EQUIPMENT

The following is a summary of the changes in property and equipment.

	June 30, 2001	Additions	Retirements	June 30, 2002
Construction in Progress	\$ 351,526	\$ 72,088	\$ -0-	\$ 423,614
Collection and Treatment System	6,805,100	95,950	-0-	6,901,050
Machinery and Equipment	399,751	430	-0-	400,181
Furniture and Office Equipment	61,288	1,435	-0-	62,723
Transportation Equipment	93,643	14,556	-0-	109,199
Total	\$ 7,711,308	\$ 284,459	\$ -0-	\$ 7,895,767

Depreciation expense for the year ended June 30, 2002 was \$182,045.

RALPH W. BASSETT, JR.
Certified Public Accountant
1156 South Main Street
Milton, West Virginia 25541

August 15, 2002

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

To the Commissioners
Pea Ridge Public Service District

We have audited the financial statements of Pea Ridge Public Service District, as of and for the years ended June 30, 2002 and 2001, and have issued our report thereon dated August 15, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to *financial audits contained* in *Government Auditing Standards*, issued *by the Comptroller General of the United States*.

Compliance

As part of obtaining reasonable assurance about whether Pea Ridge Public Service District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as item 02-1.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Pea Ridge Public Service District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that

Pea Ridge Public Service District
Compliance and Internal Control
(Continued)

we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Pea Ridge Public Service District's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 02-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended solely for the information of the District commissioners, management, and federal/state agencies and is not intended to be and should not be used by anyone other than these specified parties. However, in accordance with West Virginia Code 6-9-9a, this report is a matter of public record and its distribution is not limited.



Ralph W. Bassett, Jr., CRA
Milton, West Virginia
August 15, 2002

PEA RIDGE PUBLIC SERVICE DISTRICT
SCHEDULE OF FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NON-COMPLIANCE FINDINGS

Item 02-1 Schedule of Rates Required by Bond Legislation

Condition

The schedule of rates did not produce sufficient revenues to be in compliance with the terms and provisions of the Bond Legislation. The percent of coverage attained (cash available for debt and interest / interest and principal requirements was 104%.

Criteria

According to the bond legislation, the entity covenants that the schedule of rates be sufficient, together with other revenues of the system, to provide for all 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 required in any year for principal and interest.

Effect

The effect of this condition is that the revenues of the District are not adequate to meet the operating and maintenance expenses, and also to have sufficient funds available to meet its bond obligations.

Recommendations

The management of the Pea Ridge Public Service District is directed to review the bond legislation and to comply with the provisions set forth therein. It may be necessary to enact a rate increase and/or take measures to reduce operating costs.

PEA RIDGE PUBLIC SERVICE DISTRICT
SCHEDULE OF FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

INTERNAL CONTROL - REPORTABLE FINDINGS

Item 02-2 Write-Off of Uncollectible Bad Debts

Condition

The customer accounts receivable trial balance includes a significant amount of accounts which it is unlikely that the District will collect.

Effect

The effect of this condition is that the District has to maintain an allowance for uncollectible accounts at an amount that is higher than normal in order to reflect customer accounts receivable at an amount expected to be collected.

Recommendations

The management of the Pea Ridge Public Service District is directed to review outstanding customer accounts receivable on a regular basis and to enlist all avenues of collection prior to determination of accounts to be written off as bad debts on at least an annual basis.

PEA RIDGE PUBLIC SERVICE DISTRICT
SCHEDULE OF FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

INTERNAL CONTROL - REPORTABLE FINDINGS

Item 02-3 Customer Deposit

Condition

The customer deposit account is inadequately funded to cover the liability.

Effect

The effect of this condition is that the District may have to use other funds or sources of funds to meet the liability.

Recommendations

The management of the Pea Ridge Public Service District is directed to fully fund the bank account to equal the liability.

APPENDIX B

FORM OF BOND COUNSEL OPINION

[LETTERHEAD OF STEPTOE & JOHNSON PLLC]
(Form of Approving Opinion of Bond Counsel)

September 1, 2003

Pea Ridge Public Service District
Taxable Sewer Refunding Revenue Bonds, Series 2003 C

Pea Ridge Public Service District
Barboursville, West Virginia

Crews & Associates, Inc.
Charleston, West Virginia

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance by Pea Ridge Public Service District (the "Issuer") of its \$2,445,000 aggregate principal amount of Taxable Sewer Refunding Revenue Bonds, Series 2003 C (the "Series 2003 C Bonds").

The Series 2003 C Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a Bond Resolution duly adopted by the Issuer on August 6, 2003, as supplemented by a Supplemental Resolution duly adopted by the issuer on August ___, 2003 (collectively, the "Resolution"), and are subject to all the terms and conditions of the Resolution. All capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Resolution.

The Series 2003 C Bonds are issued in fully registered form, are dated September 1, 2003, upon original issuance, mature on March 1, 2004 in the amount and bear interest payable on March 1, 2004, as set forth in the Resolution.

The Series 2003 C Bonds are not subject to optional or mandatory sinking fund redemption, but are subject to either mandatory redemption or mandatory tender, all as set forth in the Resolution.

The Resolution provides that the Bonds and when, as and if issued, the Sewer Refunding Revenue Bonds, Series 2004 A (the "Series 2004 A Bonds"), are issued for the purposes of (1) paying a portion of the costs of currently refunding all of the Issuer's outstanding Sewer Refunding Revenue Bonds, Series 1994 (the "Series 1994 Bonds"), on their first permitted redemption date, being May 1, 2004; and (2) paying costs of issuance thereof and other costs in connection with such refunding.

Pea Ridge Public Service District, et al.

The Series 2003 C Bonds have been sold to Crews & Associates, Inc. (the "Original Purchaser"), pursuant to a Contract of Purchase dated August _____, 2003, and accepted by the Issuer (the "Contract of Purchase").

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

Based upon the foregoing, and assuming compliance with the covenants and representations of the Issuer and the other entities set forth in the Resolution, the Escrow Agreement, the Continuing Disclosure Agreement and the Registrar's Agreement and such certifications, we are of the opinion, under existing law, that:

1. The Issuer is a duly organized and validly existing public service district and public corporation under and pursuant to the laws of the State of West Virginia, with full power and authority to adopt the Resolution, enter into the Escrow Agreement, the Contract of Purchase and the Continuing Disclosure Agreement, perform its obligations under the terms and provisions thereof and to issue and sell the Series 2003 C Bonds, all under the provisions of the Act and other applicable provisions of law.

2. The Issuer, through its governing body, has legally and effectively adopted the Resolution, has authorized, executed and delivered the Escrow Agreement, the Contract of Purchase and the Continuing Disclosure Agreement and has issued and delivered the Series 2003 C Bonds to the Original Purchaser pursuant to the Contract of Purchase. The Resolution is in full force and effect as of the date hereof.

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

4. The Series 2003 C Bonds have been duly authorized, executed and delivered by the Issuer and, assuming proper authentication, constitute valid and legally enforceable limited obligations of the Issuer, payable and enforceable in accordance with their terms and the terms of the Resolution, and are entitled to the benefits of the Resolution and the Act.

5. The Series 2003 C Bonds have not been issued on the basis that the interest thereon is or will be excluded from gross income for federal income tax purposes; therefore, the interest on the Series 2003 C Bonds is not excluded from gross income for federal income tax purposes. We express no opinion regarding other federal tax consequences arising with respect to the Series 2003 C Bonds.

6. Under the Act, the Series 2003 C Bonds are exempt from taxation by the State of West Virginia, and the other taxing bodies of the State, and the interest on the Series 2003 C Bonds is exempt from personal and corporate net income taxes imposed directly thereon by the State of West Virginia.

Pea Ridge Public Service District, et al.

7. The Series 2003 C Bonds are exempted securities within the meaning of Section 3(a)(2) of the Securities Act of 1933, as amended, and the West Virginia Uniform Securities Act, as amended, and it is not necessary, in connection with the public offering and sale of the Series 2003 C Bonds, to register any securities under said Securities Acts.

It is to be understood that the rights of the holders of the Series 2003 C Bonds and the enforceability of the Series 2003 C Bonds, the Resolution, the Escrow Agreement, the Contract of Purchase and the Continuing Disclosure Agreement, and the liens, pledges, rights or remedies with respect thereto, are *subject* to and may be limited by any applicable bankruptcy, reorganization, insolvency, moratorium or other similar laws heretofore or hereafter enacted affecting creditors' rights or remedies generally, and that their enforcement may also be subject to the application of public policy, general principles of equity and the exercise of judicial discretion in appropriate cases.

We do not express any opinion as to the sufficiency or accuracy of the material, information or financial statements which are set forth in the official statement prepared and used in connection with the offering and sale of the Series 2003 C Bonds.

We have examined the executed and authenticated Bond Nos. CR-1 through CR- of said issue, and in our opinion, said Series 2003 C Bonds are in proper form and have been duly executed and authenticated.

Very truly yours,

STEPTOE & JOHNSON PLLC

[LETTERHEAD OF STEPTOE & JOHNSON PLLC]
(Form of Approving Opinion of Bond Counsel)

September 1, 2003

Pea Ridge Public Service District
Taxable Sewer Refunding Revenue Bonds, Series 2003 D

Pea Ridge Public Service District
Barboursville, West Virginia

Crews & Associates, Inc.
Charleston, West Virginia

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance by Pea Ridge Public Service District (the "Issuer") of its \$175,000 aggregate principal amount of Taxable Sewer Refunding Revenue Bonds, Series 2003 D (the "Series 2003 D Bonds").

The Series 2003 D Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a Bond Resolution duly adopted by the Issuer on August 6, 2003, as supplemented by a Supplemental Resolution duly adopted by the Issuer on August 2003 (collectively, the "Resolution"), and are subject to all the terms and conditions of the Resolution. All capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Resolution.

The Series 2003 D Bonds are issued in fully registered form, are dated September 1, 2003, upon original issuance, mature on May 1 in the years and amounts and bear interest payable each May 1 and November 1, commencing May 1, 2004, as set forth in the Resolution.

The Series 2003 D Bonds are not subject to optional redemption or mandatory sinking fund redemption.

The Resolution provides that the Bonds and when, as and if issued, the Sewer Refunding Revenue Bonds, Series 2004 A (the "Series 2004 A Bonds"), are issued for the purposes of (1) paying a portion of the costs of currently refunding all of the Issuer's outstanding Sewer Refunding Revenue Bonds,

Pea Ridge Public Service District, et al.

Series 1994 (the "Series 1994 Bonds"), on their first permitted redemption date, being May 1, 2004; and (2) paying costs of issuance thereof and other costs in connection with such refunding.

The Series 2003 D Bonds have been sold to Crews & Associates, Inc. (the "Original Purchaser"), pursuant to a Contract of Purchase dated August 1, 2003, and accepted by the Issuer (the "Contract of Purchase").

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

Based upon the foregoing, and assuming compliance with the covenants and representations of the Issuer and the other entities set forth in the Resolution, the Escrow Agreement, the Continuing Disclosure Agreement and the Registrar's Agreement and such certifications, we are of the opinion, under existing law, that:

1. The Issuer is a duly organized and validly existing public service district and public corporation under and pursuant to the laws of the State of West Virginia, with full power and authority to adopt the Resolution, enter into the Escrow Agreement, the Contract of Purchase and the Continuing Disclosure Agreement, perform its obligations under the terms and provisions thereof and to issue and sell the Series 2003 D Bonds, all under the provisions of the Act and other applicable provisions of law.

2. The Issuer, through its governing body, has legally and effectively adopted the Resolution, has authorized, executed and delivered the Escrow Agreement, the Contract of Purchase and the Continuing Disclosure Agreement and has issued and delivered the Series 2003 D Bonds to the Original Purchaser pursuant to the Contract of Purchase. The Resolution is in full force and effect as of the date hereof.

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

4. The Series 2003 D Bonds have been duly authorized, executed and delivered by the Issuer and, assuming proper authentication, constitute valid and legally enforceable limited obligations of the Issuer, payable and enforceable in accordance with their terms and the terms of the Resolution, and are entitled to the benefits of the Resolution and the Act.

5. The Series 2003 D Bonds have not been issued on the basis that the interest thereon is or will be excluded from gross income for federal income tax purposes; therefore, the interest on the Series 2003 D Bonds is not excluded from gross income for federal income tax purposes. We express no opinion regarding other federal tax consequences arising with respect to the Series 2003 D Bonds.

6. Under the Act, the Series 2003 D Bonds are exempt from taxation by the State of West Virginia, and the other taxing bodies of the State, and the interest on the Series 2003 D Bonds is exempt from personal and corporate net income taxes imposed directly thereon by the State of West Virginia.

Pea Ridge Public Service District, et al.

7. The Series 2003 D Bonds are exempted securities within the meaning of Section 3(a)(2) of the Securities Act of 1933, as amended, and the West Virginia Uniform Securities Act, as amended, and it is not necessary, in connection with the public offering and sale of the Series 2003 D Bonds, to register any securities under said Securities Acts.

It is to be understood that the rights of the holders of the Series 2003 D Bonds and the enforceability of the Series 2003 D Bonds, the Resolution, the Escrow Agreement, the Contract of Purchase and the Continuing Disclosure Agreement, and the liens, pledges, rights or remedies with respect thereto, are subject to and may be limited by any applicable bankruptcy, reorganization, insolvency, moratorium or other similar laws heretofore or hereafter enacted affecting creditors' rights or remedies generally, and that their enforcement may also be subject to the application of public policy, general principles of equity and the exercise of judicial discretion in appropriate cases.

We do not express any opinion as to the sufficiency or accuracy of the material, information or financial statements which are set forth in the official statement prepared and used in connection with the offering and sale of the Series 2003 D Bonds.

We have examined the executed and authenticated Bond Nos. DR-1 through DR-__ of said issue, and in our opinion, said Series 2003 D Bonds are in proper form and have been duly executed and authenticated.

Very truly yours,

STEPTOE & JOHNSON PLLC

08/21/03
692580.00003

[LETTERHEAD OF STEPTOE & JOHNSON PLLC]
(Form of Approving Opinion of Bond Counsel)

March 1, 2004

\$2,620,000
Pea Ridge Public Service District
Sewer Refunding Revenue Bonds, Series 2004 A

Pea Ridge Public Service District
Barboursville, West Virginia

Crews & Associates, Inc.
Charleston, West Virginia

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance by Pea Ridge Public Service District (the "Issuer") of its \$2,620,000 aggregate principal amount of Sewer Refunding Revenue Bonds, Series 2004 A (the "Bonds").

The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (collectively, the "Act"), and a Bond Resolution duly adopted by the Issuer on August 6, 2003, as supplemented by a Supplemental Resolution duly adopted by the Issuer on August 11, 2003 (collectively, the "Resolution"), and are subject to all the terms and conditions of the Resolution. All capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Resolution.

The Bonds are issued in fully registered form, are dated March 1, 2004, upon original issuance, mature on March 1 in the years and amounts and bear interest payable each May 1 and November 1, commencing May 1, 2004, as set forth in the Resolution.

Pea Ridge Public Service District, et al.

The Bonds are not subject to optional redemption, but are subject to mandatory sinking fund redemption, in the amounts and at the redemption prices set forth in the Resolution.

The Resolution provides that the Bonds are issued for the purpose of paying a portion of the costs of currently refunding all of the Issuer's outstanding Sewer Refunding Revenue Bonds, Series 1994 (the "Series 1994 Bonds"), on their first permitted redemption date, being May 1, 2004.

The Bonds have been sold to Crews & Associates, Inc. (the "Original Purchaser"), pursuant to a Contract of Purchase dated August 1, 2003, and accepted by the Issuer (the "Contract of Purchase").

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

Based upon the foregoing, and assuming compliance with the covenants and representations of the Issuer and the other entities set forth in the Resolution, the Escrow Agreement, the Continuing Disclosure Agreement and the Registrar's Agreement and such certifications, we are of the opinion, under existing law, that:

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

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

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

4. The Bonds have been duly authorized, executed and delivered by the Issuer and, assuming proper authentication, constitute valid and legally enforceable limited obligations of the Issuer, payable from, and secured by a lien on, the Net Revenues of the System, on a parity with the Issuer's Outstanding (i) Sewer Revenue Bonds, Series 1992 (West Virginia SRF Program), dated December 28, 1992, (ii) Sewerage System Design Revenue Bonds, Series 2000 (West Virginia SRF Program), dated March 7, 2000, (iii) Taxable Sewer Refunding Revenue Bonds, Series 2003 D, dated August 1, 2003, (iv) Sewer Revenue Bonds, Series 2003 A (West Virginia SRF Program), dated August 19, 2003, and (v) Sewer Revenue Bonds, Series 2003 B (West Virginia Water Development Authority), dated August 19, 2003, and enforceable in accordance with their terms and the terms of the Resolution, and are entitled to the benefits of the Resolution and the Act.

Pea Ridge Public Service District, et al.

5. The Series 1994 Bonds have been paid within the meaning and with the effect expressed in the Resolution, as supplemented, pursuant to which they were issued, and the covenants, agreements and other obligations of the Issuer to the holders and owners of the Series 1994 Bonds have been satisfied and discharged. In rendering the opinion set forth in this paragraph 5, we have relied upon the verification report of certain independent certified public accountants that the proceeds of the Bonds are sufficient to pay the entire outstanding principal of, premium, if any, and interest, not otherwise paid, on the Series 1994 Bonds on the date hereof, being the redemption date of the Series 1994 Bonds.

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

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

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

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

Pea Ridge Public Service District, et al.

We do not express any opinion as to the sufficiency or accuracy of the material, information or financial statements which are set forth in the official statement prepared and used in connection with the offering and sale of the Bonds.

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

Very truly yours,

STEPTOE & JOHNSON PLLC

OS/21103
692580.00003

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

PEA RIDGE PUBLIC SERVICE DISTRICT
as Issuer,

Dated as of September , 2003

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THIS CONTINUING DISCLOSURE CERTIFICATE (the "Certificate") is made and entered into as of the ___⁰ day of September, 2003, by PEA RIDGE PUBLIC SERVICE DISTRICT (the "Issuer").

RECITALS:

WHEREAS, the Issuer has issued or will issue its \$2,445,000 Taxable Sewer Refunding Revenue Bonds, Series 2003 C, \$205,000 Taxable Sewer Refunding Revenue Bonds, Series 2003 D, and when, as and if issued, \$2,445,000 Tax Exempt Sewer Refunding Revenue Bonds, Series 2004 A (collectively, the "Bonds"), pursuant to a Bond Resolution approved on August 6, 2003, and supplemented by a Supplemental Resolution on August 18, 2003 (collectively, the "Resolution"), to (i) repay certain existing indebtedness; (ii) fund a debt service reserve for the Bonds; and (iii) to pay costs relating to the issuance of the Bonds; and

WHEREAS, the Bonds have been offered and sold pursuant to a Preliminary Official Statement dated August 21, 2003, and an Official Statement dated August , 2003 (collectively, the "Offering Document"); and the Issuer has entered into a Bond Purchase Agreement, dated as of August , 2003 (the "Bond Purchase Agreement"), with respect to the sale of the Bonds, with the Participating Underwriter, as hereinafter defined; and

WHEREAS, the Issuer wishes to provide for the disclosure of certain information concerning the Bonds and other matters on a continuing basis as set forth herein for the benefit of the Bondholders in accordance with the provisions of Securities and Exchange Commission Rule I5c2-12, as amended from time to time (the "Rule");

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

Section 1. Definitions; Scope of this Certificate.

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

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

accounting principles. This Annual Financial Information is customarily available to the public.

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

"MSRB" shall mean the Municipal Securities Rulemaking Board.

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

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

(xii) any other material event affecting the Bonds or the Issuer.

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

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

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

"SEC" shall mean the Securities and Exchange Commission.

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

"State" shall mean the State of West Virginia.

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

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

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

Section 2. Disclosure of Information.

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

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

(1) Annual Financial Information. Annual Financial Information of the Issuer at least annually not later than _____31 (the "Disclosure Date"), beginning with the fiscal year ending June 30, 2003, and continuing with each fiscal year thereafter, shall

be subject to disclosure. The Disclosure Representative shall, on behalf of the Issuer, provide Annual Financial Information to the NRMSIR and SID not later than the Disclosure Date referenced above. The Annual Financial Information may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Financial Information.

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

(C) Information Provided by Disclosure Representative to Public.

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

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

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

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

(a) as to all notices, reports and financial statements to be provided to the Disclosure Representative by the Issuer, in the form of notice required by the Resolution, this Certificate or other applicable document or agreement; and

(b) as to all other notices or reports, in such form as the Disclosure Representative shall deem suitable for the purpose of which such notice or report is given.

(3) The Disclosure Representative shall make public the Annual Financial Information and Material Event occurrences within the applicable Turn Annual Period. Notwithstanding the foregoing, Material Events shall be made public on the same day as notice thereof is given to the Bondholders of outstanding Bonds, if required, and

shall not be made public before the date of such notice. If on any such date, information required to be provided by the Issuer to the Disclosure Representative has not been provided on a timely basis, the Disclosure Representative shall make such information public as soon thereafter as it is provided to the Disclosure Representative.

(D) Means of Making Information Public.

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

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

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

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

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

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

(2) Information shall be transmitted to the following:

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

(b) any notice of a failure by the Issuer to provide required Annual Financial Information, on or before the date required by this Certificate shall be

made available to each NRMSIR or the MSRB and to the SID (if a SID is established for the State);

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

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

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

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

Section3. Amendment or Modification.

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

Section4. Miscellaneous.

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

(B) Representations. The Issuer represents and warrants (i) that it has duly authorized the execution and delivery of this Certificate by its Chairman, (ii) that it has all requisite power and authority to execute and deliver, and perform this Certificate under its organizational documents and any resolutions now in effect, (iii) that the execution and delivery of this Certificate, and performance of the terms hereof, does not and will not violate any law, regulation, ruling, decision, order, resolution, decree, agreement or

instrument by which it is bound, and (iv) that it is not aware of any litigation or proceeding pending, or, to the best of its knowledge, threatened, contesting or questioning its existence, or its power and authority to enter into this Certificate, or its due authorization, execution and delivery of this Certificate, or otherwise contesting or questioning the issuance of the Bonds.

(C) **Governing Law.** This Certificate shall be governed by and interpreted in accordance with the laws of the State; provided that, to the extent that the SEC, the MSRB or any other federal or state agency or regulatory body with jurisdiction over the Bonds shall have promulgated any rule or regulation governing the subject matter hereof, this Certificate shall be interpreted and construed in a manner consistent therewith.

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

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

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

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

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

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

Certificate. The occurrence of any event of default as provided in this Certificate shall not constitute an event of default under the Resolution.

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

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

PEA RIDGE PUBLIC SERVICE DISTRICT

By:

Chairman

EXHIBIT A

Nationally Recognized Municipal Securities Information Repositories approved by the Securities and Exchange Commission as of June 30, 2003:

Bloomberg Municipal Repository

100 Business Park Drive

Skillman, New Jersey 08558

Phone: (609) 279-3225

Fax: (609) 274-5962

http://www.bloomberg.com/markets/muni_contactinfo.html

Email: Munis.cnr.Bloomberg.com

DPC Data Inc.

One Executive Drive

Fort Lee, NJ 07024

Phone: (201) 346-4701

Fax: (201) 947-0107

<http://www.decd.ata.czn>

Email: nrmsir@dpcdata.com

FT Interactive Data

Attn: NRMSIR

100 William Street

New York, New York 10038

Phone: (212) 771-6999

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

(212) 771-7391 (Primary Market Information)

<http://www.interactive.data.czn>

Email: NRMSIRc@FTID.com

Standard & Poor's J. J. Kenny Repository

55 Water Street

45th Floor

New York, NY 10041

Phone: (212) 438-4595

Fax: (212) 438-3975

www.jjkenny.com/jjkenny/pser_descrip_data_rep.html

Email: nrmsir_repositoryasandp.com

NEW ISSUE - BOOK ENTRY ONLY

In the opinion of Steptoe & Johnson PLLC, Bond Counsel, under existing laws, regulations, published rulings and judicial decisions of the United States of America, as presently written and applied, interest on the Taxable Bonds is not excludable from gross income for federal income tax purposes. However, in the opinion of Bond Counsel, under existing laws of the State of West Virginia, the Taxable Bonds, and the interest thereon are exempt from all taxation by the State of West Virginia, or any county, municipality, political subdivision or agency thereof and from personal and corporate net income taxes imposed directly thereon by the State of West Virginia, except inheritance, estate and transfer taxes. It is a condition to the issuance and delivery of the Series 2004 Bonds that the Paying Agent, as defined below, receive from Bond Counsel, the future Opinion of Bond Counsel substantially in the form attached hereto as Appendix S (the "Series 2004 Bond Counsel Opinion") to the effect that under existing laws, regulations, published rulings and judicial decisions of the United States of America, as presently written and applied, interest on the Series 2004 Bonds is excludable from gross income of the holders thereof for federal income tax purposes. Such opinion may provide, however, that interest on the Series 2004 Bonds is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals and corporations, however, interest paid to corporate holders of the Series 2004 Bonds may be indirectly subject to alternative minimum tax under certain circumstances. Further, the Series 2004 Bond Counsel Opinion will provide that, under existing laws of the State of West Virginia, the Series 2004 Bonds, and the interest thereon are exempt from all taxation by the State of West Virginia, or any county, municipality, political subdivision or agency thereof, and from personal and corporate income taxes imposed directly thereon by the State of West Virginia, except inheritance, estate and transfer taxes. The Series 2004 Bond Counsel Opinion may be modified as described under "TAX MATTERS - Permitted Modifications of the Series 2004 Bond Counsel Opinion" herein. See "TAX MATTERS."

\$2,435,000

**PEA RIDGE PUBLIC SERVICE DISTRICT
TAXABLE SEWER REFUNDING REVENUE BONDS
SERIES 2003 C**

5185,000

**PEA RIDGE PUBLIC SERVICE DISTRICT
TAXABLE SEWER REFUNDING REVENUE BONDS
SERIES 2003 D**

AND

WHEN, AS AND IF ISSUED*

\$2,620,000

**PEA RIDGE PUBLIC SERVICE DISTRICT
SEWER REFUNDING REVENUE BONDS
SERIES 2004 A**

Dated: September 1, 2003

Due: May 1, as shown on the inside cover page

The Series 2003 Bonds, consisting of \$2,435,000 Pea Ridge Public Service District, Taxable Sewer Refunding Revenue Bonds, Series 2003 C (the "Series 2003 C Bonds") and \$1,855,000 Pea Ridge Public Service District, "Taxable Sewer Refunding Revenue Bonds, Series 2003 D (the "Series 2003 D Bonds" and collectively with the Series 2003 C Bonds, the "Taxable Bonds"), and when, as and if issued, the \$2,620,000 Pea Ridge Public Service District, Sewer Refunding Revenue Bonds, Series 2004 A Bonds, as defined below, are issuable only as fully registered bonds without coupons in denominations of \$55,000 and integral multiples thereof for any year of maturity. All of the Taxable Bonds and the Series 2004 Bonds, if issued, initially will be maintained under a book-entry system under which The Depository Trust Company, New York, New York ("DTC"), will act as securities depository. Purchases of the Taxable Bonds and the Series 2004 Bonds, if issued, will be in book-entry form only. Interest on the Series 2003 C Bonds is payable May 1, 2004. Interest on the Series 2003 D Bonds is payable May 1, 2004, and each November 1 and May 1 thereafter. Interest on the Series 2004 Bonds, if issued, will be payable May 1, 2004, and each November 1 and May 1 thereafter. So long as the Taxable Bonds and, if issued, the Series 2004 Bonds, are maintained under a book-entry system, payments of the principal of and premium, if any, and interest on the Taxable Bonds and, if issued, the Series 2004 Bonds, will be made when due by the West Virginia Municipal Bond Commission, Charleston, West Virginia, as Paying Agent, to DTC in accordance with the Resolution and the Supplemental Resolution, and the Paying Agent will have no obligation to make any payments to any beneficial owner of any Taxable Bonds or, if issued, any Series 2004 Bonds. See "BOOK ENTRY ONLY SYSTEM."

Pursuant to the Resolution, described below, the Pea Ridge Public Service District (the "District") has agreed, upon satisfaction of the conditions described herein, to issue on March 1, 2004 (the "Series 2004 Bonds Issuance Date"), its Sewer Refunding Revenue Bonds, Series 2004 A (the "Series 2004 Bonds" and, together with the Taxable Bonds, referred to herein as the "Bonds") for the purpose of providing for a current refunding of the 1994 Bonds described herein. If the Series 2004 Bonds are issued and delivered as described herein, the Taxable Bonds will be subject to mandatory redemption on the Series 2004 Bonds Issuance Date, at which time the Paying Agent shall deliver to each owner of a Taxable Bond a Series 2004 Bond in an amount equal to the outstanding principal amount of its Taxable Bonds on the terms and conditions described herein, and each purchaser of the Taxable Bonds irrevocably appoints the Escrow Agent as its agent and attorney-in-fact for effecting such purchase, all as more fully described herein. The District makes no representation to any purchaser of any Taxable Bonds as to whether the issuance of the Series 2004 Bonds will occur. No potential purchaser of any Taxable Bonds should base any investment decision with respect to the Taxable Bonds upon any assumption regarding the likelihood of issuance of the Series 2004 Bonds.



Dated: August 28, 2003

The Series 2004 Bonds, if issued, shall be dated March 1, 2004.

The Bonds are being issued by the District pursuant to a resolution duly adopted by the public service board of the District on August 6, 2003, as supplemented by a supplemental resolution duly adopted by the public service board of the District (collectively, the "Resolution"). The proceeds of the Taxable Bonds together with other funds available for such purpose, shall be used (i) to purchase United States Treasury obligations or otherwise enter into a guaranteed investment agreement with a provider rated at least "AA" or "As" by Standard & Poets Rating Services ("S&P") and Moody's Investors Service, Inc. ("Moody's"), respectively, and to provide cash which shall be deposited with other available moneys with the Escrow Agent, hereinafter defined, and used, (a) in the event the Series 2004 Bonds are issued on the Series 2004 Bonds Issuance Date, to redeem the Taxable Bonds, and effect the purchase of the Series 2004 Bonds in accordance with the irrevocable instructions of the Taxable Bondholders, the proceeds of such Series 2004 Bonds being used to refund on May 1, 2004, at a redemption price of 102% of par, plus accrued interest to May 1, 2004, the District's Sewer Refunding Revenue Bonds, Series 1994, issued in the original aggregate principal amount of \$3,035,000 (the "1994 Bonds"), maturing after May 1, 2004, which were previously issued by the District to refinance certain indebtedness incurred for the acquisition and construction of a sewerage system (the "System"); or (b) in the event the Series 2004 Bonds are not issued on the Series 2004 Bonds Issuance Date, to purchase the Series 2003 C Bonds; (ii) to fund a debt service reserve fund for the Series 2004 Bonds, if issued; and (iii) to pay the costs of issuing the Bonds and certain other costs relating to the refunding.

IN THE EVENT THE SERIES 2004 BONDS ARE NOT ISSUED ON THE SERIES 2004 BONDS ISSUANCE DATE, THE SERIES 2003 C BONDS FUNDS AND SECURITIES ON DEPOSIT WITH THE ESCROW AGENT SHALL INSTEAD BE APPLIED TO THE PURCHASE OF THE SERIES 2003 C BONDS ON (2004 BONDS ISSUANCE DATE) ON MARCH 1, 2004. IN SUCH EVENT, THE SERIES 2003 D BONDS WILL REMAIN OUTSTANDING.

The 1994 Bonds are secured under the terms of a resolution of the District duly adopted by the public service board of the District on September 29, 1994, as supplemented by a supplemental resolution duly adopted by the public service board of the District on November 10, 1994 (collectively, the "Series 1994 Resolution"). Until the Series 2004 Bond Issuance Date, the Taxable Bonds will be payable from United States Treasury obligations and/or a guaranteed investment agreement as described above, and from cash deposited with the West Virginia Municipal Bond Commission (the "Bond Commission"), as escrow agent (the "Escrow Agent"), pursuant to an Escrow Agreement, dated as of September 1, 2003, between the District and the Escrow Agent (the "Escrow Agreement"). If the Series 2004 Bonds are issued on the Series 2004 Bonds Issuance Date, amounts on deposit with the Escrow Agent will be delivered to the Paying Agent and in accordance with irrevocable instructions of the District to the Paying Agent, the Paying Agent will effect the purchase of the Series 2004 Bonds and the proceeds of the Series 2004 Bonds will be applied to refund the 1994 Bonds and release the lien of the Series 1994 Resolution securing the 1994 Bonds. In the event the Series 2004 Bonds are not issued on the Series 2004 Bond Issuance Date, the Series 2003 C Bonds shall be subject to payment by the Paying Agent on such date, for purchase at a price of par plus accrued interest to such date, such amounts payable from funds on deposit with the Escrow Agent, on the terms and conditions described in the Escrow Agreement.

On and after the Series 2004 Bond Issuance Date, when, as and if issued, the Series 2004 Bonds, will be payable from and further secured by the Net Revenues derived from the System and from funds on deposit in the Series 2004 Bonds Sinking Fund, and the Series 2004 Bonds Reserve Account therein. The Taxable Bonds and, when, as and if issued, the Series 2004 Bonds, do not constitute an indebtedness of the District within the meaning of any constitutional or statutory provisions or limitations, and the District shall not be obligated to pay the principal or premium, if any, of the Taxable Bonds and, when, as and if issued, the Series 2004 Bonds, except from the Net Revenues and such funds on deposit. Neither the full faith and credit nor the taxing power of the District shall be deemed to be pledged to, nor shall any tax be levied for, the payment of the principal of or the premium, if any, or interest on the Taxable Bonds and, when, as and if issued, the Series 2004 Bonds.

The Taxable Bonds and the Series 2004 Bonds, when as and if issued, are subject to redemption and or tender prior to maturity as provided herein.

The District has designated the Series 2004 Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.

In the event of the issuance of the Series 2004 Bonds, the Taxable Bonds will be subject to mandatory redemption on March 1, 2004. If the Series 2004 Bonds are not issued and delivered on the Series 2004 Bonds Issuance Date as described herein, the principal of and interest on the Taxable Bonds shall be paid until March 1, 2004, from amounts on deposit with the Escrow Agent, pursuant to the Escrow Agreement. If the Series 2004 Bonds are issued on the Series 2004 Bonds Issuance Date, amounts on deposit with the Escrow Agent will be used to redeem the Taxable Bonds, purchase the Series 2004 Bonds and refund the 1994 Bonds.

This river page and the preceding pages contain certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision. The Taxable Bonds and, when as and if issued, the Series 2004 Bonds, are offered when, as and if issued and received by the Underwriter, subject to prior sale, to withdrawal or modification of the offering without notice and to the unqualified approval of legality by Steptoe & Johnson PLLC, Charleston, West Virginia, Bond Counsel. Certain legal matters will be passed upon for the District by Ronald J. Flora, Milton, West Virginia, Counsel to the District. Certain legal matters will be passed upon for the Underwriter by Goodwin & Goodwin, LLP, Charleston, West Virginia, as counsel to the Underwriter. It is expected that the Taxable Bonds will be available for delivery at DTC in New York New York on or about September 11, 2003.

\$2,435,000

**PEA RIDGE PUBLIC SERVICE DISTRICT
TAXABLE SEWER REFUNDING REVENUE BONDS
SERIES 2003 C**

\$185,000

**PEA RIDGE PUBLIC SERVICE DISTRICT
TAXABLE SEWER REFUNDING REVENUE BONDS
SERIES 2003 D**

AND

WHEN, AS AND IF ISSUED*

\$2,620,000

**PEA RIDGE PUBLIC SERVICE DISTRICT
SEWER REFUNDING REVENUE BONDS
SERIES 2004 A**

\$2,435,000

MATURITY SCHEDULE - SERIES 2003 C BONDS

\$970,000 Serial Bonds

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>
May 1, 2010	\$145,000	3.000%	3.000%
May 1, 2011	155,000	3.000%	3.000%
May 1, 2012	165,000	3.000%	3.000%
May 1, 2013	170,000	3.000%	3.000%
May 1, 2014	180,000	3.000%	3.000%
May 1, 2015	155,000	3.000%	3.000%

\$510,000 3.000% Term Bonds due May 1, 2009 at 100%

\$340,000 3.000% Term Bonds due May 1, 2017 at 100%

\$615,000 3.000% Term Bonds due May 1, 2020 at 100%

\$185,000

MATURITY SCHEDULE - SERIES 2003 D BONDS

\$185,000 3.000% Term Bonds due May 1, 2009 at 3.000%

\$2,620,000*

MATURITY SCHEDULE - SERIES 2004 A BONDS

When, as and if issued

\$970,000 Serial Bonds

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>
May 1, 2010	\$145,000	3.700%	3.700%
May 1, 2011	155,000	4.000%	4.000%
May 1, 2012	165,000	4.200%	4.200%
May 1, 2013	170,000	4.400%	4.400%
May 1, 2014	180,000	4.600%	4.600%
May 1, 2015	155,000	4.700%	4.700%

\$695,000 3.250% Term Bonds due May 1, 2009 at 100%

\$340,000 4.900% Term Bonds due May 1, 2017 at 100%

\$615,000 5.100% Term Bonds due May 1, 2020 at 100%

*The Series 2004 Bonds, if issued, shall be dated March 1, 2004.

PEA RIDGE PUBLIC **SERVICE** DISTRICT

PUBLIC SERVICE BOARD

Michael Seaton, Chairman
Charles Woolcock, Vice Chairman
Frank Sampson, Secretary/Treasurer

Richardina Foster, General Manager

DISTRICT'S ATTORNEY

Ronald J. Flora, Esq.
Milton, West Virginia

BOND COUNSEL

Steptoe & Johnson PLLC
Charleston, West Virginia

UNDERWRITER'S COUNSEL

Goodwin & Goodwin, LLP
Charleston, West Virginia

AUDITOR

Ralph W. Bassett, Jr., CPA
Milton, West Virginia

UNDERWRITER

Crews & Associates, Inc.
Charleston, West Virginia

DEPOSITORY BANK

First State Bank of Barboursville
Barboursville, West Virginia

REGISTRAR

United Bank, Inc.
Charleston, West Virginia

PAYING AGENT

West Virginia Municipal Bond Commission
Charleston, West Virginia

VERIFICATION AGENT

Smith, Cochran tic. Hicks, P.L.L.C.
Charleston, West Virginia

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Taxable Bonds and, as when and if issued, the Series 2004 Bonds, in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized by the District or the Underwriter to give any information or to make any representations, other than as contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. The information set forth herein has been obtained from the District and other sources that are believed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriter. The information and any expression of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the District, as it relates to the System, since the date hereof. This Official Statement is submitted in connection with the sale of securities referred to herein, and may not be reproduced or used, in whole or in part, for any other purposes.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2003/2004 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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OFFICIAL STATEMENT

\$2,435,000

**PEA RIDGE PUBLIC SERVICE DISTRICT
TAXABLE SEWER REFUNDING REVENUE BONDS
SERIES 2003 C**

\$185,000

**PEA RIDGE PUBLIC SERVICE DISTRICT
TAXABLE SEWER REFUNDING REVENUE BONDS
SERIES 2003 D**

AND

WHEN, AS AND IF ISSUED

\$2,620,000

**PEA RIDGE PUBLIC SERVICE DISTRICT
SEWER REFUNDING REVENUE BONDS
SERIES 2004 A**

INTRODUCTION

This Official Statement, including the cover page and appendices, is provided for the purpose of setting forth certain information concerning the District, the District's sewer system hereinafter described and the District's (i) \$2,435,000 aggregate principal amount of Taxable Sewer Refunding Revenue Bonds, Series 2003 C (the "Series 2003 C Bonds"); (ii) \$185,000 aggregate principal amount of Taxable Sewer Refunding Revenue Bonds, Series 2003 D (the "Series 2003 D Bonds" and, together with the Series 2003 C Bonds, the "Taxable Bonds"); and (ii) when, as and if issued, \$2,620,000 aggregate principal amount of Sewer Refunding Revenue Bonds, Series 2004 A (the "Series 2004 Bonds"). The Taxable Bonds, and, when as and if issued, the Series 2004 Bonds, are being issued pursuant to the Constitution and laws of the State of West Virginia (the "State"), specifically Chapter 16, Article 13A and Chapter 13, Article 2E of the Code of West Virginia of 1931, as amended (collectively, the "Act"), and a resolution duly adopted by the Public Service Board of the District on August 6, 2003 (the "Original Resolution"), as supplemented and amended by a supplemental resolution duly adopted by the Public Service Board of the District, pursuant to the Original Resolution (the "Supplemental Resolution" and together with the Original Resolution, the "Resolution").

The proceeds of the Taxable Bonds, together with other funds available for such purpose, shall be used (i) to purchase United States Treasury obligations or otherwise enter into a guaranteed investment agreement with a provider rated at least "AA" or "Aa" by Standard & Poors Rating Services ("S&P") and Moody's Investors Service, Inc. ("Moody's"), respectively, and to provide cash which shall be deposited with other available moneys with the Escrow Agent, hereinafter defined, and used, (a) in the event the Series 2004 Bonds are issued on March 1, 2004 (the "Series 2004 Bonds Issuance Date"), to redeem the Taxable Bonds, and effect the purchase of the Series 2004 Bonds in accordance with the irrevocable instructions of the Taxable Bondholders, the proceeds of such Series 2004 Bonds to be used to refund on May 1, 2004, at a redemption price

of 102% of par, plus accrued interest to May 1, 2004, the District's Sewer Refunding Revenue Bonds, Series 1994, issued in the original aggregate principal amount of \$3,035,000 (the "1994 Bonds"), maturing after May 1, 2004, which were previously issued by the District to refinance certain indebtedness incurred for the acquisition and construction of a sewer system (the "System"); or (b) in the event the Series 2004 Bonds are not issued on the Series 2004 Bonds Issuance Date, to purchase the Series 2003 C Bonds; (ii) to fund a debt service reserve fund for the Series 2004 Bonds; and (iii) to pay the costs of issuing the Bonds and certain other costs relating to the refunding.

Until March 1, 2004, the Taxable Bonds will be payable from United States Treasury obligations and/or a guaranteed investment agreement as described above, and from cash deposited with the West Virginia Municipal Bond Commission (the "Bond Commission"), as escrow agent (the "Escrow Agent"), pursuant to an Escrow Agreement, dated as of September 1, 2003, between the District and the Escrow Agent (the "Escrow Agreement"). If the Series 2004 Bonds are issued on March 1, 2004, amounts on deposit with the Escrow Agent will be delivered to the Paying Agent and in accordance with irrevocable instructions by the District to the Paying Agent, the Paying Agent will transfer such amounts to the Underwriter, which will purchase the Series 2004 Bonds on behalf of such Taxable Bondholders, and the proceeds of the Series 2004 Bonds will be applied to refund the 1994 Bonds and defense the lien of Series 1994 Resolution securing the 1994 Bonds. In the event the Series 2004 Bonds are not issued on March 1, 2004, the Series 2003 C Bonds shall be subject to payment by the Paying Agent on March 1, 2004, at a price of par plus accrued interest to such date, such amounts payable from funds on deposit with the Escrow Agent, on the terms and conditions described in the Escrow Agreement. See "FINANCING PLAN."

In the event the Series 2004 Bonds are issued, the Series 2004 Bonds will be payable from and secured by the Net Revenues, as defined in the Resolution, derived from the System and from funds on deposit in the Series 2004 Bonds Sinking Fund and the Series 2004 Bonds Reserve Account therein on parity with the District'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"), 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, Series 2000 Bonds, Series 2003 A Bonds and Series 2003 B Bonds collectively referred to herein as the "Prior Bonds"). The Taxable Bonds and, when as and if issued, the Series 2004 Bonds will not constitute an indebtedness of the District within the meaning of any constitutional or statutory provisions or limitations, and the District shall not be obligated to pay the Taxable Bonds and, when as and if issued, the Series 2004 Bonds, or premium, if any, or the interest thereon except from such Net Revenues and such funds on deposit.

Pursuant to the Resolution, the District has covenanted and agreed to establish and collect just and equitable rates and charges for the use of the System and the services rendered thereby as will produce for each fiscal year Net Revenues, as defined in the Resolution and hereinafter, equal to at least 115% of the maximum amount required in any year to pay the principal of and interest on the Prior Bonds, and, from and after March 1, 2004, the Series 2004 Bonds, if issued, and all other obligations secured by a lien on or payable from Net Revenues prior to or on a parity with the Prior Bonds, and, from and after March 1, 2004, the Series 2004 Bonds, if issued; 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 Bond Reserve Account and the Reserve Accounts for obligations on a parity with the Prior Bonds, and, from and after March 1, 2004, the Series 2004 Bonds, if issued, are funded at least at the requirement, 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 Prior Bonds, and, from and after March 1, 2004, the Series 2004 Bonds, if issued, and all other obligations secured by a lien on or payable from such revenues on a parity with the Prior Bonds, and, from and after March 1, 2004, the Series 2004 Bonds, if issued. See "ADDITIONAL SECURITY FOR THE BONDS - Rate Covenant." The payment of the principal or redemption price of and interest on the Bonds will be made as described hereinafter under the heading "FINANCING PLAN."

The Taxable Bonds and, when as and if issued, the Series 2004 Bonds will be dated, will mature, will bear interest and will be subject to redemption prior to maturity as more fully described on the cover page and under the heading "THE BONDS" herein. The Bonds initially will be maintained under a book-entry system. So long as the Bonds are maintained under a book-entry system, the manner of payment, the denominations, the transfer and exchange of ownership and the method of providing notice of redemption to the owners of the Bonds shall be determined as described under the "BOOK-ENTRY ONLY SYSTEM" herein. If the book-entry system is discontinued, principal of, interest, and premium, if any, on the Taxable Bonds, and, when as and if issued, the Series 2004 Bonds, will be payable by the West Virginia Municipal Bond Commission, as paying agent (the "Paying Agent") to the owners thereof at the addresses appearing in the books kept by United Bank, Inc. as registrar (the "Registrar"). For further information describing the method of payment and other matters in the event the book-entry system is discontinued, see "THE BONDS" herein.

The District may, prior to the issuance of the Series 2004 Bonds, issue additional bonds on a parity with the Prior Bonds, and, when as and if issued, the Series 2004 Bonds, for the purpose of financing the cost of the construction or acquisition of additions, improvements and betterments to the System and/or refunding one or more or all series of bonds issued pursuant to the Resolution subject, in each case, to certain tests and conditions provided for by the Resolution. See "ADDITIONAL SECURITY FOR THE BONDS - Additional Parity Bonds."

The Taxable Bonds and the Series 2004 Bonds are offered when, as and if issued and received on behalf of the underwriter appearing on the cover page hereof (the "Underwriter"), subject to prior sale, to withdrawal or modification of the offering without notice and to the unqualified approval of the legality by Steptoe & Johnson PLLC, Charleston, West Virginia, Bond Counsel. Certain legal matters will be passed upon for the District by Ronald J. Flora, Milton, West Virginia, Counsel to the District. Certain legal matters will be passed upon for the Underwriter by Goodwin & Goodwin, LLP, Charleston, West Virginia, as counsel to the Underwriter. Verification of certain mathematical computations relating to the

payment from the Escrow Fund of debt service on the Taxable Bonds until March 1, 2004, and the refunding of the 1994 Bonds will be performed by Smith, Cochran & Hicks, P.L.L.C., Charleston, West Virginia, certified public accountants. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS" herein.

Brief descriptions of the Taxable Bonds, the Series 2004 Bonds, the refunding of the 1994 Bonds, the System, the District and certain provisions of the Resolution and the Act, as defined in the Resolution and hereinafter, are set forth in this Official Statement, as well as other information contained in the appendices hereto. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Resolution, the Escrow Agreement, provisions of the Act and other applicable laws of the State are qualified in their entirety by reference to each such document or law. References herein to the Taxable Bonds and the Series 2004 Bonds are qualified in their entirety by reference to the form thereof included in the Resolution and the information with respect thereto included in the aforesaid documents. Capitalized terms used and not otherwise defined in this Official Statement shall have the respective meanings given them in the Resolution. Copies of the Resolution, the Escrow Agreement and other applicable documents may be obtained from the District or, during the period of offering the Taxable Bonds, and, when as and if issued, the Series 2004 Bonds, from the Underwriter.

FINANCING PLAN

The proceeds of the Taxable Bonds, together with other funds available for such purpose, shall be used (i) to purchase United States Treasury obligations or otherwise enter into a guaranteed investment agreement with a provider rated at least "AA" or "Aa" by Standard & Poors Rating Services ("S&P") and Moody's Investors Service, Inc. ("Moody's"), respectively, and to provide cash which shall be deposited with other available moneys with the Escrow Agent, hereinafter defined, and used, (a) in the event the Series 2004 Bonds are issued on the Series 2004 Bonds Issuance Date, to redeem the Taxable Bonds, purchase the Series 2004 Bonds in accordance with the irrevocable instructions of the Taxable Bondholders, the proceeds of such Series 2004 Bonds to be used to refund on May 1, 2004, at a redemption price of 102% of par, plus accrued interest to May 1, 2004, the 1994 Bonds, maturing after May 1, 2004, which were previously issued by the District to refinance certain indebtedness incurred for the acquisition and construction of the System; or (b) in the event the Series 2004 Bonds are not issued on the Series 2004 Bonds Issuance Date, to purchase at maturity the Series 2003 C Bonds; (ii) to fund a debt service reserve fund for the Series 2004 Bonds; and (iii) to pay the costs of issuing the Bonds and certain other costs relating to the refunding.

Until March 1, 2004, the Taxable Bonds will be payable from United States Treasury obligations and/or a guaranteed investment agreement as described above, and from cash deposited with the Escrow Agent pursuant to the Escrow Agreement. If the Series 2004 Bonds are issued on the Series 2004 Bonds Issuance Date, amounts on deposit with the Escrow Agent will be delivered to the Paying Agent, which will in turn deliver such funds to the Underwriter, and, in accordance with irrevocable instructions by the District to the Paying Agent, the Underwriter will purchase on behalf of the Taxable Bondholders the Series 2004 Bonds and such proceeds will be applied to refund the 1994 Bonds and defease the lien of Series 1994 Resolution securing the 1994 Bonds. In the event the Series 2004 Bonds are not issued, the Series 2003 C Bonds shall be purchased on March 1, 2004, for purchase at a price of par plus accrued

interest to such date, such amounts payable from funds on deposit with the Escrow Agent, on the terms and conditions described in the Escrow Agreement.

If the Series 2004 Bonds are issued, the Bond Commission will cause to be given notice of the call for redemption prior to maturity of the 1994 Bonds designated for prior redemption on May 1, 2004, as described above, and the Escrow Agent will disburse from the Escrow Fund to the West Virginia Municipal Bond Commission such amounts as shall be necessary to pay the redemption price thereof. The Escrow Agent will also disburse to the Paying Agent funds from the Escrow Fund in accordance with the terms of the Escrow Agreement funds to provide for the debt service requirements for the Taxable Bonds through March 1, 2004.

Sources and Uses of Funds (1)

Series 2003 C and D Bonds

Sources of Funds:	
Principal Amount of Series 2003 Bonds	\$2,620,000.00
Accrued Interest	<u>2,183.34</u>
Total Sources	\$2,622,183.34
Uses of Funds:	
Escrow Fund (2)	\$2,426,407.37
Capitalized Interest	55,580.93
Underwriter's Discount	85,150.00
Costs of Issuance (3)	52,861.70
Debt Service Fund	<u>2,183.34</u>
Total Uses	\$2,622,183.34

Series 2004 A Bonds, When, As and If Issued

Sources of Funds	
Series 2004 A	\$2,620,000.00
Debt Service Reserve Fund (Series 1994) (4)	<u>262,225.00</u>
Total Sources	\$2,882,225.00
Uses of Funds	
Par Amount of Bonds to Call (1994)	\$2,405,000.00
Call Premium	48,100.00
Debt Service Reserve Fund (Series 2004 A)	240,000.00
Redeem Series 2003 D	185,000.00
Contingency	<u>4,125.00</u>
Total Uses	\$2,882,225.00

- (1) This table assumes that the Series 2004 Bonds will be issued on the Series 2004 Bonds Issuance Date. If the Series 2004 Bonds are not issued on the Series 2004 Bonds Issuance Date, the Series 2003 C Bonds shall be subject to mandatory tender to the Paying Agent on March 1, 2004, at a price of par plus accrued interest to such date, such amounts payable from funds on deposit with the Escrow Agent.
- (2) The amount set forth in the Escrow Agreement as required, together with the income thereon, to effect the payment of debt service on the Taxable Bonds until March 1, 2004, and, on March 1, 2004, to pay the redemption/tender price of the Taxable Bonds as described above. Redemption of the Series 2003 D Bonds will occur through the exchange of such bonds for an equal principal amount of the Series 2004 Bonds.
- (3) Includes legal and financing fees, printing costs and other miscellaneous expenses relating to the issuance of the Taxable Bonds and, when as and if issued, the Series 2004 Bonds.
- (4) Includes moneys held by the Bond Commission in the existing Series 1994 Bonds Sinking Fund and Reserve Account therein.

THE BONDS

General

The Taxable Bonds are dated and bear interest from September 1, 2003, upon original issuance. The Series 2004 Bonds, when as and if issued, shall be dated and shall bear interest from March 1, 2004. After original issuance, any Taxable Bonds issued prior to the first interest payment will be dated September 1, 2003, and any Series 2004 Bond issued prior to the first interest payment will be dated March 1, 2004. Any Series 2003/2004 Bond issued in exchange on or subsequent to said first interest payment date will be dated as of the interest payment date next preceding the date of authentication thereof; unless the date of authentication is an interest payment date on which interest on said Series 2003/2004 Bond shall have been paid in full or duly provided for, in which case said Series 2003/2004 Bond shall be dated such date of authentication; or unless, as shown by the records of the Registrar, as defined below, interest on such Series 2003/2004 Bond shall be in default, in which case any Series 2003/2004 Bond issued in exchange for a Series 2003/2004 Bond surrendered for transfer or exchange shall be dated as of the date to which interest has been paid in full. The Series 2003 C Bonds will bear interest from their date, payable on May 1, 2004, upon original issuance and each November 1 and May 1 thereafter (subject to redemption on March 1, 2004), at the rate of 3% per annum and will mature on May 1, 2020, and in the amounts set forth on the cover page of this Official Statement. The Series 2003 D Bonds will bear interest payable on May 1, 2004, and each November 1 and May 1 thereafter (subject to redemption on March 1, 2004, in the event of the issuance of the Series 2004 Bonds), at the rate of 3% per annum and will mature on May 1, 2009, and in the amount set forth on the cover page of this Official Statement. If issued on the Series 2004 Bonds Issuance Date, the Series 2004 Bonds will bear interest from their date, payable semiannually on each May 1 and November 1, commencing May 1, 2004, upon original issuance, at the rates per annum and will mature on the dates and in the amounts set forth on the cover page of this Official Statement.

The Series 2003/2004 Bonds will be issued as fully registered bonds without coupons in denominations of \$5,000 and integral multiples thereof for any year of maturity. The Series 2003/2004 Bonds initially shall be maintained under a book-entry system; Beneficial Owners shall have no right to receive physical possession of the Series 2003/2004 Bonds and payments of principal or redemption price of and interest on the Series 2003/2004 Bonds will be made as described herein under "BOOK-ENTRY ONLY SYSTEM." if the book-entry system is discontinued, interest on the Series 2003/2004 Bonds will be payable by check or draft made payable and mailed to the owners thereof at the addresses appearing in the books kept by the Registrar as of the 15th day of the month preceding such interest payment date or, in the event of a default in the payment of the Series 2003/2004 Bonds, that special record date to be fixed by the Registrar by notice given to the owners not less than 10 days prior to said special record date (the "Record Date"). If the book-entry system is discontinued, principal of and premium, if any, on the Series 2003/2004 Bonds will be payable to the owner thereof upon surrender thereof at the principal corporate trust department office of the Paying Agent.

So long as the Series 2003/2004 Bonds are maintained under a book-entry system, transfers of ownership interests in the Series 2003/2004 Bonds will be made as described herein under "BOOK--ENTRY ONLY SYSTEM." If the book-entry system is discontinued, ownership of any Series 2003/2004 Bond may be transferred upon surrender thereof to the Registrar, together with a written instrument of transfer satisfactory to the Registrar, duly executed by the registered owner or his duly authorized attorney or legal representative. Upon any such transfer of a Series 2003/2004 Bond, there will be issued another Series 2003/2004 Bond or Series 2003/2004 Bonds, at the option of the transferee, of the same aggregate principal amount, series, maturity and interest rate as said Series 2003/2004 Bond. For every exchange or transfer of Series 2003/2004 Bonds, the Registrar may make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer. Any service charge of the Registrar and any applicable tax or other governmental charge shall be paid by the District.

Issuance of *Series 2004 Bonds*

Irrevocable Agreement to Purchase Series 2004 Bonds. By its purchase of the Taxable Bonds, each Taxable Bonds Bondholder shall unconditionally and irrevocably agree, upon the authentication and issuance of the Series 2004 Bonds in accordance with the provisions of the Resolution and delivery of the Series 2004 Bond Counsel Opinion as provided in the Resolution, and in substantially the form attached as Appendix B hereto, on March 1, 2004 (the "Series 2004 Bonds Issuance Date"), to purchase on such date Series 2004 Bonds in a principal amount equal to the then Outstanding principal amount of its Taxable Bonds at a purchase price equal to the principal amount thereof (the "Series 2004 Bond Purchase Price"). In the Resolution, each Taxable Bonds Bondholder, by its purchase of the Taxable Bonds, 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 Taxable Bonds redeemed pursuant to the special mandatory redemption provisions of the Taxable Bonds (see "THE BONDS -- Redemption -- Special Mandatory Redemption of Taxable Bonds" below), to the Paying Agent for the Taxable Bonds, which, in turn, will transfer such amounts to the Underwriter, which will purchase from the District said amount of Series 2004 Bonds on behalf of the Taxable Bonds Bondholder, all for the purpose of satisfying the Taxable Bonds Bondholder's obligation to purchase Series 2004 Bonds. Such purchase shall be made by the Underwriter on behalf of the Taxable Bonds Bondholder (unless enjoined by a court of competent

jurisdiction in the event of a bankruptcy or insolvency of a Taxable Bonds Bondholder or due to other similar circumstances) automatically and without the necessity of any further action on the part of each Taxable Bonds Bondholder. Each Taxable Bonds Bondholder, by its purchase of the Taxable Bonds, pledges to the Escrow Agent/Paying Agent the proceeds of the redemption of the Taxable Bonds held by such Bondholder to be applied to the purchase by the Underwriter of a like amount of Series 2004 Bonds on behalf of and for the account of such Taxable Bonds Bondholder.

Each Taxable Bonds Bondholder, by its purchase of the Taxable Bonds, is deemed under the Resolution 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 acknowledgement, acceptance, signature or receipt of a copy of the Resolution by such Taxable Bonds Bondholder.

Certain Agreements of District with Respect to Series 2004 Bonds. In accordance with and subject to the terms of the Resolution, the District agrees to issue and sell the Series 2004 Bonds on the Series 2004 Bonds Issuance Date, at the Series 2004 Bonds Purchase Price to the Taxable Bonds Bondholders as their names appear, as of the Series 2004 Bonds Issuance Date, on the Bond Register maintained by the Paying Agent. The District agrees in the Resolution to take all action lawful within its control, if any, which may be required between the date of the Resolution and the Series 2004 Bonds Issuance Date to validly issue the Series 2004 Bonds with the Series 2004 Bond Counsel Opinion, in substantially the form attached hereto as Appendix B, on the Series 2004 Bonds Issuance Date upon payment of the Series 2004 Bond Purchase Price. To that end, the District covenants and agrees in the Resolution 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 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 Bonds, regulations, proposed regulations or rulings of administrative agencies occurring or in effect on or prior to the Series 2004 Bonds Issuance Date which relate solely to the state income tax treatment of interest on the Series 2004 Bonds or the federal income tax treatment of the Series 2004 Bonds (including any changes which indicate that interest on the Series 2004 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 Bonds in the gross income of the holders thereof (except with respect to the application of any alternative minimum tax provisions of the Code), the District will nonetheless be obligated to issue the Series 2004 Bonds with the Series 2004 Bond Counsel Opinion, as modified by Band Counsel to appropriately reflect the changes, and each Taxable Bonds Bondholder agrees in the Bond Purchase Agreement to accept and purchase with the redemption proceeds of its Taxable Bonds the Series 2004 Bonds bearing interest at the rate and containing the other terms and conditions provided for in the Resolution.

Notwithstanding the forgoing, the District will be relieved of its obligation to issue the Series 2004 Bonds and to obtain delivery of the Series 2004 Bond Counsel Opinion if there shall have been enacted, adopted, proposed, promulgated or endorsed after the date of the Resolution any provision 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 Bonds, the exclusion from gross income of interest on the Series 2004 Bonds for federal income tax purposes of the Internal

Revenue Code of 1986, as amended (the "Code"), or the District's obligations under applicable securities laws, and the District shall have determined in good faith that compliance therewith would impose a substantial and material economic or administrative burden on the District or otherwise substantially adversely affect the District; 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 District of its obligation to issue the Series 2004 Bonds. Any such determination made by the District will be conclusive, final and binding on the Taxable Bonds 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 Bonds are not issued on the Series 2004 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 payment of the Series 2003 C Bonds and the Series 2003 D Bonds will not be subject to redemption pursuant to the special mandatory redemption provisions of the Resolution and in such event, no Series 2004 Bonds will be issued and neither the Escrow Agent, the Paying Agent nor the District will have any liabilities to or be subject to any claim by any Taxable Bonds Bondholder, and each Taxable Bonds Bondholder by accepting Taxable Bonds agrees to such provisions.

Authorization of Series 2004 Bonds; Issuance and Delivery of the Series 2004 Bonds. Each Taxable Bonds Bondholder agrees in connection with his or her purchase of the Taxable Bonds to deposit with the Paying Agent (i) from the redemption proceeds of his or her Taxable Bonds on or before 10:00 a.m., Charleston, West Virginia time, on the Series 2004 Bonds Issuance Date, the Series 2004 Bonds Purchase Price with respect to the Series 2004 Bonds that such Taxable Bonds Bondholder is obligated to purchase, and (ii) the Taxable Bonds held by such Taxable Bonds Bondholder. Each Taxable Bonds Bondholder has appointed the Escrow Agent as its agent and attorney-in-fact for the purpose of effecting such payment from the redemption proceeds of the Taxable Bonds held by the Paying Agent on behalf of such Taxable Bonds Bondholder. By its purchase of the Taxable Bonds, each Taxable Bonds Bondholder pledges to the Escrow Agent/Paying Agent the proceeds of the redemption of the Taxable Bonds held by such Taxable Bonds Bondholder to be applied to the purchase by the Underwriter of a like amount of Series 2004 Bonds on behalf of and for the account of such Taxable Bonds Bondholder.

The Paying Agent is required under the Resolution to authenticate and deliver the Series 2004 Bonds to the order of the Taxable Bonds Bondholders entitled thereto, as described above (see "Irrevocable Agreement to Purchase Series 2004 Bonds"), but only upon the receipt of the Series 2004 Bond Counsel Opinion.

Upon satisfaction of the foregoing conditions to the issuance of the Series 2004 Bonds, the Paying Agent will deliver to the Escrow Agent a written certificate (the "First Delivery Certificate"):

- (i) stating that the foregoing conditions to issuance of the Series 2004 Bonds have been satisfied and that it therefore proposes to issue the Series 2004 Bonds;
- (ii) advising the Escrow Agent of the Taxable Bonds which are Outstanding and the holders of which are therefore obligated to purchase Series 2004 Bonds pursuant to the Resolution; and

(iii) advising the Escrow Agent that it is prepared to redeem each Taxable Bond pursuant to the special mandatory redemption provisions of the Resolution upon the purchase by the holder thereof of the corresponding Series 2004 Bond and that it is prepared to transfer the proceeds of such redemption to the Escrow Agent upon transfer by the Escrow Agent to the Paying Agent of the Series 2004 Bond Purchase Price.

In the event the Series 2004 Bonds are issued on the Series 2004 Bonds Issuance Date, the Paying Agent will transfer the funds as aforesaid to the Underwriter, which will automatically take steps to purchase the Series 2004 Bonds on behalf of each Taxable Bonds Bondholder without further direction, and each Taxable Bond shall be redeemed by the Paying Agent on the Series 2004 Bonds Issuance Date notwithstanding the failure of any Taxable Bonds Bondholder to present the Taxable Bonds owned by such Taxable Bonds Bondholder to the Paying Agent.

Within ten (10) Business Days following the issuance and delivery of the Series 2004 Bonds under the Resolution, in the event Series 2004 Bonds have been issued, the Paying Agent will mail to the persons who were Taxable Bonds Bondholders immediately prior to the Series 2004 Bonds Issuance Date by first class mail, postage prepaid, at the address of each Taxable Bonds Bondholder shown on the Bond Register whose Taxable Bond has been paid on its maturity date (in the case of the Series 2003 C Bonds) or redeemed under the mandatory redemption provisions of the Resolution (in the case of the Series 2003 D Bonds) and for whom a corresponding Series 2004 Bond has been purchased under the Resolution, a notice setting forth the information provided in the Resolution (see "THE BONDS - Redemption - - Notice of Redemption" below) with respect to the Taxable Bonds redeemed and advising such holder that upon the surrender of such holder's Taxable Bonds to the Paying Agent, the Paying Agent will deliver to such Taxable Bonds Bondholder the Series 2004 Bond purchased on its behalf. Such notice shall provide the address of the Paying Agent to which Taxable Bonds are to be presented.

In the event the foregoing conditions to the issuance of the Series 2004 Bonds are not satisfied, the Paying Agent shall deliver to the Escrow Agent a written certificate stating such and on the Series 2004 Bonds Issuance Date the Paying Agent will mail to the Taxable Bonds Bondholders by first class mail, postage prepaid, at the address of each Taxable Bonds Bondholder shown on the Bond Register, a notice stating that the Series 2004 Bonds were not issued on the Series 2004 Bonds Issuance Date and will not be issued under the Resolution, and that such Taxable Bonds Bondholders are no longer obligated to purchase such Series 2004 Bonds, that the Series 2003 C Bonds are no longer subject to redemption pursuant to the special mandatory redemption provisions of the Resolution, but are subject to mandatory tender for purchase by the Escrow Agent from funds and securities on deposit therewith at a price of par plus accrued interest to March 1, 2004, and that the Series 2003 D Bonds will remain outstanding in accordance with their terms. In such event, the Series 2003 C Bonds will be deemed paid on such date and shall no longer be outstanding.

Redemption

Optional Redemption

- A. The Taxable Bonds shall not be subject to optional redemption.

B. If issued, the Series 2004 Bonds shall be subject to optional redemption on or after May 1, 2009 at par.

Mandatory Sinking Fund Redemption

A. The Series 2003 C Bonds maturing May 1, 2009, 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 of par plus accrued interest to the date fixed for redemption as follows:

Year (May1)	Principal Amount
2005	\$100,000
2006	100,000
2007	100,000
2008	105,000
2009	105,000*

B. The Series 2003 C Bonds maturing May 1, 2017, 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 of par plus accrued interest to the date fixed for redemption as follows:

Year (May1)	Principal Amount
2016	\$165,000
2017	175,000*

C. The Series 2003 C Bonds maturing 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 of par plus accrued interest to the date fixed for redemption as follows:

Year (May1)	Principal Amount
2018	\$190,000
2019	205,000
2020	220,000*

D. The Series 2003 D Bonds maturing May 1, 2009, shall be subject to mandatory sinking fund redemption on May 1, in the years and amounts (with the Series 2003 D Bonds to be redeemed being selected by lot) and at the price of par plus accrued interest to the date fixed for redemption as follows:

Year (Mar)	Principal Amount
2005	\$ 35,000
2006	35,000
2007	35,000
2008	40,000
2009	40,000*

E. If issued, the Series 2004 Bonds maturing May 1, 2009, shall be subject to mandatory sinking fund redemption on May 1, in the years and amounts (with the Series 2004 Bonds to be redeemed being selected by lot) and at the price of par plus accrued interest to the date fixed for redemption as follows:

Year (May 1)	Principal Amount
2005	\$135,000
2006	135,000
2007	135,000
2008	145,000
2009	145,000*

F. If issued, the Series 2004 Bonds maturing May 1, 2017, shall be subject to mandatory sinking fund redemption on May 1, in the years and amounts (with the Series 2004 Bonds to be redeemed being selected by lot) and at the price of par plus accrued interest to the date fixed for redemption as follows:

Year (May 1)	Principal Amount
2016	\$165,000
2017	175,000*

G. If issued, the Series 2004 Bonds maturing May 1, 2020, shall be subject to mandatory sinking fund redemption on May 1, in the years and amounts (with the Series 2004 Bonds to be redeemed being selected by lot) and at the price of par plus accrued interest to the date fixed for redemption as follows:

<u>Year</u> <u>(May 1)</u>	<u>Principal</u> <u>Amount</u>
2018	\$190,000
2019	205,000
2020	220,000*

*Final Maturity

Mandatory Redemption of Taxable Bonds

Upon the satisfaction of the conditions set forth in the Resolution for the issuance of the Series 2004 Bonds, and upon the performance by the Escrow Agent, on behalf of each Taxable Bonds Bondholder of such Taxable Bonds Bondholder's obligation to purchase Series 2004 Bonds in an amount equal to the then Outstanding principal amount of such Taxable Bonds Bondholder's Taxable Bonds, each Taxable Bond with respect to which the foregoing conditions have been satisfied shall be subject to mandatory redemption on the Series 2004 Bonds Issuance Date, without notice, at a price equal to the principal amount thereof, plus accrued interest thereon to and including the date fixed for redemption. With respect to the Series 2003 D Bonds, the redemption price may be satisfied by the issuance of a like amount of the Series 2004 Bonds. In the event the conditions set forth in the Resolution for the issuance of the Series 2004 Bonds are satisfied, but the Escrow Agent is prevented by a court of competent jurisdiction from performing on behalf of a Taxable Bonds Bondholder its obligation to purchase a corresponding amount of Series 2004 Bonds, as set forth above, then the Series 2003 C Bonds shall not be subject to mandatory redemption and will instead be subject to mandatory tender as described below.

Mandatory Tender of Taxable Bonds

In the event the Series 2004 Bonds are not issued on the Series 2004 Bonds Issuance Date, the Series 2003 C Bonds, other than accrued interest, 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 March 1, 2004. The Series 2003 C Bonds shall be deemed paid in such event and will no longer be outstanding.

Manner of Redemption and Tender

With respect to mandatory redemption of the Taxable Bonds, within ten (10) Business Days following the issuance and delivery of the Series 2004 Bonds under the Resolution, in the event Series 2004 Bonds have been issued, the Paying Agent will mail to the persons who were Taxable Bonds Bondholders immediately prior to the Series 2004 Bonds Issuance Date by first class mail, postage prepaid, at the address of each Taxable Bonds Bondholder shown on the Bond Register whose Taxable Bonds have been redeemed under the mandatory redemption provisions of the Resolution and for whom a corresponding Series 2004 Bond has been purchased under the Resolution, a notice setting forth the information provided in the Resolution with respect to the Taxable Bonds redeemed and advising such holder that upon the surrender of such holder's Taxable

Bonds to the Paying Agent, the Paying Agent will deliver to such Taxable Bonds Bondholder the Series 2004 Bond purchased on its behalf. Such notice shall provide the address of the Paying Agent to which Taxable Bonds are to be presented.

With respect to the Series 2003 C Bonds, in the event the Series 2004 Bonds are not issued on the Series 2004 Bonds Issuance Date, the Paying Agent shall deliver to the Escrow Agent a written certificate stating such and on the Series 2004 Bonds Issuance Date the Paying Agent will mail to the Series 2003 C Bonds Bondholders by first class mail, postage prepaid, at the address of each Series 2003 C Bonds Bondholder shown on the Bond Register, a notice stating that the Series 2004 Bonds were not issued on the Series 2004 Bonds Issuance Date and will not be issued under the Resolution, and that such Series 2003 C Bonds Bondholders are no longer obligated to purchase such Series 2004 Bonds and that the Series 2003 C Bonds are subject to payment by the Escrow Agent from funds and securities on deposit therewith at a price of par plus accrued interest to March 1, 2004, the maturity date of such Series 2003 C Bonds.

Notice of Redemption

Except as provided elsewhere herein in connection with mandatory redemption and tender of the Taxable Bonds, so long as the Series 2003/2004 Bonds are maintained under a book-entry system, notice of the call for any redemption of the Series 2003/2004 Bonds shall be given as described below under "BOOK-ENTRY ONLY SYSTEM." At any other time, notice to the registered owner of any redemption shall be given by the Registrar not less than 30 nor more than 60 days prior to the date fixed for redemption by first class mail at the address appearing in the Register. Failure to receive such notice or any defect in the mailing thereof shall not affect the validity of any proceedings for the redemption of the Series 2003/2004 Bonds; and failure to mail such notice shall not affect the validity of any such proceedings for any Series 2003/2004 Bond with respect to which no such failure has occurred. Notice of redemption having been given in the manner hereinabove and in the Resolution described and moneys necessary therefor having been deposited the Series 2003/2004 Bonds specified in such notice shall on the date fixed for redemption be deemed paid, and interest thereon shall cease to accrue.

BOOK-ENTRY ONLY SYSTEM

The information in this section has been obtained from sources that the District and the Underwriter believe to be reliable, but neither the District nor the Underwriter take any responsibility for the accuracy thereof.

The Depository Trust Company

I. The Depository Trust Company ("DTC"), New York, NY, will act as Series 2003/2004 Bonds depository for the Taxable Bonds. The Series 2003/2004 Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond will be issued for each maturity of the Series 2003/2004 Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

2. DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of the Series 2003/2004 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2003/2004 Bonds on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2003/2004 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2003/2004 Bonds, except in the event that use of the book-entry system for the Series 2003/2004 Bonds is discontinued.

4. To facilitate subsequent transfers, all Series 2003/2004 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2003/2004 Bonds with DTC and their registration in the name of Cede & Co., or such other DTC nominee, do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2003/2004 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2003/2004 Bonds are credited,

which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2003/2004 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2003/2004 Bonds, such as redemptions, defaults, and proposed amendments to the bond documents. For example, Beneficial Owners of the Series 2003/2004 Bonds may wish to ascertain that the nominee holding the Series 2003/2004 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Series 2003/2004 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2003/2004 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2003/2004 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption payments on the Series 2003/2004 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with the Series 2003/2004 Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC [nor its nominee] or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Series 2003/2004 Bonds at any time by giving reasonable notice to the District. Under such circumstances, in the event that a successor depository is not obtained, bonds are required to be printed and delivered.

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

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

ADDITIONAL SECURITY FOR THE BONDS

The Series 2003/2004 Bonds are special obligations of the District and are payable as to principal, premium, if any, and interest solely from the sources described below. The District is under no obligation to pay the Series 2003/2004 Bonds except from said sources.

Sources of Payment

The payment of the debt service on the Taxable Bonds until March 1, 2004, shall be made from funds on deposit with the Escrow Agent in accordance with the Escrow Agreement as described above. In the event the Series 2004 Bonds are not issued, the Prior Bonds shall continue to be secured forthwith equally and ratably by a first lien on and pledge of the Net Revenues derived from the System and the funds on deposit in the Prior Bonds Sinking Fund and the Prior Bonds Reserve Account therein and the Series 2003 D Bonds shall be secured from March 1, 2004 forward, equally and ratably by a first lien on and pledge of the Net Revenues of the System. In the event the Series 2004 Bonds are issued, the Series 2004 Bonds shall be secured forthwith equally and ratably by a first lien on and pledge of Net Revenues derived from the System and the funds on deposit in the respective Sinking Funds and Reserve Accounts, if any, therein. Net Revenues derived from the System in an amount sufficient to pay the principal of, premium, if any, and interest on the respective Bonds and to make the payments into the respective Sinking Funds and all other payments provided for in the Resolution, and the funds in the respective Sinking Funds and the Reserve Accounts therein are irrevocably pledged to the payment of the principal of, premium, if any, and interest on the respective Bonds as the same become due and for the other purposes provided in the Resolution.

Rate Covenant

The District has covenanted and agreed in the Resolution to establish and collect just and equitable rates and charges for the use of the System and the services rendered thereby as will produce for each fiscal year Net Revenues, as defined in the Resolution and hereinafter, equal to at least 115% of the maximum amount required in any year to pay the principal of and interest on all obligations secured by a lien on or payable from Net Revenues prior to or on a parity with the Prior Bonds and, when, as and if issued, the Series 2004 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 Bond Reserves Account and the Reserve Accounts for obligations on a parity with the Prior Bonds and, when, as and if issued, the Series 2004 Bonds, are funded at least at the requirement, 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 Prior Bonds and, when, as and if issued, the

Series 2004 Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Prior Bonds and, when, as and if issued, the Series 2004 Bonds.

The District further covenants and agrees that it will, to the extent or in the manner authorized by law, immediately adjust and increase its rates to provide funds sufficient to comply with the aforementioned rate covenant.

Series 2004 Bonds Reserve Account

If the Series 2004 Bonds are issued, 262,225.00 shall be transferred from the Reserve Account established under the Series 1994 Resolution to the Series 2004 Bonds Reserve Account (the "Series 2004 Bonds Reserve Requirement_". In the event funds in the Revenue Fund are insufficient to pay the principal of and/or interest on the Series 2004 Bonds, the Bond Commission shall withdraw and transfer to the Series 2004 Bonds Sinking Fund sufficient amounts to make payments of principal of and/or interest on the Series 2004 Bonds as the same becomes due from cash on deposit in the Series 2004 Bonds Reserve Account.

In the event of a transfer from the Series 2004 Bonds Reserve Account to the Series 2004 Bonds Sinking Fund as aforesaid, the District shall replenish the Series 2004 Bonds Reserve Account through twelve (12) equal monthly payments.

Application of Revenues

All Gross Revenues are to be deposited in the Revenue Fund established with First State Bank of Barboursville, as the depository bank (the "Depository Bank"), for disposition in the following order of priority; first, for use by the District for the Operating Expenses of the System; second, (a) for monthly deposit in the respective Sinking Funds established with the Bond Commission, the amounts required to pay principal and interest on the Prior Bonds, and (b) if the Series 2004 Bonds are issued, for monthly deposit in the Sinking Fund established with the Bond Commission, (i) of a sum equal to 1/16 of the amount of interest which will become due on the Series 2004 Bonds on the next ensuing semiannual interest payment date (beginning May 1, 2004 with respect to the Series 2004 Bonds), on parity with the Prior Bonds, with appropriate modification in the fraction of the amount of interest to be deposited monthly prior to the first interest payment date), and (ii) beginning thirteen months prior to the next succeeding principal payment date or mandatory redemption date, of a sum equal to 1/12 of the amount of principal which will mature or be redeemed and become due on the Series 2004 Bonds on the next ensuing principal payment date or mandatory redemption date; third, (a) for deposit in the respective Reserve Accounts established with the Bond Commission the amounts required by the Prior Bonds' Resolutions, and (b) for restoration of any deficiency in the funding of the Series 2004 Bonds Reserve Account; and fourth, for monthly transfer to the Depreciation Fund, beginning with the first month following delivery of the Series 2004 Bonds, of a sum equal to two and one-half percent (2 1/2%) of Gross Revenues (excluding payments to any Reserve Account). Excess moneys on deposit in the Revenue Fund in any given month may be used solely for the lawful purpose of the System.

In the event the Series 2004 Bonds are not issued, the Series 2003 C Bonds shall be subject to mandatory tender from funds and securities on deposit with the Escrow Agent. In such event, the

Series 2003 D Bonds will remain outstanding and shall be payable on parity with the Prior Bonds as described above.

Enforcement of Collections

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

Additional Parity Bonds

The Resolution provides that the District may, prior to the issuance of the Series 2004 Bonds, issue additional bonds on a parity with the Prior Bonds and, when, as and if issued, the Series 2004 Bonds, or, in the event the Series 2004 Bonds are not issued, the Series 2003 D Bonds, the Series 1994 Bonds and the Prior Bonds, with respect to their lien on the Net Revenues of the System (the "additional parity bonds") for the following purposes and under the following conditions:

No such additional parity bonds shall be issued except for the purposes of financing the costs of the acquisition and construction of additions, betterments or improvements to the System, refunding all or a portion of the Bonds issued pursuant hereto, or both of such purposes.

No such additional parity bonds shall be issued at any time, however, unless and until there has been procured and filed with the Public Service Board of the District a written statement by an Independent Certified Accountant, 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, if any, shall not be less than 115% of the maximum annual debt service on the following:

- (1) The Bonds then Outstanding (other than the Taxable Bonds) prior to March 1, 2004;
- (2) Any additional parity bonds theretofore issued pursuant to the provisions contained in the Resolution then Outstanding; and
- (3) The additional parity bonds then proposed to be issued.

The "increased annual Net Revenues 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 enacted by the District and approved by the Public Service

Commission, the time for appeal of which shall have expired (without successful appeal) prior to the date of issuance of such additional parity bonds, and shall not exceed the amount to be stated in the aforementioned certificate of the Independent Certified Accountant, which shall be filed in the office of the Public Service Board prior to the issuance of such additional parity bonds.

All covenants and other provisions of the Resolution (except as to details of such additional parity bonds inconsistent herewith) shall be for the equal benefit, protection and security of the Holders of the Series 2004 Bonds and the Holders of any additional parity bonds theretofore or subsequently issued from time to time within the limitations of and in compliance herewith. All the Bonds, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the Net Revenues of the System, and their source of and security for payment from the Net Revenues, without preference of any Bond over any other. The District shall comply fully with all the increased payments into the various funds and accounts created in the Resolution required for and on account of such additional parity bonds, in addition to the payments required for Bonds theretofore issued pursuant to the Resolution.

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

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

PEA RIDGE PUBLIC SERVICE DISTRICT AND CABELL COUNTY, WEST VIRGINIA

Cabell County, comprised of some 286 square miles in the extreme western part of West Virginia, was founded in 1809 and named to honor William H. Cabell, who served as Governor of Virginia from 1805 to 1808. While Barboursville originally served as the County Seat, it was moved to Huntington in 1887.

The City of Huntington, founded in 1870 by railroad magnate Collis P. Huntington and chartered by the legislature in 1871, is located in the heart of the Tri-State region of West Virginia, Ohio, and Kentucky. This area is approximately halfway between Pittsburgh, PA and Louisville, KY along a strategic east-west corridor.

Huntington is the center of a metropolitan statistical area ("MSA") with a population of 313,930 (according to the US Census, 2001). The Huntington MSA is a diversified economy of manufacturing, service and agriculture and includes Cabell and Wayne Counties, West Virginia, Boyd, Carter and Greenup Counties, Kentucky, and Lawrence County, Ohio. Huntington is

approximately 45 miles west of Charleston, the capital of West Virginia, 128 miles east of Lexington, Kentucky, and 140 miles southeast of Columbus, Ohio.

Huntington is one of the largest cities in West Virginia and serves as the principal trading center and shipping port for the coal fields of southwest West Virginia and eastern Kentucky. It is the center for quality hand blown and handcrafted glassware. Its economy is supported also by the chemical industry, electrical products, nickel, wood products, paint, and dyes.

The Barboursville area, located near the junction of the Mud and Guyandotte Rivers, was a crossroads for Shawnee Indians. Hunting plentiful game and mining the salt near Salt Rock, West Virginia, they established early, well-used trails. In 1813, an act of the General Assembly established the Village of Barboursville of 339 people. Barboursville served as the center of political activity until after the Civil War and the completion of the C&O Railroad to Huntington.

In 1888, the Cabell County records, ledgers, paper and books were moved to Huntington ending Barboursville's 75 years as the County Seat. In 1930, Route 60 bypassed the village and with river rail business disappearing, Barboursville became a quiet, residential setting of historic homes. Today, Barboursville is a thriving community with large retail developments including state's largest shopping mall.

Age and Sex

Male	46,229
Female	50,555
Ages 14 and Below	16,030
Ages 15 to 19	7,163
Ages 20 to 24	9,314
Ages 25 to 34	12,727
Ages 35 to 44	13,176
Ages 45 to 54	13,375
Ages 55 to 64	9,500
Ages 65 and Older	15,499
Median Age	37.5

Race

White	90,370
Black or African American	4,150
American Indian & Alaska Native	174
Asian	749
Native Hawaiian & Other Pacific	38
Some other race	196
Two or More Races	1,107

Population by Decades

Date	Population	Population Change	Annual % Change
1900	29,252	-	-
1910	46,685	17,433	4.8
1920	65,746	19,061	3.5
1930	90,786	25,040	3.3
1940	97,459	6,673	0.7
1950	108,035	10,576	1.0
1960	108,202	167	0.0
1970	106,918	-1,284	-0.1

1980	106,835	-83	0.0
1990	96,827	-10,008	-1.0
2000	96,784	-43	0.0

Source: The Real Estate Center

Housing

Housing prices vary within the region. The average price of a home sold last year by multiple listing service is as follows:

Charleston: \$120,000

Huntington: \$82,500

Putnam County: \$143,500

Ashland, Kentucky: \$96,000

Source: Advantage Valley

Total Households	41,180
Family Households	25,474
Non-Family Households	15,706
Persons 65 and Over, Living Alone	11,223
Average Household Size	2.27
Total Housing Units	45,615
Occupied Housing Units	41,810
Owner Occupied Units	26,591
Rented Occupied Units	14,589

Source: Bureau of Employment Programs

Top Ten Major Employers **Huntington**

Company	Service	# of Employees
CSX Huntington Division	Railroad	3,400
St. Mary's Hospital	Healthcare	2,000
Marshall University	Higher Education	2,000
Cabell Huntington Hospital	Healthcare	1,500
Applied Card Systems	Credit Card Processing	1,000
Special Metals	Alloy Metal Manufacturing	950
Alcon Surgical, Incorporated	Surgical Lens Manufacturing	550
Steel of West Virginia	Steel Manufacturer	477
Army Corps of Engineers	Federal Government	450
TeleSpectrum	Teleservice	400

Source: Huntington Area Development Council

Employment and Unemployment Statistics - Annual Averages

The table below indicates employment and unemployment statistics for Cabell County, Huntington MSA, and the state of West Virginia for the past five years.

Huntington MSA	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Civilian Labor Force	137,800	136,800	139,000	138,000	138,600
Total Employment	128,400	128,000	129,600	129,900	129,900
Total Unemployment	9,500	8,800	9,400	8,100	8,600
Unemployment Rate	6.9	6.4	6.8	5.9	6.2

Source: WV Bureau of Employment Programs

Cabell County	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Civilian Labor Force	43,280	42,490	43,430	43,600	44,070
Total Employment	40,840	40,280	41,190	41,570	42,010
Total Unemployment	2,440	2,210	2,240	2,030	2,060
Unemployment Rate	5.6	5.2	5.2	4.6	4.6

Source: WV Bureau of Employment Programs

Employment and Wages Covered by Unemployment Compensation Programs

Employment Annual Average (2000)	51,525
Total Wages, Annual (2000)	\$1,363,995,508
Annual Wage, Average (2000)	\$26,472
Weekly Wage, Annual Average	\$509.09

Source: WV Bureau of Employment Programs

Communications

Newspaper: The City of Huntington is served by only one newspaper, *The Herald Dispatch*. The paper's weekly subscriber circulation is 37,174 and the Sunday edition is slightly over 40,000. Marshall University has one campus paper, the *Parthenon*.

Television: The Huntington region has access to 4 television stations, which include WSAZ, WOWK, WCHS, and WVAH. Cable is provided by Triax and Adelphia.

Radio: A total of 17 radio stations can be found in the Huntington area.

Utilities and Services

Electricity: American Electric Power

Natural Gas: Mountaineer Gas Company, Columbia Gas Transmission, and Southern Public Service Gas

Water: West Virginia American Water Company

Telephone: Verizon

Transportation

Huntington and Cabell County are served by a diverse transportation system. Cabell County is served by U.S. Interstate 64, U.S. Highway 52 and U.S. Highway 60, and State Highways 2,10,152 and 527. Cabell County's railroad transportation is provided by Amtrak and CSX. The Huntington Tri-State Airport is located approximately ten miles west of Huntington. USAir is the major airline providing service to Huntington, with commuter service provided by Comair. The Ohio River extends the accessibility of the Huntington MSA from Pittsburgh, Pennsylvania to Cairo, Illinois.

Education

Marshall University, located in the Huntington MSA, with its nearly 16,000 students, offers a full range of educational, cultural and athletic opportunities. The Marshall School of Medicine and several major hospitals have long contributed to Huntington's reputation as a regional health care center. The Marshall University Community College provides programs of study, which are occupational-technical in nature and are developed with the cooperation of local businesses and industry.

Public Schools

Grades - PK-12

Number of Students - 12,235

Number of Schools - 31

Cabell County Public School System consists of 2 high schools, 1 alternative school, 1 technology school (Cabell County Career Technology School), 7 middle schools and 20 elementary schools. In the 1999-2000 school year, Cabell County graduated 888 high school students.

The following table gives some insight into the level of staffing in this district.

	<i>Total #s'</i>	<i>Students Per StaffMember</i>	<i>State Average</i>
<i>Teachers</i>	864.5	14.5	14.1
<i>Industrial Aides</i>	124.0	98.7	95.0
<i>Guidance Counselors</i>	26.0	470.6	451.9
<i>Librarians/Media Specialists</i>	10.5	1165.2	886.3
<i>District-Level Administrators</i>	19.0	643.9	1083.2
<i>School-Level Administrators</i>	40.0	305.9	274.9

Source' National Center for Educational Statistics, 2002

Activities

Parks:

April Dawn Park
 Altizer Park
 Barboursville Community Park
 Harris Riverfront Park
 Memorial Park and Arch

Recreation:

Ritter Park
 Rotary Park
 Virginia Point Park
 Westmoreland Park

Performing Arts:

The Marshall Artists Series
 The Huntington Chamber Orchestra and Symphonic Band
 Mountain State Murder Mystery
 Greater Huntington Park and
 Huntington Outdoor Theater
 Marshall University Theater
 Huntington Dance Theater Company

Attractions:

Benjy's Harley-Davidson Motorcycle Museum
 Blenko Glass Company
 Birke Art Gallery
 Camden Park
 Heritage Farm Museum & Village
 Huntington Museum of Art
 Jenkins Plantation
 Madie Carroll House

Museum of Radio and Technology

Other:

Cam Henderson Center
Marshall Stadium
Veterans Memorial Field

Medical

Hospitals	5	Beds	1,030
Doctors	422	Dentists	54

Climate

Temperature (Degrees F) Mean Annual Average: 55
January Averages: High: 41 Low: 23
July Averages: High: 84 Low: 65
Long Term Precipitation (inches):
January 2.83 July 4.65 Annual 41.5
Mean Annual Snowfall Range (inches): 20-30

SEWER SYSTEM

The District was created on April 3, 1957, by order of the Cabell County Commission. Currently, the District serves 3,960 customers and a population of approximately 8,120 in the East and West Pea Ridge areas stretching along Route 60 to Huntington, WV.

Sewer Service

The District was issued Permit No. WV0027413 by the State of West Virginia Division of Environmental Protection on August 20, 1999, to operate and maintain three wastewater and collection systems

Former Ohio River PSD Collection System

A wastewater collection system comprised of approximately 740 linear feet of six (6) inch gravity sewer lines, 5,500 linear feet of eight (8) inch gravity line, 20 manholes, necessary cleanouts, two (2) lift stations, 100 linear feet of one and one half (1 'A) inch force main, 2,500 linear feet of three (3) inch force main, and all requisite appurtenances.

These facilities serve an estimated 400 people and convey wastewater to the City of Huntington's collection and treatment system for ultimate treatment and discharge to the Ohio River.

Plant "A" Collection and Treatment System

The existing 850,000 gallon per day wastewater collection and treatment system consists of approximately 14,100 linear feet of six (6) inch gravity sewer line, 75,700 feet of eight (8) inch gravity sewer line, 13,700 linear feet of ten (10) inch gravity sewer line, 3,800 linear feet of twelve (12) inch gravity sewer line, 457 manholes, 12 cleanouts, 14 lift stations, 600 linear feet of two (2) inch force main, 8,500 linear feet of six (6) inch force main, 5,700 linear feet of eight (8) inch diameter 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 unit, 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 people in the eastern portion of the 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 10,400 linear feet of six (6) inch gravity sewer line, 40,400 linear feet of eight (8) inch gravity sewer line, 2,300 linear feet of ten (10) inch gravity sewer line, 207 manholes, five (5) lift stations, 3,000 linear feet of two (2) inch force main, 640 linear feet of four (4) inch force main, 2,100 linear feet of six (6) inch force main, and a 364,000 gallon per day treatment facility consisting of four (4) 69,800 gallon aeration tanks, four (4) 15,000 rectangular clarifiers, ultraviolet disinfection units, an 8,500 gallon aerated sludge holding tank, and all necessary appurtenances.

This facility is designed to serve a population equivalent to 3,640 people in the western portion of the District and discharge treated wastewater through Outlet No. 002 to the Guyandotte River and Mile Point 2.8

Sewer Usage

<u>Year Ended</u> <u>June 30</u>	<u>Total</u> <u>Gallons</u>
2002	283,777,500
2001	245,685,000
2000	262,222,500
1999	230,443,200

Customers

<u>Year Ended</u> <u>June 30</u>	<u>Total</u>
2002	3,960

2001	3,100
2000	3,001
1999	3,301
1998	3,202

Major Users (Projected for 2002-2003)

	<u>Customer</u>	<u>Consumption (gallons)</u>	<u>Revenues</u>
1	Forrest Bluff LDD	5,615,000	\$28,152
2	Golden Corral	5,464,350	\$25,015
3	Guyan Country Club	4,104,225	\$18,831
4	Red Roof Inn	3,144,675	\$14,471
5	Days Inn	2,763,523	\$12,737

District Personnel

The District employs a total of 11 full-time employees. The senior managers of the district include Richardina Foster, General Manager, with 6 years of experience, Sue Myers, Office Manager, with 4 years of experience and Richard Seacrest, Field Supervisor, with 15 years of experience.

Future Expansion and Upgrades

The District is currently overseeing the addition of and replacement of approximately 16 miles of 1.5 inch through 10 inch mains, construction of 8 new duplex submersible lift stations, upgrade of 14 existing sewage lift stations, the abandonment of the Guyan Estates aerated lagoon and the J.H. Richmond wastewater treatment plant, upgrade of the two existing wastewater treatment plants (Plant A and Plant B), and construction of a new 2,624 square foot office building.

The expansion will add approximately 438 additional customers in East and West Pea Ridge, Rt. 2/Hiliview Drive, Norway Avenue, Cedar Crest, East Cabell Heights, Darnell Rd., Tallwood/Baker area, Guyan Estates, and the former J.H. Richmond system area in Cabell County, West Virginia.

Funding for the expansion/upgrades was provided by the West Virginia State Revolving Fund (SRF) and the Water Development Authority (WDA) through loans of \$12,429,500 (Series 2003 A) and \$100,000 (Series 2003 B), respectively. Debt Service for the SRF Series 2003 A Bonds begins June 1, 2005. Debt Service for the WDA Series 2003 B Bonds begins October 1, 2004.

As part of the expansion/upgrades, the West Virginia Public Service Commission approved both interim construction and post construction rate increases in Case No. 02-1213-PSD-CN.

Rates Prior to Construction

First	300 cubic feet per month	\$4.20 per 100 cubic feet
Next	3,700 cubic feet per month	\$3.74 per 100 cubic feet
All Over	4,000 cubic feet per month	\$3.41 per 100 cubic feet
Minimum Charge: \$12.60 per month		

Interim Construction Rates (effective March 23, 2003)

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		

Post Construction Rates (effective on and after completion of upgrades/renovations)

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: \$19.35 per month		

The following table represents pro-forma financial statements and includes debt service for the Series 2003 A and 2003 B Bonds as well as interim and post construction rate increases approved by the Public Service Commission:

	Interim Rate Increase (2005)	Post Construction Rate Increase (2006)
Total Revenues	\$1,701,389	\$2,350,072
Total Expenses	\$1,053,105	\$1,163,908
Net Income	\$648,284	\$1,186,164
Debt Service	\$512,536	\$966,215
Coverage	1.26	1.23

*Total expenses excludes depreciation, interest, and amortization expense.

Historical and Proforma Revenues, Expenses and Coverages

The covenants contained in the resolutions authorizing the issuance of the Prior Bonds include a required debt service coverage ratio of 115%. According to these covenants, the District's rates should be established at a sufficient level that gross revenues less operating

expenses, leaves a remaining balance of 115% of the maximum amount of debt service in any year (principal and interest) on all bonds outstanding.

The following table presents the actual, audited results of operations and historical debt service coverage ratio for the Prior Bonds for the fiscal years ended June 30, 1999, 2000, 2001, and 2002, actual, unaudited results of operations and historical debt service coverage ratio for the Prior Bonds for the fiscal year ended June 30, 2003, and budgeted results of operations and debt service coverage ratio for the Prior Bonds and the Taxable Bonds for the fiscal year ending June 30, 2004:

	Budgeted 2004	Unaudited 2003	Audited 2002	Audited 2001	Audited 2000	Audited 1999
Total Revenues	\$1,701,889	\$1,554,378	\$1,429,152	\$1,282,891	\$1,326,178	\$1,151,488
Total Expenses	\$1,076,259	\$948,258	\$1,046,931	\$934,594	\$759,664	\$815,445
Net Income	\$625,630	\$606,120	\$382,221	\$348,297	\$566,514	\$336,043
Debt Service	\$374,057	\$376,042	\$375,394	\$381,257	\$381,257	\$361,678
Coverage	1.67	1.61	1.04	0.91	1.49	0.93
Depreciation Expense	NIA	\$184,572	\$203,614	\$172,906	\$180,158	\$183,584
Interest Expense	\$221,786	\$122,302	\$226,967	\$222,254	\$225,397	\$204,000
Amortization	NIA	\$200	\$0	\$21,596	\$21,696	\$21,596

*Total expenses excludes depreciation, interest, and amortization expense

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ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth for July 1 of each year the amounts payable from Net Revenues as principal of and interest on the Prior Bonds and the debt service on the Series 2004 A Bonds:

Year	Series 1992	Series 1994*	Series 2000	Series 2003A	Series 20038	Series 2004A	Total Debt Service
2004	\$81,525	\$260,960	\$31,572		\$8,069		\$382,126
2005	79,725	-	31,572	\$103,580	8,069	\$247,153	470,099
2006	77,925	-	31,572	414,320	8,069	242,765	774,651
2007	76,125		31,572	414,320	8,068	238,378	768,463
2008	74,325		31,572	414,320	8,069	243,990	772,276
2009	92,300		31,572	414,320	8,069	239,278	785,539
2010	89,900	-	31,572	414,319	8,069	234,565	778,425
2011	87,300	-	31,572	414,316	8,069	239,200	780,457
2012	85,100		31,572	414,316	8,069	243,000	782,057
2013	82,900		31,572	414,316	8,069	241,070	777,927
2014	40,450		31,572	414,316	8,069	243,590	737,997
2015	-	-	31,572	414,316	8,068	210,310	664,266
2016			31,572	414,316	8,069	213,025	666,982
2017			31,572	414,316	8,068	214,940	668,896
2018	-	-	31,572	414,316	8,069	221,365	675,322
2019		-	31,572	414,316	8,069	226,675	680,632
2020	-	-	31,572	414,316	8,069	231,220	685,177
2021		-	-	414,316	8,069	-	422,385
2022			-	414,316	8,069	-	422,385
2023	-	-		414,316	8,069		422,385
2024	-	-		414,316		-	414,316
2025				414,316	-		414,316
2026	-	-		414,316			414,316
2027				414,316			414,316
2028				414,316			414,316
2029		-	-	414,316			414,316
2030		-	-	414,316			414,316
2031			-	414,316			414,316
2032		-		414,316			414,316
2033	-	-		414,316			414,316
2034				414,316			414,316
2035				<u>310,737</u>			310,737
	\$867,575	\$260,960	\$536,724	\$12,429,500	\$153,308	\$3,730,523	\$17,986,659

* Series Refunded

(1) This table assumes that the Series 2004 Bonds will be issued on the Series 2004 Bonds Issuance Date. In the event the Series 2004 Bonds are not issued on the Series

2004 Bonds Issuance Date, then the Prior Bonds and the 1994 Bonds will be payable on parity as to lien and source of payment.

SUMMARY OF CERTAIN **PROVISIONS OF THE RESOLUTION**

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

Application of Bond Proceeds

Taxable Bonds

Proceeds of the Taxable Bonds will be deposited into the Escrow Fund and shall be applied as provided in the Escrow Agreement.

Series 2004 Bonds

The amount of the Series 2004 Bond proceeds necessary, together with other available funds available for such purpose, to refund the 1994 Bonds, which amount shall be set forth in the Escrow Agreement, shall be applied by the District pursuant to the provisions of the Escrow Agreement.

An amount of the proceeds of the Series 2004 Bonds equal to the Series 2004 Bonds Reserve Requirement shall be remitted to the Bond Commission for deposit in the Series 2004 Bonds Reserve Account, provided that, to the extent the Series 2004 Bonds Reserve Requirement is satisfied in whole or in part with a reserve account letter of credit, surety bond or other credit facility, or from proceeds of any fund or account established pursuant to the Series 1994 Resolution or other funds of the District, proceeds of the Series 2004 Bonds shall be deposited in the Series 2004 Bonds Reserve Account only to the extent needed to satisfy the balance of the Series 2004 Bonds Reserve Requirement.

Application of System Revenues

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

System Revenues; Flow of Funds

The entire Gross Revenues derived from the operation of the System and all parts thereof shall be deposited upon receipt in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in the Resolution and shall be kept separate and distinct from all other funds of the District and the Depository Bank and used only for the purposes and in the manner herein provided. Until the Series 2004 Bonds are issued and the 1994 Bonds are defeased, the Taxable Bonds shall not be payable from the Net Revenues, and all Gross Revenues shall be disposed of in accordance with the Series 1994 Resolution and any other ordinance authorizing the issuance of additional bonds. Upon issuance of the Series 2004 Bonds and the defeasance of the 1994 Bonds,

all Gross Revenues at any time on deposit in the Revenue Fund shall be disposed of only in the following order and priority:

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

(2) The District shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the 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 Bonds, for deposit in the Series 2004 Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on the Series 2004 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 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 Bonds Sinking Fund shall be reduced by the amount of accrued interest on the Series 2004 Bonds deposited therein; and (vi) commencing 12 months prior to the first principal payment date or mandatory Redemption Date of the Series 2004 Bonds, for deposit in the Series 2004 A Bonds Sinking Fund and in the Series 2004 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 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 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 District 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 Bonds Reserve Account, an amount sufficient to remedy any decrease in value of the Series 2004 Bonds Reserve Account below the Series 2004 Bonds Reserve Requirement or any withdrawal from the Series 2004 Bonds Reserve

Account, beginning with the first full calendar month following the date on which (a) the valuation of investments in the Series 2004 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 Bonds Reserve Account is less than the Series 2004 Bonds Reserve Requirement, or (b) any amount is withdrawn from the Series 2004 Bonds Reserve Account for deposit into the Series 2004 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 Bonds Reserve Account to an amount equal to the Series 2004 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 Bonds Reserve Account whenever and as long as the amount deposited therein shall be equal to the Series 2004 Bonds Reserve Requirement.

(4) The District shall next, on the first day of each month, from the moneys remaining in the Revenue Fund (as previously set forth in the Prior Resolutions and not in addition thereto), transfer to the 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 moneys from the Depreciation Fund.

(5) The District shall next, each month, from the moneys remaining in the Revenue Fund, 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 District or of the Depository Bank and shall be invested and reinvested in accordance with the Resolution. 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 moneys from the Depreciation Fund.

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

Notwithstanding anything herein to the contrary, in the event the Series 2004 Bonds are not issued on the Series 2004 Bonds Issuance Date, then all references above in the flow of funds herein to the Series 2004 Bonds shall be deemed to be deleted and shall instead refer to the 1994 Bonds and to the Series 2003 D Bonds, provided, however, that the provisions of the Series 1994 Resolution shall control.

Investments

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

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

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

(A) Qualified Investments acquired for the Series 2004 Bonds Reserve Account shall mature or be subject to retirement at the option of the holder within not more than 5 years from the date of such investment.

(B) The District shall, or shall cause the Bond Commission to serriiannually transfer from the Series 2004 Bonds Reserve Account to the Series 2004 Bonds Sinking Fund, any earnings on the moneys deposited therein and any other funds in excess of the Series 2004 Bonds Reserve Requirement; provided, however, that there shall at all times remain on deposit in the Series 2004 Bonds Reserve Account an amount at least equal to the Series 2004 Bonds Reserve Requirement.

(C) In computing the amount in any fund or account, Qualified Investments shall be valued at the lower of the cost or the market price, exclusive of accrued interest. Valuation of all funds and accounts shall occur annually, except in the event of a withdrawal from the Series 2004 Bonds Reserve Account, whereupon it shall be valued immediately after such withdrawal. If amounts on deposit in the Series 2004 Bonds Reserve Account shall, at any time, be less than the Series 2004 Bonds Reserve Requirement, such deficiency shall be made up from the first available Net Revenues after required deposits to the Series 2004 Bonds Sinking Fund and otherwise in accordance with the Resolution.

(D) All amounts representing accrued and capitalized interest shall be held by the Bond Commission, pledged solely to the payment of interest on the Series 2004 Bonds and invested

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

(E) Notwithstanding the foregoing, all moneys deposited in the Series 2004 Bonds Sinking Fund may be invested by the Bond Commission in the West Virginia "consolidated fund" managed by the West Virginia Investment Management Board pursuant to Chapter 12, Article 6 of the West Virginia Code of 1931, as amended.

General Covenants

Enforcement of Collections. The District has covenanted diligently to enforce and collect all fees, rates, rentals or other charges for the services and facilities of the System and take all steps, actions and proceedings for the enforcement and collection of such fees, rates, rentals or other charges that become delinquent to the full extent permitted or authorized by State law.

Completion, Operation and Maintenance. The District will maintain the System in good condition and will operate the same as a revenue-producing enterprise in an efficient and economical manner, making such expenditures for equipment and for renewal, repair and replacement as may be proper for the economical operation and maintenance thereof from the Revenues of the System in the manner provided in the Resolution.

Sale of the System. The System may be sold, mortgaged, leased or otherwise disposed of only as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to defease the pledge created by the Resolution as provided by Section 10.01. The proceeds from such sale, mortgage, lease or other disposition of the System shall be immediately remitted to the Bond Commission for deposit in the respective Bonds Sinking Funds on a prorata basis, and otherwise as prescribed by Section 10.01. Any balance remaining after such defeasance shall be remitted to the District by the Bond Commission unless necessary for the payment of other obligations if the District payable out of the Revenues of the System.

The foregoing provision notwithstanding, the District shall have and hereby reserve 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 is not in excess of \$10,000, the District shall, by resolution, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof, and the District may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Depreciation Fund. If the amount to be received from such sale, lease or other disposition of said property shall be in excess of \$10,000 but not in excess of \$50,000, the District shall first, determine upon consultation with the Consulting Engineers, that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof, and may then, if it be so advised, by resolution duly adopted, approve and 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 Depreciation Fund. Payment of such

proceeds into the Depreciation Fund shall not reduce the amounts required to be paid into said fund by other provisions of the Resolution.

No sale, lease or other disposition of the properties of the System shall be made by the District if the proceeds to be derived therefrom shall be in excess of \$50,000 and insufficient to defease the pledge created by the Resolution, as provided by Section 10.01, without the prior approval and consent in writing of the Holders of the Bonds then Outstanding. The District shall prepare the form of such approval and consent for execution by the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. The District shall not issue any other obligations whatsoever payable from the Revenues of the System that rank prior to, or equally, as to lien on and source of and security for payment from the Revenues with, the Bonds, provided that additional bonds on a parity with the Bonds may be issued as provided in the Resolution. See "SECURITY FOR THE BONDS-Additional Parity Bonds." All obligations issued by the District payable from the Revenues of the System, except such additional parity bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on and source of and security for payment from Revenues and in all other respects, to the Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into all funds and accounts as set forth in the Resolution have been made and are current at the time of issuance of such subordinate obligations.

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

Insurance. The District will carry, with a reputable insurance carrier or carriers as is customarily covered with respect to works and properties similar to the System, which insurance shall initially cover the following risks and be in the following amounts:

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

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

operation of the System, and insurance with the same limits to protect the District from claims arising out of operation or ownership of motor vehicles of or for the System.

C. **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 not less than 100% of the amount of any construction contract and to be required of each contractor dealing directly with the District and such payment bonds will be filed with the Clerk of the County Commission of the County in which such work is to be performed prior to commencement of construction of any additions, betterments or improvements to the System in compliance with West Virginia Code Section 38-2-39.

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

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

F. **FIDELITY BONDS** will be provided as to every officer, member and employee of the District or the Public Service Board 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.

Services Rendered to the District. The District will not render or cause to be rendered any free services of any nature by its System, nor will any preferential rates be established for users of the same class; and, in the event the District or any department, agency, instrumentality, officer or employee of the District shall avail 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 District and any such department, agency, instrumentality, officer or employee. The revenues so received shall be deemed to be Revenues derived from the operation of the System, and shall be deposited and accounted for in the same manner as other Revenues derived from operation of the System.

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

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

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

The Public Service Board shall mail in each year to any registered owner of the Bonds requesting the same, an annual report containing a statement of Revenues, operating expenses and Net Revenues derived from the System, a balance sheet statement showing all deposits in the funds and accounts provided for in the Resolution and the status of all said funds, and the amount of any Bonds, notes or other obligations outstanding.

The District 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 said independent certified public accountants, or a summary thereof, to any registered owner of the Bonds.

Restrictions as to Arbitrage Bonds. The District shall not permit at any time or times any of the proceeds of the Series 2004 Bonds or any other funds of the District to be used directly or indirectly to acquire any securities or obligations the acquisition of which would cause any bond to be an "arbitrage bond" as defined in Section 148 of the Internal Revenue Code of 1986, as amended, and any regulations thereunder, and an authorized officer of the District shall deliver his certificate, based upon this covenant, with regard thereto to the Underwriter.

Operating Budget. The District shall annually, at least forty-five (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 District shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of ten percent (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 District shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the registered owner of any Bonds, within 30 days of the adoption thereof, and shall make available

such budgets and resolutions at all reasonable times to any registered owner of the Bonds or anyone acting for and in behalf of such registered owner who requests the same.

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

Defeasance. If the District shall pay or cause to be paid, or there shall otherwise be paid, to the registered owners of all Bonds the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Resolution, then the respective pledges of the Revenues and other monies and securities pledged under the Resolution, and all covenants, agreements and other obligations of the District on behalf of the registered owners of the Bonds, shall thereupon cease, terminate and become void and be discharged and satisfied, except as may be necessary to assure the exclusion of interest on the Series 2004 Bonds from gross income for federal income tax purposes.

Bonds for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due will provide 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 such Bonds, shall be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph. All Bonds shall, prior to the maturity thereof, be deemed to have been paid if there shall have been deposited with the Bond Commission or an escrow trustee either 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 dates thereof, or if the District irrevocably determines to redeem any of the Bonds prior to the maturity thereof, on and prior to said redemption date. Neither securities nor monies so deposited with the Bond Commission nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the respective principal of and interest on the Bonds; provided, that any cash received from such principal, redemption premium or 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, any redemption premium on and interest to become due on the Bonds on and prior to such maturity or redemption dates thereof, and interest earned from such reinvestments shall be paid over to the District as received by the Bond Commission or said escrow trustee free and clear of any trust, lien or pledge. With respect to defeasance, the term securities includes only Government Obligations.

Default and Remedies

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

A. If default occurs in the due and punctual payment of the principal of or interest on any Bonds;

B. If default occurs in the District's observance of any of the covenants, agreements or conditions on its part in the Resolution or any supplemental resolution or in the Bonds, and such default shall have continued for a period of thirty (30) days after the District shall have been given written notice of such default, requiring the same to be remedied, by the Bond Commission, the Depository Bank, Registrar or any other Paying Agent or any registered owner of the Bonds;

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

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

Remedies. Upon the happening and continuance of any Event of Default, any registered owner of the Bonds 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 proceedings enforce all rights of the registered owners of the Bonds, including the right to require the District to perform its duties under the Act and the Resolution; (iii) bring suit upon the Bonds; (iv) by action at law or bill in equity require the District to account as if it were the trustee of an express trust for the registered owners of the Bonds; and (v) by action or bill in equity enjoin any acts in violation of the Resolution or the rights of the registered owners of the Bonds; provided that, all rights and remedies of the holders of the Bonds shall be on a parity with the holders of the Prior Bonds.

Appointment of Receiver. Any Registered Owner of a Bond may, by proper legal action, compel the performance of the duties of the District under the Resolution and the Act, including 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 existing and continuing, any registered owner of the Bonds shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System on behalf of the District, with power to charge rates, fees and other charges sufficient to provide for the payment of operating expenses of the System, the payment of the Bonds and interest and the deposits into the funds and accounts established with respect to the Bonds and to apply such rates, fees, charges or other Revenues in conformity with the provisions of the Resolution and the Act.

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

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

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

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

TAX MATTERS

Taxable Bonds

In the opinion of Steptoe & Johnson PLLC, Charleston, West Virginia ("Bond Counsel"), interest on the Taxable Bonds is not excludable from gross income for federal income tax purposes. The District and the Paying Agent will treat interest paid on the Taxable Bonds as being includable in gross income for federal income tax purposes for satisfying reporting and filing requirements imposed by law.

Bond Counsel is of the opinion that under existing laws of the state of West Virginia, the Taxable Bonds and the interest thereon are exempt from all taxation by the State of West Virginia or

any county, municipality, political subdivision or agency thereof and from personal and corporate net income taxes imposed directly thereon by the State of West Virginia, except inheritance, estate and transfer taxes.

Series 2004 Bond Counsel Opinion

It is a condition to the issuance and delivery of the Series 2004 Bonds that the Paying Agent receive an opinion of Bond Counsel, or other nationally recognized bond counsel acceptable to the District, in substantially the form included herewith as Appendix **B** (the "Series 2004 Bond Counsel Opinion"). The Series 2004 Bond Counsel Opinion may be modified as described under "Permitted Modifications of Series 2004 Bond Counsel Opinion" below.

Bond Counsel's ability to deliver the Series 2004 Bond Counsel Opinion will depend upon the laws, regulations, rulings and judicial decisions, including, but not limited to, federal income tax and securities laws and West Virginia law in effect at the time of issuance of the Series 2004 Bonds.

Bond Counsel has advised that, if the Series 2004 Bonds were issued now and the proceeds thereof applied within 90 days to the redemption of the 1994 Bonds, it would be able to deliver the opinion addressing the Series 2004 Bonds in substantially the form attached as Appendix B.

The District has designated the Series 2004 Bonds as "qualified tax-exempt obligations" for purposes of the Code and has covenanted that it does not reasonably expect to issue more than \$10,000,000 of tax-exempt obligations (other than private activity bonds and obligations issued to currently refund any obligation of the District to the extent the amount of the refunding obligation does not exceed the outstanding amount of the refunded obligation) during the calendar year 2004. Therefore, the Series 2004 Bonds, if issued, will be "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code, and the provisions of the Code which disallows all deductibility of interest expense incurred by financial institutions on debt incurred to purchase or carry most tax-exempt obligations will not apply to the Series 2004 Bonds; accordingly, 80% of the interest expense of a financial institution incurred for the purpose of purchasing or carrying the Series 2004 Bonds is deductible for federal income tax purposes.

The Code imposes certain requirements as a condition to exclusion from gross income of the interest on the Series 2004 Bonds for federal income tax purposes, including a requirement that the District rebate to the United States Treasury certain arbitrage earnings. The District will covenant or certify that it will comply with all applicable requirements of the Code. Failure of the District to comply with such requirements could result in interest on the Series 2004 Bonds being included in gross income for federal income tax purposes from the date of issue.

Ownership of the Series 2004 Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, property and casualty insurance companies, S corporations with "excess net passive income," individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Series 2004 Bonds.

Bond Counsel is further of the opinion that under the laws of the State of West Virginia, as presently written and applied, the Series 2004 Bonds and the interest thereon are exempt from all taxation by the State of West Virginia or any county, municipality, political subdivision or agency thereof, and from personal and corporate net income taxes imposed directly thereon by the State of West Virginia, except inheritance, estate and transfer taxes.

Permitted Modifications of the Series 2004 Bond Counsel Opinion

The Series 2004 Bond Counsel Opinion may be modified from that shown in Appendix B. Such a modification will be made to reflect changes in fact and changes or proposed changes in federal or state law, court decrees, regulations or proposed regulations or rulings of administrative agencies. If the changes solely affect the West Virginia income tax treatment of interest on the Series 2004 Bonds, or the federal income tax treatment (including alternative minimum tax treatment) of the Series 2004 Bonds, but do not result in the inclusion of interest on the Series 2004 Bonds in gross income for federal income tax purposes (except as such opinion may reflect the interest on the Series 2004 Bonds being includable in gross income for alternative minimum tax purposes), the Series 2004 Bond Counsel Opinion will be appropriately modified. Such a change in the Series 2004 Bond Counsel Opinion does not relieve a Taxable Bonds Bondholder from its obligation to purchase the Series 2004 Bonds. If such changes will result in Bond Counsel being unable to deliver an opinion to the effect that interest on the Series 2004 Bonds is excluded from gross income for federal income tax purposes, the Series 2004 Bonds will not be issued and delivered and the Taxable Bonds will no longer be subject to mandatory redemption as provided in the Resolution, but will instead be subject to mandatory tender as described in the Resolution.

APPROVAL OF LEGALITY

Legal matters incident to the authorization, sale and issuance of the Bonds are subject to the unqualified approving opinion of Steptoe & Johnson PLLC, Charleston, West Virginia, Bond Counsel. Certain legal matters will be passed upon for the District by Ronald J. Flora, Milton, West Virginia, Counsel for the District. Certain legal matters will be passed upon by Goodwin & Goodwin, LLP, Charleston, West Virginia, as Counsel to the Underwriter.

ABSENCE OF MATERIAL LITIGATION

There is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court, public board or body, now pending or, to the best knowledge of the District, threatened or affecting the District (or, to the District's knowledge, any basis therefor) wherein an unfavorable decision, ruling or finding would have a material adverse effect on the District's financial position or on the validity of the Taxable Bonds, the Resolution, the Escrow Agreement or any agreement to which the District is a party and which is a part of the issuance of the Taxable Bonds or, if issued, the Series 2004 Bonds.

NEGOTIABLE INSTRUMENTS

Pursuant to State law, the Taxable Bonds and, if issued, the Series 2004 Bonds are and have all the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia. See "THE BONDS - General."

UNDERWRITING

The Taxable Bonds are being purchased by the Underwriter named on the cover of this Official Statement. The Purchase Contract provides that the Underwriter will purchase all the Taxable Bonds, if any are purchased, at a purchase price equal to the initial public offering prices set forth on the cover page hereof less an Underwriter's discount of \$85,150.00, plus accrued interest. The obligation to make such purchase is subject to the terms and conditions set forth in the Purchase Contract, including the approval of certain legal matters by counsel. The initial public offering prices may be changed from time to time by the Underwriter. The Underwriter may offer and sell Taxable Bonds to certain dealers (including dealers depositing Taxable Bonds into investment trusts) and certain dealer banks acting as agents at prices lower than the public offering prices stated on the cover page hereof

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Smith, Cochran & Hicks, P.L.L.C., independent certified public accountants, will {a) verify the mathematical accuracy of the arithmetical computation of the cash flow provided by the Escrow Fund; (b) verify that the projected income and principal of the securities and any cash deposited into the Escrow Fund is adequate to pay on debt service on the Taxable Bonds until March 1, 2004, and, on May 1, 2004, the redemption price (excluding interest) of the 1994 Bonds. Such verifications will be based upon information supplied to Smith, Cochran & Hicks, P.L.L.C. by the Underwriter.

FINANCIAL STATEMENTS

Included herein as Appendix A are the audited financial statements of the District as of and for the twelve-month period ended June 30, 2002, and the report with respect to the audited financial statements as of and for the fiscal year ended June 30, 2002, dated August 15, 2002, of Ralph W. Bassett, Jr., certified public accountant. The financial statements included in Appendix A have been audited by Ralph W. Bassett, Jr. to the extent and for the period indicated in his report.

CONTINUING DISCLOSURE

The District has agreed in the Resolution to execute and deliver contemporaneously with the issuance of the Taxable Bonds a certificate or agreement to undertake for the benefit of the Registered Owners of the Taxable Bonds to provide certain financial and operating information of the System (the "Annual Information") not later than two hundred seventy (270) days following the end of the fiscal year of the District, commencing in 2004, and to provide the Annual Information to each National Recognized Municipal Securities Information Repository ("National Repository")

and any State Information Depository ("State Depository") and to provide notice of the occurrence of the enumerated events to each National Repository or the Municipal Securities Rulemaking Board ("MSRB") and to any State Depository.

The District has agreed in the Resolution to execute and deliver contemporaneously with the issuance of the Series 2004 Bonds a certificate or agreement to undertake for the benefit of the Registered Owners of the Series 2004 Bonds to provide certain financial and operating information of the System (the "Annual Information") not later than two hundred seventy (270) days following the end of the fiscal year of the District, commencing in 2004, and to provide the Annual Information to each National Recognized Municipal Securities Information Repository ("National Repository") and any State Information Depository ("State Depository") and to provide notice of the occurrence of the enumerated events to each National Repository or the Municipal Securities Rulemaking Board ("MSRB") and to any State Depository.

This continuing disclosure obligation is being undertaken by the District to assist the Underwriter in complying with Rule 15c2-12 promulgated by the SEC. The District has agreed to give notice in a timely manner to each National Repository, or the MSRB, and to each State Depository of any failure to supply the requested information. However, any such failure will not constitute a default under the terms of the Taxable Bonds. Registered Owners may contact the General Manager of the District at P.O. Box 86, Barboursville, West Virginia 25504 for more information. (See Appendix C - Form of Continuing Disclosure Certificate).

.MISCELLANEOUS

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

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representation of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or owners of any of the Series 2003/2004 Bonds. The execution and distribution of this Official Statement have been authorized by the District.

PEA RIDGE PUBLIC SERVICE DISTRICT

By /s/Michael Seaton
Chairman

APPENDIX A
FINANCIAL STATEMENTS

PEA RIDGE PUBLIC SERVICE DISTRICT

FINANCIAL STATEMENTS

June 30, 2002 and 2001

Ralph W. Bassett, Jr.

Certified Public Accountant
1156 S. Main Street
Milton, WV 25541
(304) 743-5573

PEA RIDGE PUBLIC SERVICE DISTRICT

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PEA RIDGE PUBLIC SERVICE DISTRICT

BOARD OFFICIALS

June 30, 2002 and 2001

NAME	OFFICE	TERM ENDS
Michael Seaton	Chairman	September 14, 2006
Gary Childers	Vice Chairman	August 30, 2002
Chet Porter	Secretary- Treasurer	September 11, 2005
Ricardina B. Foster	General Manager	

RALPH W. BASSETT, JR.
Certified Public Accountant
1156 South Main Street
Milton, West Virginia 25541

August 15, 2002

INDEPENDENT AUDITOR'S REPORT

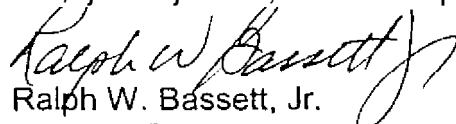
To the Commissioners
Pea Ridge Public Service District

We have audited the accompanying financial statements of Pea Ridge Public Service District, as of and for the years ended June 30, 2002 and 2001, as listed in the table of contents. These financial statements are the responsibility of Pea Ridge Public Service District management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2002, on our consideration of Pea Ridge Public Service District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.


Ralph W. Bassett, Jr.
August 15, 2002

Pea kidqe l'~Jl~l~c S vice t) ;u i
Balance Sheet
June 30, 2002 and 2001

	2002	2001
ASSETS		
Current Assets		
Cash on Hand	\$ 26,074	\$ 38,21
Customer Accounts Receivable-Net of Allowance	173,259	177,54
Prepayments	8,252	7,35
Total Current Assets	207,585	223,11
Property, Plant and Equipment		
Construction in Progress	423,614	351,52
Land	103,422	99,72
Plant & Equipment	7,368,731	7,260,06
Accumulated Depreciation	(2,930,473)	(2,748,42)
Net Property, Plant and Equipment	4,965,294	4,962,88
Restricted Assets		
Reserve Funds	447,972	483,80
Total Restricted Assets	447,972	483,80
Other Assets		
Unamortized Debt Discount	370,463	392,06
Total Other Assets	370,463	392,06
TOTAL ASSETS	\$ 5,991,314	\$ 6,061,85

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

t'ca NNidge Pule-€c Service District
 Balance Sheet
 June 30, 2002 and 2001

	2002	2001
LIABILITIES AND FUND BALANCE		
Current Liabilities		
Accounts Payable	•\$ 168,087	\$ 113,76C
Accrued Taxes	2,661	2,38E
Accrued Wages	969	767
Customer Security Deposits	43,845	39,95C
Accrued Interest	31,994	28,94E
Bonds/Notes Payable-Current Portion	257,265	225,101
Total Current Liabilities	504,821	410,91E
Long Term Liabilities		
Bonds Payable, Net of Current Portion	3,667,338	3,773,614
Notes Payable, Net of Current Portion	16,592	44,077
Total Long Term Liabilities	3,683,930	3,817,691
Total Liabilities	4,188,751	4,228,607
Fund Balance		
Contributions in Aid of Construction	3,299,372	3,299,372
Retained Deficit	(1, 496, 809)	(1,466,120)
Total Fund Balance	1,802,563	1,833,252
 TOTAL LIABILITIES AND FUND BALANCE	 \$ 5,991,314	 \$ 6,061,859

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

Ridge Public: Service District
Statement of Revenues, Expenses, and Changes in Retained Earnings (Deficit)
For the Fiscal Years Ended June 30, 2002 and 2001

	2002	2001
<u>Operating Revenues</u>		
Sewer Revenues	\$ 1,396,385	\$ 1,254,684
Customer Penalties	18,280	19,954
Other Revenues	14,460	8,253
Total Operating Revenues	1,429,125	1,282,891
<u>Operating Expenses</u>		
Collection System Expenses	31,484	19,786
Pumping Costs	277,374	307,521
Treatment Expenses	348,346	293,608
Customer Accounts Expenses	57,863	27,567
Depreciation and Amortization	203,641	194,502
<u>Administrative & General Expenses</u>		
General Office Salaries	110,687	98,198
Office Supplies & Expense	37,055	34,283
Outside Services	19,132	12,671
Regulatory Expense	4,958	4,575
Insurance	20,867	20,453
Damages	-0-	454
Employee Health Insurance	71,276	56,665
Employee Pension Expense	13,836	12,427
Miscellaneous	7,109	7,396
Maintenance	1,796	1,259
Transportation	13,799	10,360
Employers Payroll Taxes	31,349	27,371
Total Administrative & General Expenses	331,864	286,112
Total Operating Expenses	1,250,572	1,129,096
Operating Income (Loss)	178,553	153,795
<u>Non-Operating Income (Expense)</u>		
Interest Income	15,475	30,204
Grants/Tap Fees	2,250	-0-
Interest Expense	(226,967)	(222,254)
Total Non-Operating Income (Expense)	(209,242)	(192,050)
Net Income (Loss)	(30,689)	(38,255)
Beginning Retained Deficit	(1,466,120)	(1,427,865)
Ending Retained Deficit	\$ (1,496,809)	\$ (1,466,120)

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

Financial Statements
Statement of Cash Flows
For the Fiscal Years Ended June 30, 2002 and 2001

	2002	2001
Cash flows from operating activities		
Net Income	\$ (30,689)	\$ (38,255)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	203,642	194,502
(Increase) decrease in accounts receivable	4,289	(9,436)
(Increase) decrease in prepaid expenses	(893)	(1,525)
(Increase) decrease in reserve for receivable	-0-	13,714
(Increase) decrease in employee advances	-0-	-0-
Increase (decrease) in accounts payable	54,327	47,661
Increase (decrease) in accrued interest	-0-	-0-
Increase (decrease) in accrued taxes payable	3,522	(1,174)
Increase (decrease) in customer deposits	3,895	4,750
Total adjustments	268,782	248,492
Net cash provided (used) by operating activities	238,093	210,237
Cash flow from investing activities:		
Contribution in aid of construction	-0-	-0-
Cash payments for the purchase of property	(184,459)	(294,884)
Net cash provided (used) by investing activities	(184,459)	(294,884)
Cash flow from financing activities:		
Proceeds from issuance of long-term debt	148,822	270,325
Principal payments on long-term debt	(250,422)	(168,742)
Net cash provided (used) by financing activities	(101,600)	101,583
Net increase (decrease) in cash and equivalents	(47,966)	16,936
Cash and equivalents, beginning of year	522,012	505,076
Cash and equivalents, end of year	<u>\$ 474,046</u>	\$ 522,012
Supplemental disclosures of cash flow information:		
Interest expense	\$ 226,967	\$ 222,254
Interest income	15,475	30,204

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

PEA RIDGE PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

June 30, 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Introduction - The financial statements of Pea Ridge Public Service District are prepared in accordance with generally accepted accounting principles (GAAP) and all the relevant governmental accounting standards board (GASB) pronouncements.

Reporting Entity - The Pea Ridge Public Service District (the "District") provides sewer service to approximately 4,000 customers within Cabell County, West Virginia. The District is a governmental entity and a body corporate, created by the Cabell County Commission (the "Commission") under the provisions of Chapter 16 Article 13A of the West Virginia Code, as amended. The District is regulated by the Public Service Commission of West Virginia. Being a governmental unit, the District is exempt from both federal and state income taxes under Section 115 of the Internal Revenue Code. Accordingly, no provision for them has been made in these financial statements.

Basis of Presentation - The activities of the District are accounted for under enterprise fund accounting, that is similar to private business enterprises. The intent of the District is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Basis of Accounting - Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the general purpose financial statements. The District uses the accrual method of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when incurred.

Fixed Assets and Long-Term Liabilities - All enterprise funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on the balance sheet. The reported fund equity (net total assets) is segregated into contributed capital and accumulated earnings (deficit) components.

PEA RIDGE PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

June 30, 2002

Note I Continued:

Fixed assets are stated at cost. Maintenance and repairs that neither materially add to the value nor appreciably prolong the life of fixed assets are charged against income in the year incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives of the assets are as follows:

Utility Plant	2-50 years
Office furniture and fixtures	10 years
Transportation equipment	5 years

Long-term debt financed by revenue bonds is accounted for as a long-term liability on the balance sheet.

Estimates - The preparation of general purpose financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the general purpose financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents - For the purpose of balance sheet as well as cash flow reporting, cash includes cash held at the District and cash on deposit in bank accounts, and cash equivalents include investments with original maturities of fewer than ninety days. Deposits were fully insured at June 30, 2002.

Accounts Receivable - Accounts Receivable, as presented, represent the total due the District at June 30, 2002. Allowance for doubtful accounts at June 30, 2002, was \$64,318.

Investments - Investments are reported at cost which approximates market value.

Restricted Assets - Monies accumulated in reserve accounts are classified as restricted assets due to bond document requirements.

PEA RIDGE PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

June 30, 2002

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits - Cash on hand and deposits with banking institutions either in checking or savings accounts are presented as cash in the accompanying financial statements. Such deposits at June 30, 2002 were entirely covered by federal depository insurance or secured by adequate bond or other securities held by the banking institution in the District's name. The District's deposits are categorized to give an indication of the level of risk assumed by the District at June 30, 2002. The categories are described as follows:

Category 1 - Insured or collateralized with securities held by the District or by its agent in the District's name.

Category 2 - Collateralized with securities held by the pledging institution's trust department or agent in the District's name.

Category 3 - Uncollateralized.

Deposits, categorized by level of risk, are:

	Category 1	Category 2	Category 3	Carrying Amount
Checking	\$ <u>26,074</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ 26,074
Municipal Bond Commission (See explanation below.)				<u>447,972</u>
Total Cash and Equivalents				\$ <u>474,046</u>

Restricted Assets - In accordance with GASB Statement No. 3, investments included in the Municipal Bond Commission restricted pool with the Investment Management Board through the West Virginia State Treasurer have not been classified as to the level of risk because they are not evidenced by securities that exist in physical or book entry form. Additionally, since these investments are commingled with the investments of other entities, the fair value at June 30, 2002, is not readily determinable and therefore, has not been disclosed. The balance in said accounts at June 30, 2002, was \$447,972.

PEA RIDGE PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

June 30, 2002

NOTE 3 - CUSTOMER DEPOSITS

The District collects deposits on new and prior delinquent customers as required by the Rules of the WV Public Service Commission. These accounts are to be maintained in a separate bank account and are refunded with interest after twelve consecutive months of on-time payments. As of the audit report date, Pea Ridge PSD did not have sufficient funds on deposit in a separate account to meet the liability.

NOTE 4 - LONG TERM DEBT:

I. Bonds

A. **1992 Bond Issue**

Pea Ridge Public Service District Water Development Authority "Sewer Revenue Bonds", Series 1992, issued December 1, 1992, in the aggregate principal amount of \$1,250,000 via the State Revolving Fund with terms of: 3% interest beginning in 1994. The District makes monthly payments to the Municipal Bond Commission of a sufficient amount to amortize quarterly the principal and interest payments as they become due. The principal balance outstanding on the Bonds at June 30, 2002, is \$ 800,000. Principal paid during the year on the bonds was \$ 60,000.

Outstanding principal	\$ 800,000
Less Current Portion	<u>(60,000)</u>
Outstanding, Net of Current	<u>\$ 740,000</u>

PEA RIDGE PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

June 30, 2002

Note 4 Continued:

Subsequent years estimated reductions:

Year	Principal	Interest	Total
6-30-03	\$ 60,000	\$ 23,325	\$ 83,325
6-30-04	60,000	21,525	81,525
6-30-05	60,000	19,725	79,725
6-30-06	60,000	17,925	77,925
6-30-07	60,000	16,125	76,125
Thereafter	<u>500,000</u>		
Total	<u>\$ 800,000</u>		

B. 1994 Bond Issue

Pea Ridge Public Service District "1994 Refunding Revenue Bonds", Series 1994, issued November 1, 1994, in the aggregate principal amount of \$ 3,035,000 with terms of: 5 - 7 % interest through the year 2020. The District makes monthly payments to the Municipal Bond Commission of a sufficient amount to amortize quarterly the principal and interest payments as they become due. The principal balance outstanding on the Bonds at June 30, 2002, is \$ 2,580,000. Principal paid during the year on the bonds was \$75,000.

Outstanding principal	\$ 2,580,000
Less Current Portion	<u>(85,000)</u>
Outstanding, Net of Current	<u>\$ 2,495,000</u>

PEA RIDGE PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

June 30, 2002

Note 4 Continued:

Subsequent years estimated reductions:

Year	Principal	interest	Total
6-30-03	\$ 85,000	\$ 175,440	\$ 260,440
6-30-04	90,000	169,660	259,660
6-30-05	95,000	163,540	258,540
6-30-06	100,000	157,080	257,080
6-30-07	105,000	150,280	255,280
Thereafter	<u>2,105,000</u>		
Total	<u>\$ 2,580,000</u>		

C. **2000 Bond Issue**

Pea Ridge Public Service District "2000 Design Loan" issued March 7, 2000 in the aggregate principal amount of \$477,000 with terms of 2% interest and 1% administrative fee payable over 20 years. The District began in March, 2002 making monthly payments to the Municipal Bond Commission in the amount of \$2,631 to amortize quarterly the principal and interest payments as they become due. The principal outstanding on the Bonds at June 30, 2002 is \$452,436.

Outstanding principal	\$ 452,436
Less Current Portion	<u>(20,0981)</u>
Outstanding, Net of Current	<u>\$ 432,338</u>

PEA RIDGE PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

June 30, 2002

Note 4 Continued:

Subsequent years estimated reductions:

Year	Principal	Interest	Total
6-30-03	\$ 20,098	\$ 8,898	\$ 28,996
6-30-04	20,502	8,494	28,996
6-30-05	20,916	8,080	28,996
6-30-06	21,336	7,660	28,996
6-30-07	21,767	7,229	28,996
Thereafter	<u>347,817</u>		
Total	<u>\$ 452,436</u>		

II. Notes Payable

A. First State Bank note payable in 60 monthly installments of \$ 1,206.48 including interest at the rate of 8.5 percent per annum. Secured by a vehicle and equipment having a cost of \$ 58,460.

Outstanding Principal	\$ 10,116
Less Current Portion	<u>(10,116)</u>
Outstanding, Net of Current	<u>\$ -0-</u>

PEA RIDGE PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

June 30, 2002

Note 4 Continued:

Subsequent years estimated reductions:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
6-30-03	\$ 10,116	\$ 742	\$ 10,858
Total	\$ 10,116		

B. First State Bank note payable in 60 monthly installments of \$425.11 including interest at a rate of 9.0% per annum. Secured by a backhoe and trailer having a cost of \$20,413.

Outstanding Principal	\$ 8,483
Less Current Portion	<u>(4,484)</u>
Outstanding, Net of Current	<u>\$ 3,999</u>

Subsequent years estimated reductions:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
6-30-03	\$ 4,484	\$ 617	\$ 5,101
6-30-04	<u>3,999</u>	252	4,251
Total	<u>\$ 8,483</u>		

C. First State Bank note payable in 60 monthly installments of \$341.54 including interest at a rate of 10% per annum. Secured by a 2000 Ford F-150 pickup having a cost of \$16,500.

PEA RIDGE PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

June 30, 2002

Note 4 Continued:

Outstanding Principal	\$ 10.,447
Less Current Portion	<u>(3,149)</u>
Outstanding, Net of Current	\$ 7,298

Subsequent years estimated reductions:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
6-30-03	\$ 3,149	\$ 949	\$ 4,098
6-30-04	3,478	620	4,098
6-30-05	<u>3,820</u>	278	4,098
Total	<u>\$ 10,447</u>		

D. First State Bank note payable in 18 monthly installments of \$4,493.40 including interest at a rate of 8% per annum. For the purpose of purchasing Mason Utility Company, Inc., and secured by the assets of said Company.

Outstanding Principal	\$ 13,225
Less Current Portion	<u>(13,225)</u>
Outstanding, Net of Current	<u>\$ -0-</u>

Subsequent years estimated reductions:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
6-30-03	\$ <u>13,225</u>	\$ 255	\$ 13,480
Total	\$ <u>13,225</u>		

PEA RIDGE PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

June 30, 2002

Note 4 Continued:

E. First State Bank note payable in 18 monthly installments of \$5,340.14 including interest at a rate of 7% per annum. For the purchase of the Richmond Sewer System at a cost of \$90,000.

Outstanding Principal	\$ 66,488
Less Current Portion	<u>(61,193)</u>
Outstanding, Net of Current	<u>\$ 5,295</u>

Subsequent years estimated reductions:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
6-30-03	\$ 61,193	\$ 2,889	\$ 64,082
6-30-04	<u>5,295</u>	45	5,340
Total	<u>\$ 66,488</u>		

Summary of Long Term Debt Obligations

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
6-30-03	\$ 257,265	\$ 213,115	\$ 470,380
6-30-04	183,274	200,596	383,870
6-30-05	179,736	191,623	371,359
6-30-06	181,336	182,665	364,001
6-30-07	186,767	173,634	360,401
Thereafter	<u>2,952,817</u>		
Total	<u>\$ 3,941,195</u>		

PEA RIDGE PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

June 30, 2002

NOTE 5 - DEBT SERVICE COVERAGE

The District is required to generate revenue sufficient to provide 115% of the yearly debt service after operating expenses have been paid.

	<u>6- 30-02</u>
Amount Available for Debt Service	\$ 390,807
Debt Service	375,394
 Coverage	 104 %

NOTE 6 - PENSION COSTS:

The District contributes to a cost-sharing (3.5% Employee, 5.5 % Employer) benefit pension plan administered by The Prudential. The plan provides retirement benefits to plan members and beneficiaries. The District is provided a financial report that includes financial statements and required supplementary information upon request.

NOTE 7 - PROPERTY AND EQUIPMENT

The following is a summary of the changes in property and equipment.

	June 30, 2001	Additions	Retirements	June 30, 2002
Construction in Progress	\$ 351,526	\$ 72,088	\$ -0-	\$ 423,614
Collection and Treatment System	6,805,100	95,950	-0-	6,901,050
Machinery and Equipment	399,751	430	-0-	400,181
Furniture and Office Equipment	61,288	1,435	-0-	62,723
Transportation Equipment	93,643	14,556	-0-	109,199
Total	\$ 7,711,308	\$ 284,459	\$ -0-	\$ 7,895,767

Depreciation expense for the year ended June 30, 2002 was \$182,045.

RALPH W. BASSETT, JR.
Certified Public Accountant
1156 South Main Street
Milton, West Virginia 25541

August 15, 2002

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

To the Commissioners
Pea Ridge Public Service District

We have audited the financial statements of Pea Ridge Public Service District, as of and for the years ended June 30, 2002 and 2001, and have issued our report thereon dated August 15, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Pea Ridge Public Service District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported *under Government Auditing Standards*, which are described in the accompanying schedule of findings as item 02-1.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Pea Ridge Public Service District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that

Pea Ridge Public Service District
Compliance and Internal Control
(Continued)

we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Pea Ridge Public Service District's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 02-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, Would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended solely for the information of the District commissioners, management, and federal/state agencies and is not intended to be and should not be used by anyone other than these specified parties. However, in accordance with West Virginia Code 6-9-9a, this report is a matter of public record and its distribution is not limited.



Ralph W. Bassett, Jr., CP.9/
Milton, West Virginia
August 15, 2002

PEA RIDGE PUBLIC SERVICE DISTRICT
SCHEDULE OF FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NON-COMPLIANCE FINDINGS

Item 02-1 Schedule of Rates Required by Bond Legislation

Condition

The schedule of rates did not produce sufficient revenues to be in compliance with the terms and provisions of the Bond Legislation. The percent of coverage attained (cash available for debt and interest | interest and principal requirements was 104%.

Criteria

According to the bond legislation, the entity covenants that the schedule of rates be sufficient, together with other revenues of the system, to provide for all 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 required in any year for principal and interest.

Effect

The effect of this condition is that the revenues of the District are not adequate to meet the operating and maintenance expenses, and also to have sufficient funds available to meet its bond obligations.

Recommendations

The management of the Pea Ridge Public Service District is directed to review the bond legislation and to comply with the provisions set forth therein. It may be necessary to enact a rate increase and/or take measures to reduce operating costs.

PEA RIDGE PUBLIC SERVICE DISTRICT
SCHEDULE OF FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

INTERNAL CONTROL - REPORTABLE FINDINGS

Item 02-2 Write-Off of Uncollectibles/Bad Debts

Condition

The customer accounts receivable trial balance includes a significant amount of accounts which it is unlikely that the District will collect.

Effect

The effect of this condition is that the District has to maintain an allowance for uncollectible accounts at an amount that is higher than normal *in order* to reflect customer accounts receivable at an amount expected to be collected.

Recommendations

The management of the Pea Ridge Public Service District is directed to review outstanding customer accounts receivable on a regular basis and to enlist all avenues of collection prior to determination of accounts to be written off as bad debts on at least an annual basis.

PEA RIDGE PUBLIC SERVICE DISTRICT
SCHEDULE OF FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

INTERNAL CONTROL - REPORTABLE FINDINGS

Item 02-3 Customer Deposit

Condition

The customer deposit account is inadequately funded to cover the liability.

Effect

The effect of this condition is that the District may have to use other funds or sources of funds to meet the liability.

Recommendations

The management of the Pea Ridge Public Service District is directed to fully fund the bank account to equal the liability.

APPENDIX B

FORM OF BOND COUNSEL OPINION

]LETTERHEAD OF STEPTOE & JOHNSON PLLC]
(Form of Approving Opinion of Bond Counsel)

September 11, 2003

Pea Ridge Public Service District
Taxable Sewer Refunding Revenue Bonds, Series 2003 C

Pea Ridge Public Service District
Barboursville, West Virginia

Crews & Associates, Inc.
Charleston, West Virginia

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance by Pea Ridge Public Service District (the "Issuer") of \$2,435,000 aggregate principal amount of Taxable Sewer Refunding Revenue Bonds, Series 2003 C (the "Series 2003 C Bonds").

The Series 2003 C Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a Bond Resolution duly adopted by the Issuer on August 6, 2003, as supplemented by a Supplemental Resolution duly adopted by the Issuer on August 28, 2003 (collectively, the "Resolution"), and are subject to all the terms and conditions of the Resolution. All capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Resolution.

The Series 2003 C Bonds are issued in fully registered form, are dated September 1, 2003, upon original issuance, mature on May 1 in the years and amounts and bear interest payable on May 1, 2004, and each May 1 and November 1 thereafter (subject to redemption on March 1, 2004), as set forth in the Resolution.

The Series 2003 C Bonds are not subject to optional redemption, but are subject to mandatory sinking fund redemption, mandatory redemption or mandatory tender, all as set forth in the Resolution.

The Resolution provides that the Bonds and when, as and if issued, the Sewer Refunding Revenue Bonds, Series 2004 A (the "Series 2004 A Bonds"), are issued for the purposes of (1) paying a portion of the costs of currently refunding all of the Issuer's outstanding Sewer Refunding Revenue Bonds, Series 1994 (the "Series 1994 Bonds"), on their first permitted redemption date, being May 1, 2004; and (2) paying costs of issuance thereof and other costs in connection with such refunding.

The Series 2003 C Bonds have been sold to Crews & Associates, Inc. (the 'Original Purchaser'), pursuant to a Contract of Purchase dated August 28, 2003, and accepted by the Issuer (the "Contract of Purchase").

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

Based upon the foregoing, and assuming compliance with the covenants and representations of the Issuer and the other entities set forth in the Resolution, the Escrow Agreement, the Continuing Disclosure Agreement and the Registrar's Agreement and such certifications, we are of the opinion, under existing law, that:

1. The Issuer is a duly organized and validly existing public service district and public corporation under and pursuant to the laws of the State of West Virginia, with full power and authority to adopt the Resolution, enter into the Escrow Agreement, the Contract of Purchase and the Continuing Disclosure Agreement, perform its obligations under the terms and provisions thereof and to issue and sell the Series 2003 C Bonds, all under the provisions of the Act and other applicable provisions of law.

2. The Issuer, through its governing body, has legally and effectively adopted the Resolution, has authorized, executed and delivered the Escrow Agreement, the Contract of Purchase and the Continuing Disclosure Agreement and has issued and delivered the Series 2003 C Bonds to the Original Purchaser pursuant to the Contract of Purchase. The Resolution is in full force and effect as of the date hereof.

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

4. The Series 2003 C Bonds have been duly authorized, executed and delivered by the Issuer and, assuming proper authentication, constitute valid and legally enforceable limited obligations of the Issuer, payable and enforceable in accordance with their terms and the terms of the Resolution, and are entitled to the benefits of the Resolution and the Act.

5. The Series 2003 C Bonds have not been issued on the basis that the interest thereon is or will be excluded from gross income for federal income tax purposes; therefore, the interest on the Series 2003 C Bonds is not excluded from gross income for federal income tax purposes. We express no opinion regarding other federal tax consequences arising with respect to the Series 2003 C Bonds.

6. Under the Act, the Series 2003 C Bonds are exempt from taxation by the State of West Virginia, and the other taxing bodies of the State, and the interest on the Series 2003 C Bonds is exempt from personal and corporate net income taxes imposed directly thereon by the State of West Virginia.

7. The Series 2003 C Bonds are exempted securities within the meaning of Section 3(a)(2) of the Securities Act of 1933, as amended, and the West Virginia Uniform Securities Act, as amended, and it is not

Pea Ride Public Service District, et al.

Page 3

necessary, in connection with the public offering and sale of the Series 2003 C Bonds, to register any securities under said Securities Acts.

It is to be understood that the rights of the holders of the Series 2003 C Bonds and the enforceability of the Series 2003 C Bonds, the Resolution, the Escrow Agreement, the Contract of Purchase and the Continuing Disclosure Agreement, and the liens, pledges, rights or remedies with respect thereto, are subject to and may be limited by any applicable bankruptcy, reorganization, insolvency, moratorium or other similar laws heretofore or hereafter enacted affecting creditors' rights or remedies generally, and that their enforcement may also be subject to the application of public policy, general principles of equity and the exercise of judicial discretion in appropriate cases.

We do not express any opinion as to the sufficiency or accuracy of the material, information or financial statements which are set forth in the official statement prepared and used in connection with the offering and sale of the Series 2003 C Bonds.

We have examined the executed and authenticated Bond Nos. CR-f through CR-9 of said issue, and in our opinion, said Series 2003 C Bonds are in proper form and have been duly executed and authenticated.

Very truly yours,

STEPTOE & JOHNSON PLLC

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[LETTERHEAD OF STEPTOE & JOHNSON PLLCI
(Form of Approving Opinion of Bond Counsel)

September 11, 2003

Pea Ridge Public Service District
Taxable Sewer Refunding Revenue Bonds, Series 2003 D

Pea Ridge Public Service District
Barboursville, West Virginia

Crews & Associates, Inc.
Charleston, West Virginia

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance by Pea Ridge Public Service District (the "Issuer") of its \$185,000 aggregate principal amount of Taxable Sewer Refunding Revenue Bonds, Series 2003 D (the "Series 2003 D Bonds").

The Series 2003 D Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a Bond Resolution duly adopted by the Issuer on August 6, 2003, as supplemented by a Supplemental Resolution duly adopted by the Issuer on August 28, 2003 (collectively, the "Resolution"), and are subject to all the terms and conditions of the Resolution. All capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Resolution.

The Series 2003 D Bonds are issued in fully registered form, are dated September 1, 2003, upon original issuance, mature on May 1 in the years and amounts and bear interest payable on May 1, 2004, and each May 1 and November 1 thereafter (subject to redemption on March 1, 2004, in the event of the issuance of the Series 200-1 A Bonds (as defined herein)), as set forth in the Resolution.

The Series 2003 D Bonds are not subject to optional redemption, but are subject to either mandatory sinking fund redemption or mandatory redemption, all as set forth in the Resolution.

The Resolution provides that the Bonds and when, as and if issued, the Sewer Refunding Revenue Bonds, Series 2004 A (the "Series 2004 A Bonds"), are issued for the purposes of (1) paying a portion of the costs of currently refunding all of the Issuer's outstanding Sewer Refunding Revenue Bonds, Series 1994 (the "Series 1996 Bonds"), on their first permitted redemption date, being May 1, 2004; and (2) paying costs of issuance thereof and other costs in connection with such refunding.

The Series 2003 D Bonds have been sold to Crews & Associates, Inc. (the "Original Purchaser"), pursuant to a Contract of Purchase dated August 28, 2003, and accepted by the Issuer (the "Contract of Purchase").

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

Based upon the foregoing, and assuming compliance with the covenants and representations of the Issuer and the other entities set forth in the Resolution, the Escrow Agreement, the Continuing Disclosure Agreement and the Registrar's Agreement and such certifications, we are of the opinion, under existing law, that:

1. The Issuer is a duly organized and validly existing public service district and public corporation under and pursuant to the laws of the State of West Virginia, with full power and authority to adopt the Resolution, enter into the Escrow Agreement, the Contract of Purchase and the Continuing Disclosure Agreement, perform its obligations under the terms and provisions thereof and to issue and sell the Series 2003 D Bonds, all under the provisions of the Act and other applicable provisions of law.

2. The Issuer, through its governing body, has legally and effectively adopted the Resolution, has authorized, executed and delivered the Escrow Agreement, the Contract of Purchase and the Continuing Disclosure Agreement and has issued and delivered the Series 2003 D Bonds to the Original Purchaser pursuant to the Contract of Purchase. The Resolution is in full force and effect as of the date hereof:

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

4. The Series 2003 D Bonds have been duly authorized, executed and delivered by the Issuer and, assuming proper authentication, constitute valid and legally enforceable limited obligations of the Issuer, payable and enforceable in accordance with their terms and the terms of the Resolution, and are entitled to the benefits of the Resolution and the Act.

5. The Series 2003 D Bonds have not been issued on the basis that the interest thereon is or will be excluded from gross income for federal income tax purposes; therefore, the interest on the Series 2003 D Bonds is not excluded from gross income for federal income tax purposes. We express no opinion regarding other federal tax consequences arising with respect to the Series 2003 D Bonds.

6. Under the Act, the Series 2003 D Bonds are exempt from taxation by the State of West Virginia, and the other taxing bodies of the State, and the interest on the Series 2003 D Bonds is exempt from personal and corporate net income taxes imposed directly thereon by the State of West Virginia.

7. The Series 2003 D Bonds are exempted securities within the meaning of Section 3(a)(2) of the Securities Act of 1933, as amended, and the West Virginia Uniform Securities Act, as amended, and it is not necessary, in connection with the public offering and sale of the Series 2003 D Bonds, to register any securities under said Securities Acts.

It is to be understood that the rights of the holders of the Series 2003 D Bonds and the enforceability of the Series 2003 D Bonds, the Resolution, the Escrow Agreement, the Contract of Purchase and the Continuing Disclosure Agreement, and the liens, pledges, rights or remedies with respect thereto, are subject to and may be limited by any applicable bankruptcy, reorganization, insolvency, moratorium or other similar laws heretofore or hereafter enacted affecting creditors' rights or remedies generally, and that their enforcement may also be subject to the application of public policy, general principles of equity and the exercise of judicial discretion in appropriate cases.

We do not express any opinion as to the sufficiency or accuracy of the material, information or financial statements which are set forth in the official statement prepared and used in connection with the offering and sale of the Series 2003 D Bonds.

We have examined the executed and authenticated Bond No. DR-1 of said issue, and in our opinion, said Series 2003 D Bond is in proper form and has been duly executed and authenticated.

Very truly yours,

STEPTOE&JOHNSON PLLC

[LETTERHEAD OF STEPTOE & JOHNSON PLLC]
(Form of Approving Opinion of Bond Counsel)

March 1, 2004

\$2,620,000
Pea Ridge Public Service District
Sewer Refunding Revenue Bonds, Series 2004 A

Pea Ridge Public Service District
Barboursville, West Virginia

Crews & Associates, Inc.
Charleston, West Virginia

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance by Pea Ridge Public Service District (the "Issuer") of its \$2,620,000 aggregate principal amount of Sewer Refunding Revenue Bonds, Series 2004 A (the "Bonds").

The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (collectively, the "Act"), and a Bond Resolution duly adopted by the Issuer on August 6, 2003, as supplemented by a Supplemental Resolution duly adopted by the Issuer on August 28, 2003 (collectively, the "Resolution"), and are subject to all the terms and conditions of the Resolution. All capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Resolution.

The Bonds are issued in fully registered form, are dated March 1, 2004, upon original issuance, mature on May 1 in the years and amounts and bear interest payable each May 1 and November 1, commencing May 1, 2004, as set forth in the Resolution.

The Bonds are not subject to optional redemption, but are subject to mandatory sinking fund redemption, in the amounts and at the redemption prices set forth in the Resolution.

The Resolution provides that the Bonds are issued for the purpose of paying a portion of the costs of currently refunding all of the Issuer's outstanding Sewer Refunding Revenue Bonds, Series 1994 (the "Series 1994 Bonds"), on their first permitted redemption date, being May 1, 2004.

The Bonds have been sold to Crews & Associates, Inc. (the "Original Purchaser"), pursuant to a Contract of Purchase dated August 28, 2003, and accepted by the Issuer (the "Contract of Purchase").

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

Based upon the foregoing, and assuming compliance with the covenants and representations of the Issuer and the other entities set forth in the Resolution, the Escrow Agreement, the Continuing Disclosure Agreement and the Registrar's Agreement and such certifications, we are of the opinion, under existing law, that:

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

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

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

4. The Bonds have been duly authorized, executed and delivered by the Issuer and, assuming proper authentication, constitute valid and legally enforceable limited obligations of the Issuer, payable from, and secured by a lien on, the Net Revenues of the System, on a parity with the Issuer's Outstanding (i) Sewer Revenue Bonds, Series 1992 (West Virginia SRF Program), dated December 28, 1992, (ii) Sewerage System Design Revenue Bonds, Series 2000 (West Virginia SRF Program), dated March 7, 2000, (iii) Sewer Revenue Bonds, Series 2003 A (West Virginia SRF Program), dated August 19, 2003, and (iv) Sewer Revenue Bonds, Series 2003 B (West Virginia Water Development Authority), dated August 19, 2003, and enforceable in accordance with their terms and the terms of the Resolution, and are entitled to the benefits of the Resolution and the Act.

5. The Series 1994 Bonds have been paid within the meaning and with the effect expressed in the Resolution, as supplemented, pursuant to which they were issued, and the covenants, agreements and other obligations of the Issuer to the holders and owners of the Series 1994 Bonds have been satisfied and discharged. In rendering the opinion set forth in this paragraph 5, we have relied upon the verification report of certain independent certified public accountants that the proceeds of the Bonds are sufficient to pay the entire

outstanding principal of, premium, if any, and interest, not otherwise paid, on the Series 1994 Bonds on the date hereof, being the redemption date of the Series 1994 Bonds.

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

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

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

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

We do not express any opinion as to the sufficiency or accuracy of the material, information or financial statements which are set forth in the official statement prepared and used in connection with the offering and sale of the Bonds.

We have examined the executed and authenticated Bond Nos. AR-1 through AR-9 of said issue, and in our opinion, said Bonds are in proper form and have been duly executed and authenticated.

Pea Ridge Public Service District, et al.
Page 4

Very truly yours,

STEPTOE & JOHNSON PLLC

09/05/03
692580.00003

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

PEA RIDGE PUBLIC SERVICE DISTRICT
as Issuer,

Dated as of September 1, 2003

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THIS CONTINUING DISCLOSURE CERTIFICATE (the "Certificate") is made and entered into as of the 1st day of September, 2003, by PEA RIDGE PUBLIC SERVICE DISTRICT (the "Issuer).

RECITALS:

WHEREAS, the Issuer has issued or will issue its \$2,435,000 Taxable Sewer Refunding Revenue Bonds, Series 2003 C, \$185,000 Taxable Sewer Refunding Revenue Bonds, Series 2003 D, and when, as and if issued, \$2,620,000 Tax Exempt Sewer Refunding Revenue Bonds, Series 2004 A (collectively, the "Bonds"), pursuant to a Bond Resolution approved on August 6, 2003, and supplemented by a Supplemental Resolution on August 18, 2003 (collectively, the "Resolution"), to (i) repay certain existing indebtedness; (ii) fund a debt service reserve for the Bonds; and (iii) to pay costs relating to the issuance of the Bonds; and

WHEREAS, the Bonds have been offered and sold pursuant to a Preliminary Official Statement dated August 21, 2003, and an Official Statement dated August 28, 2003 (collectively, the "Offering Document"); and the Issuer has entered into a Bond Purchase Agreement, dated as of August 28, 2003 (the "Bond Purchase Agreement"), with respect to the sale of the Bonds, with the Participating Underwriter, as hereinafter defined; and

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

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

Section 1. Definitions; Scope of this Certificate.

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

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

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

"MSRB" shall mean the Municipal Securities Rulemaking Board.

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

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

"NRMSIR" shall mean all of the Nationally Recognized Municipal Securities Information Repositories as of the date hereof, as set forth in EXHIBIT A hereto, and all future Nationally

Recognized Municipal Securities Information Repositories approved by the SEC from time to time.

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

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

"SEC" shall mean the Securities and Exchange Commission.

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

"State" shall mean the State of West Virginia.

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

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

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

Section 2. Disclosure of Information.

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

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

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

Information.

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

(C) Information Provided by Disclosure Representative to Public.

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

(a) Annual Financial Information;

(b) Material Event occurrences; and

(c) such other information as the Issuer shall determine to make public through the Disclosure Representative.

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

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

(a) as to all notices, reports and financial statements to be provided to the Disclosure Representative by the Issuer, in the form of notice required by the Resolution, this Certificate or other applicable document or agreement; and

(b) as to all other notices or reports, in such form as the Disclosure Representative shall deem suitable for the purpose of which such notice or report is given.

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

(D) Means of Making Information Public.

10/10/2018 10:10:10 AM
10/10/2018 10:10:10 AM

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

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

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

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

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

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

(2) Information shall be transmitted to the following:

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

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

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

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

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

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

Section 3. Amendment or Modification.

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

Section 4. Miscellaneous.

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

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

(C) Governing Law. This Certificate shall be governed by and interpreted in accordance with the laws of the State; provided that, to the extent that the SEC, the MSRB or any other federal or state agency or regulatory body with jurisdiction over the Bonds shall have promulgated any rule or regulation governing the subject matter hereof, this Certificate shall be interpreted and construed in a manner consistent therewith.

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

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

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

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

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

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

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

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

PEA RIDGE PUBLIC SERVICE DISTRICT

By:

Chairman

EXHIBITA

Nationally Recognized Municipal Securities Information Repositories approved by the Securities and Exchange Commission as of June 30, 2003:

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, New Jersey 08558
Phone: (609) 279-3225
Fax: (609) 279-5962
http://www.bloomberg.com/markets/muni_contactinfo.html
Email: Munis@Bloomberg.com

DPC Data Inc.
One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
<http://www.dpcdata.com>
Email: nrmsir@dpcdata.com

FT Interactive Data
Attn: NRMSIR
100 William Street
New York, New York 10038
Phone: (212) 771-6999
Fax: (212) 771-7390 (Secondary Market Information)
(212) 771-7391 (Primary Market Information)
<http://www.interactivedata.com>
Email: NRMSIR@TID.com

Standard & Poor's J. J. Kenny Repository
55 Water Street
45th Floor
New York, NY 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
www.jjkenny.com/jjkennyloser_descrip_data_rep.html
Email: [nrmsir_repository\(sandp.com\)](mailto:nrmsir_repository(sandp.com))

\$2,435,000
**PEA RIDGE PUBLIC SERVICE DISTRICT, WEST VIRGINIA
TAXABLE SEWER REFUNDING REVENUE BONDS
SERIES 2003 C**

\$185,000
**PEA RIDGE PUBLIC SERVICE DISTRICT, WEST VIRGINIA
TAXABLE SEWER REFUNDING REVENUE BONDS
SERIES 2003 D**

**AND
WHEN, AS AND IF ISSUED**

\$2,620,000
**PEA RIDGE PUBLIC SERVICE DISTRICT, WEST VIRGINIA
SEWER REFUNDING REVENUE BONDS
SERIES 2004 A**

CONTRACT OF PURCHASE

August 28, 2003

Pea Ridge Public Service District
P.O. Box 86
Barboursville, WV 25504

Ladies and Gentlemen:

The undersigned, Crews & Associates, Inc. (the "Underwriter"), offer to enter into this Contract of Purchase (the "Contract of Purchase") with you, the Pea Ridge Public Service District, West Virginia (the "Issuer"), which, upon your acceptance, will be binding upon the Issuer and upon the Underwriter. This offer is made subject to your acceptance hereof on or before 9:00 p.m., New York time, on the date hereof, and if not so accepted, will be subject to withdrawal by the Underwriter upon notice delivered to you at any time prior to the acceptance hereof by you.

1. Purchase, Sale and Delivery of the Bonds; Official Statement. (A) Subject to the terms and conditions and in reliance upon the representations, warranties and agreements herein set forth, the Underwriter hereby agrees to purchase from the Issuer, and the Issuer hereby agrees to sell to the Underwriter, all (but not less than all) of (i) \$2,435,000 aggregate principal amount of the Pea Ridge Public Service District Taxable Sewer Refunding Revenue Bonds, Series 2003 C, dated September 1, 2003, upon original issuance (the "Series 2003 C Bonds"); (ii) \$185,000 aggregate principal amount of the Pea Ridge Public Service District Taxable Sewer Refunding Revenue Bonds, Series

2003 D, dated September 1, 2003, upon original issuance (the "Series 2003 D Bonds"); and (iii) when, as and if issued, \$2,620,000 aggregate principal amount of the Pea Ridge Public Service District Sewer Refunding Revenue Bonds, Series 2004 A, dated March 1, 2004, upon original issuance (the "Series 2004 A Bonds") (collectively, the "Bonds"), bearing interest payable May 1, 2004, with respect to the Series 2003 C Bonds, bearing interest payable May 1, 2004, with respect to the Series 2003 D Bonds, and bearing interest payable May 1, 2004, with respect to the Series 2004 A Bonds, and thereafter semi-annually on May 1 and November 1 in each year at the rates per annum and maturing on the dates and in the amounts set forth on Schedule I. The purchase price for the Series 2003 C Bonds shall be \$2,355,862.50 (which shall be equal to the par amount of the Bonds, less an underwriters' discount of \$79,137.50), plus interest accrued from the date of the Bonds upon original issuance to the hereinafter defined Closing Date, calculated on a 30-day month/360-day year basis. The purchase price for the Series 2003 D Bonds shall be \$178,987.50 (which shall be equal to the par amount of the Bonds, less an underwriters' discount of \$6,012.50), plus interest accrued from the dated date of the Bonds upon original issuance to the hereinafter defined Closing Date, calculated on a 30-day month/360-day year basis. The purchase price for the Series 2004 A Bonds, when, as and if issued shall be \$2,620,000 which may be evidenced by cash under the Escrow Agreement (as defined below), the surrender of a like principal amount of the Series 2003C Bonds and the Series 2003D Bonds, as a combination of the foregoing.

The Bonds shall be substantially in the form described in, shall be issued and secured under the provisions of, and shall be payable as provided in, a resolution adopted by the public service board (the "Board") of the Issuer on August 6, 2003 (the "Original Resolution"), as supplemented and amended by a supplemental resolution adopted by the Board of the Issuer on August 28, 2003, (said Original Resolution as so amended and supplemented, the "Resolution"). The Bonds are authorized to be issued pursuant to Chapter 16, Article 13A and Chapter 13, Article 2E of the Code of West Virginia of 1931, as amended (collectively, the "Act") and the Resolution. Until March 1, 2004, the Series 2003 C Bonds and the Series 2003 D Bonds shall be paid solely from cash and securities on deposit with the West Virginia Municipal Bond Commission (the "Bond Commission"), as Escrow Agent (the "Escrow Agent"), pursuant to the terms of an Escrow Agreement, dated as of September 11, 2003 (the "Escrow Agreement"). On and after March 1, 2004, the Series 2003 C Bonds will be subject to either mandatory redemption or tender pursuant to the terms of the Resolution and will no longer be outstanding. The Series 2003 D Bonds and the Prior Bonds, hereinafter defined, or, if the Series 2004 A Bonds are issued on March 1, 2004, the Series 2004 A Bonds, will be payable ratably from the Net Revenues (as defined in the Resolution) and moneys in the respective Sinking Funds created under the Resolution, and with respect to the Prior Bonds or the Series 2004 A Bonds, as applicable, from the Prior Bonds Reserve Account/Series 2004 A Bonds Reserve Account therein (collectively the "Security") pledged therefor under the Resolution. For purposes of this Contract of Purchase, "Prior Bonds" shall mean those certain Pea Ridge Public Service District Sewer Revenue Bonds, Series 1992 (West Virginia SRF Program), dated December 28, 1992, issued in the original aggregate principal amount of \$1,250,000, Pea Ridge Public Service District 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, Pea Ridge Public Service District 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, and Pea Ridge Public Service District 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 Bonds will not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation. Proceeds of the Series 2003 C Bonds and the Series 2003 D Bonds will be used to provide cash and purchase securities for deposit in the Escrow Fund as aforesaid. Proceeds of the Series 2004 A Bonds, when, as and if issued, together with other moneys available for such purpose, will be used to currently refund on May 1, 2004, the Pea Ridge Public Service District Sewer Refunding Revenue Bonds, Series 1994, issued in the original aggregate principal amount of \$3,035,000 (the "1994 Bonds"), fund a debt service reserve account and pay certain costs of said issuance and refunding and related costs.

(A) By its purchase of the Series 2003 C Bonds or the Series 2003 D Bonds, each Series 2003 C and Series 2003 D Bondholder has unconditionally and irrevocably agreed, upon authentication and issuance of the Series 2004 A Bonds in accordance with the provisions of the Resolution, to purchase on March 1, 2004, Series 2004 A Bonds in the principal amount equal to the then outstanding principal amount of such Bondholder's Series 2003 C Bonds or Series 2003 D Bonds at a purchase price equal to the principal amount thereof. Pursuant to the Resolution, each Series 2003 C and Series 2003 D Bondholder, by its purchase of such series of Bonds, has irrevocably appointed the Escrow Agent as its agent and attorney in fact and has instructed the Escrow Agent on its behalf to transfer the redemption proceeds of its Series 2003 C Bonds or Series 2003 D Bonds to the paying Agent which, in turn, will transfer such amounts to the Underwriter, which will then purchase from the Issuer said amount of Series 2004 A Bonds on behalf of the Series 2003 C and Series 2003 D Bondholders, all for the purpose of satisfying such Series 2003 C and Series 2003 D Bondholders' obligations to purchase Series 2004 A Bonds. Such purchase shall be made by the Underwriter on behalf of the Series 2003 C and Series 2003 D Bondholders (unless enjoined by a court of competent jurisdiction in the event of a bankruptcy or insolvency of a Series 2003 C or Series 2003 D Bondholder or due to other circumstances) automatically and without the necessity of any further action on the part of any such Series 2003 C and Series 2003 D Bondholder.

(B) The Underwriter agree to make a bona fide public offering of the Bonds at the initial offering prices or yields set forth on the cover page of the Official Statement to be delivered in connection with the Bonds (the "Official Statement") and in making such offering shall comply with all federal and state securities laws, but the Underwriter reserve the right to grant concessions as the Underwriter deem necessary or desirable in connection with the offering and sale of the Bonds and to sell the Bonds to dealers (including dealer banks and dealers depositing Bonds into investment trusts) and others at prices different from the public offering prices. The Underwriter also reserve the right (a) to over-allot or effect transactions that stabilize or maintain the market price of the Bonds at a level above the level that might otherwise prevail in the open market, and (b) to discontinue such stabilizing, if commenced, at any time.

(C) On or prior to 2:00 p.m., New York time, on September 11, 2003, or at such earlier or later time and date as shall be agreed upon by the Underwriter and the Issuer (the "2003 Closing Date"), the Issuer will deliver or cause to be delivered to The Depository Trust Company ("DTC"), at its offices at 55 Water Street, New York, New York 10041, the Series 2003 C Bonds and the Series 2003 D Bonds evidenced by a single certificate for each maturity, duly executed and authenticated and registered in the name of Cede & Co. At the time of the 2003 Closing Date, there will be delivered to the Underwriter at the offices of Steptoe & Johnson PLLC, in Charleston, West

Virginia, or at such other place upon which the Underwriter and the Issuer mutually agree, the other documents herein mentioned. The Underwriter will accept such delivery and pay the purchase price of the Series 2003 C Bonds and the Series 2003 D Bonds, together with accrued interest, as set forth in Paragraph 1(A) hereof in immediately available federal funds (such delivery and payment being herein referred to as the "2003 Closing"). The Series 2003 C Bonds and the Series 2003 D Bonds shall be delivered to DTC at least one business day prior to the 2003 Closing Date for the purpose of inspection.

On or prior to 2:00 p.m., New York time, on March 1, 2004, or at such earlier or later time and date as shall be agreed upon by the Underwriter and the Issuer (the "2004 Closing Date"), in the event the Series 2004 A Bonds are issued, the Issuer will deliver or cause to be delivered to The Depository Trust Company ("DTC"), at its offices at 55 Water Street, New York, New York 10041, the Series 2004 A Bonds evidenced by a single certificate for each maturity, duly executed and authenticated and registered in the name of Cede & Co. At the time of the 2004 Closing Date, there will be delivered to the Underwriter at the offices of Steptoe & Johnson PLLC, in Charleston, West Virginia, or at such other place upon which the Underwriter and the Issuer mutually agree, the other documents herein mentioned. The Underwriter will accept such delivery and pay the purchase price of the Series 2004 A Bonds, together with accrued interest, if any, as set forth in Paragraph 1(A) hereof in immediately available federal funds (such delivery and payment being herein referred to as the "2004 Closing"). The Series 2004 A Bonds shall be delivered to DTC at least one business day prior to the 2004 Closing Date for the purpose of inspection.

(D) We represent and warrant that any authority, discretion or other power conferred upon the Underwriter under any of the provisions of this Contract of Purchase may be exercised by Crews & Associates, Inc., and the payment for, acceptance of, and delivery and execution of any receipt for the Bonds and any other instruments upon or in connection with the Closing hereunder shall be made solely by the Underwriter.

(E) The Issuer shall deliver or cause to be delivered to the Underwriter, promptly upon its acceptance hereof, two fully executed copies of the Official Statement. The Issuer further agrees that:

It will provide or cause to be provided to the Underwriter, within seven (7) business days after the date hereof (and at such other time or times as the Underwriter shall request for purposes of complying with the requirements hereinafter referred to) additional copies of the Official Statement in such quantities as shall be requested by the Underwriter to comply with the requirements of paragraphs (b) (3) and (b) (4) of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), and the applicable rules of the Municipal Securities Rulemaking Board; and

(ii) if on or prior to the 25th day after the "end of the underwriting period," as such expression is used in Rule 15c2-12, an event occurs affecting the Issuer that is materially adverse for the purpose for which the Official Statement is to be used and is not disclosed in the Official Statement, the Issuer will notify the Underwriter thereof and, if in the opinion of the Issuer or the Underwriter such event requires a supplement or amendment to the Official Statement, the Issuer will supplement or amend the Official Statement in a manner approved by the Issuer and the

Underwriter (such approvals not to be unreasonably delayed or withheld) and will thereafter until the end of such 25-day period provide the Underwriter with copies of the Official Statement, as so amended or supplemented, in sufficient quantities to comply with the requirements referred to in subparagraph (i) above.

The Underwriter agrees that it will file copies of the Official Statement with a nationally recognized municipal securities information repository as soon as possible after the Closing.

(F) The Issuer authorizes the use and distribution of copies of the Official Statement, the Resolution, and any other related documents and certificates in connection with the public offering and sale of the Bonds and consents to the use, prior to the date hereof, of copies of the Preliminary Official Statement dated August 28, 2003, relating to the Bonds (the "Preliminary Official Statement"). The Issuer represents that it deems the Preliminary Official Statement "final as of its date" within the meaning of Rule 15c2-12.

2. Representations, Warranties and Agreements of the Issuer. (A) The Issuer hereby represents and warrants to, and agrees with, the Underwriter that:

(i) The Issuer is a duly organized and validly existing public service district under and pursuant to the Constitution and laws of the State of West Virginia;

(ii) The Issuer has full legal right, power and authority to (a) enter into the Escrow Agreement (as hereinafter defined) and this Contract of Purchase; (b) to enact the Resolution; (c) to pledge the Security as set forth in the Resolution; (d) to issue, sell and deliver the Bonds to the Underwriter as provided herein; (e) to own and operate the System (as defined in the Resolution) and conduct the business thereof as set forth in and contemplated by the Official Statement; and (f) to carry out, give effect to and consummate the transactions contemplated by the Bonds, the Resolution, the Escrow Agreement, this Contract of Purchase and the Official Statement.

(iii) The Issuer has complied with, and will at the 2003 Closing Date and the 2004 Closing Date be in compliance, with all provisions of applicable law, the Act and the Resolution, pertaining to the several matters referenced in Paragraph 2(A)(ii) hereof;

(iv) The Issuer has, prior to the 2003 Closing Date, duly enacted the Resolution, and has, as of the date hereof, duly authorized the execution and delivery of the Bonds, and this Contract of Purchase and has, prior to the 2003 Closing Date, duly authorized the execution and delivery of the Escrow Agreement, the Official Statement, and the distribution of the Official Statement, and has, prior to the 2003 Closing Date, duly authorized and approved the performance by the Issuer of its obligations contained in, and the taking of any and all action as may be necessary to carry out, give effect to and consummate, the transactions contemplated by each of said documents;

(v) Upon closing, the Resolution will be in full force and effect, and the Bonds (subject to the issuance of the Series 2004 A Bonds), the Resolution, the Escrow Agreement, and this Contract of Purchase will constitute the legal, valid and binding obligations of the Issuer enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy,

reorganization, insolvency, moratorium or other laws affecting the enforcement of creditors' rights from time to time in effect;

(vi) The Issuer is not in breach of or in default under any constitutional provision, applicable law or administrative rule or regulation of the State of West Virginia, the United States of America, or of any department, division, agency or instrumentality of either thereof, or any applicable court or administrative decree or order, or any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the Issuer is a party or to which the Issuer or any of the properties or assets of the System are otherwise subject or bound, which breach or default, in any material way, directly or indirectly, would affect System activities, the issuance, execution or delivery of the Bonds or the validity thereof, the validity or enacting of the Resolution or the execution or delivery of the Escrow Agreement, this Contract of Purchase or the other instruments contemplated by any of such documents to which the Issuer is a party; and no event has occurred and is continuing which, with the passage of time or the giving of notice or both, would constitute such a breach or default; and the enacting of the Resolution, and the execution and delivery of the Bonds, the Escrow Agreement, this Contract of Purchase and the other documents and instruments contemplated by any of such documents, and compliance with the provisions of each thereof, will not conflict with or constitute a breach of or default under any constitutional provision, applicable law or administrative rule or regulation of the State of West Virginia, the United States of America, or of any department, division, agency or instrumentality of either thereof, or any applicable court or administrative decree or order, or any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the Issuer is a party or to which the Issuer or any of the properties or assets of the System are otherwise subject or bound.

All approvals, consents, authorizations, elections and orders of or filings or registrations with any governmental authority, legislative body, board, agency or commission having jurisdiction, which would constitute conditions precedent to, or the absence of which would materially adversely affect, the due performance by the Issuer of its obligations under the Resolution, the Bonds, the Escrow Agreement, or this Contract of Purchase, have been or will have been, prior to the delivery of the Bonds duly obtained and are and will be in full force and effect, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds, as to which no representation is given;

(viii) The Bonds, the Resolution, and the Escrow Agreement shall conform to the descriptions thereof contained in the Official Statement and the Bonds shall be validly issued and outstanding revenue obligations of the Issuer entitled to all the benefits and security of the Resolution;

(ix) The Official Statement is true, correct and complete in all material respects and does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(x) The Resolution creates a legally valid and binding pledge of, and lien upon, the Security, for payment of the principal of, and premium, if any, and interest on the Bonds as the

same become due and for the other purposes provided in the Resolution, subject only to the provisions of the Resolution permitting application of such funds on the terms and conditions set forth in the Resolution;

(xi) Except as described in the Official Statement, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, is pending or, to the knowledge of the Issuer, threatened in any way questioning or affecting the corporate existence of the Issuer, the organization of the Board of the Issuer or the titles of the officers and members of the Issuer or the Board thereof to their respective offices, or seeking to prohibit, restrain or enjoin the issuance, sale or delivery of the Bonds, the application of the proceeds thereof in accordance with the Resolution and the Escrow Agreement, or the collection or application of Gross Revenues of the System and any other assets pledged or to be pledged to pay the principal of and interest on the Bonds or in any way contesting or affecting the validity or enforceability of the Bonds, the Resolution, the Escrow Agreement, this Contract of Purchase or any action of the Issuer contemplated by any of said documents, or in any way contesting the completeness or accuracy of the Official Statement, or contesting the powers or authority of the Issuer with respect to the issuance, sale or delivery of the Bonds, the enacting of the Resolution, or the execution and delivery of the Escrow Agreement or this Contract of Purchase, or any action on the part of the Issuer contemplated by any of said documents, including without limitation the power of the Issuer to fix, establish, revise and collect rates and charges for the use of the services and facilities of the System sufficient to meet the rate covenant set forth in the Resolution, or which would adversely affect the exemption of interest to be paid on the Bonds from federal income taxation; nor, to the knowledge of the Issuer, is there any basis therefor;

(xii) The Issuer will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States of America as the Underwriter may designate;

(xiii) The audited financial statements pertaining to the System for the period ended June 30, 2002, together with the related notes and reports thereon, compiled by Ralph W. Bassett, Jr., herewith delivered to the Underwriter and contained in the Official Statement as Appendix A thereto, fairly present the financial position*of the System as of the dates indicated and the results of its operations for the periods specified, and such financial statements have been prepared in conformity with the laws of the State of West Virginia and regulations thereunder consistently applied during the periods involved; and the Issuer has no knowledge of any material adverse change in its financial position or results of operations from those set forth in such financial statements and the Official Statement;

(xiv) The Issuer will apply the proceeds of the Bonds in accordance with the Resolution and as contemplated by the Official Statement;

(xv) The Issuer has not been notified of any listing or proposed listing of the Issuer by the Internal Revenue Service as an issuer whose arbitrage certifications may not be relied upon.

(xvi) To the best of the Issuer's knowledge, the Issuer has not been and is not now in default with respect to the payment of principal of or interest on (i) any securities issued or guaranteed by the Issuer that constitute a general obligation of the Issuer or (ii) on any of the Issuer's revenue bonds.

(xvii) Any certificate signed by the Chairman or Secretary of the Issuer, or other authorized official or individual of the Issuer, shall be deemed a representation and warranty by the Issuer to the Underwriter as to the statements made therein.

3. Conditions to the Obligations of the Underwriter. The Obligations of the Underwriter to accept delivery of and pay for the Bonds on the 2003 Closing Date and the 2004 Closing Date, as applicable, shall be subject, at the option of the Underwriter, to the accuracy of the representations and warranties on the part of the Issuer contained herein as of the applicable Closing Date, to the accuracy in all material respects of the statements of the officers and other officials of the Issuer made in any certificates or other documents furnished pursuant to the provisions hereof, to the performance by the Issuer of its obligations to be performed hereunder at or prior to the applicable Closing Date and to the following additional conditions, provided that for purposes of this Paragraph 3, the term "Closing Date" shall refer to both the 2003 Closing Date or the 2004 Closing Date:

(A) At the Closing Date, the Resolution shall have been duly enacted and the Bonds shall have been duly authorized, executed and delivered, and the Resolution shall be in full force and effect and shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Underwriter, and there shall have been taken in connection therewith, with the issuance of the Bonds and with the transactions contemplated by the Resolution and by this Contract of Purchase, all such additional actions as, in the opinion of Steptoe & Johnson PLLC, bond counsel ("Bond Counsel"), or Goodwin & Goodwin, LLP, counsel to the Underwriter, shall be necessary and appropriate in connection with the delivery of this Contract of Purchase and any of the obligations or transactions contemplated hereby;

(B) At the Closing Date, the Official Statement shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Underwriter;

(C) Between the date hereof and the Closing Date, the market price or marketability of the Bonds, at the initial offering prices set forth in the Official Statement, shall not have been materially adversely affected, in the judgment of the Underwriter (evidenced by a written notice to the Issuer terminating the obligation of the Underwriter to accept delivery of and pay for the Bonds), by reason of any of the following:

Legislation enacted by or introduced in Congress of the United States of America or reported out of or pending in committee or recommended for passage by the President of the United States of America, or a decision rendered by a court established under Article III of the Constitution of the United States of America or by the Tax Court of the United States of America, or an order, ruling, regulation or official statement (final, temporary or proposed) issued or made or any other release or announcement (a) by or on behalf of the Treasury Department of the United States of America or the Internal Revenue Service or any other federal or state authority, with the purpose or

effect, directly or indirectly, of imposing federal income taxation upon such Gross Revenues as would be received by the Issuer or upon such interest as would be received by the holders of the Bonds; or (b) by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Bonds are not exempt from registration under the Securities Act of 1933 and the West Virginia Uniform Securities Act or qualification under, or other requirements of, the Trust Indenture Act of 1939, as amended, or that the issuance, offering or sale of obligations of the general character of the Bonds, including any or all underlying arrangements as contemplated hereby or by the Official Statement, is or would be in violation of the federal securities laws as amended and then in effect;

(ii) The declaration of war or engagement in major hostilities by the United States of America or the occurrence of any other local, national or international emergency or calamity relating to effective operation of the government of or the financial community in the United States of America, or a default with respect to the debt obligations of, or the institution of proceedings under the federal bankruptcy laws by or against, any state of the United States of America or agency thereof, or any city in the United States of America having a population of over 1,000,000, the effect of which on the financial markets of the United States of America will be such as, in the Underwriter's judgment, make it impracticable for the Underwriter to market the Bonds or to enforce contracts for the sale of the Bonds;

(iii) The declaration of a general banking moratorium by federal, New York or West Virginia authorities, or the general suspension of trading on any national securities exchange;

(iv) The imposition by the New York Stock Exchange or other national securities exchange, or any governmental authority, of any material restrictions not now in force with respect to the Bonds or obligations of the general character of the Bonds or securities generally, or the material increase of any such restrictions now in force, including those relating to the extension of credit by, or to the net capital requirements of, Underwriter;

(v) The withdrawal or downgrading, from that prevailing on the date hereof, of any rating either of the Bonds by Standard and Poor's Corporation or Fitch Investors Service, or of any other securities of the Issuer by a national rating agency;

(vi) Any amendment to the federal or West Virginia Constitution or action by any federal or West Virginia Court, legislative body, regulatory body, or other authority materially adversely affecting (a) the tax-exempt status of the Issuer with respect to the Gross Revenues and other assets pledged under the Resolution and its property, income and securities (or interest thereon); (b) the validity or enforceability of this Contract of Purchase, the Bonds, the Resolution or the Escrow Agreement; or (c) the ability of the Issuer to meet its covenants under the Resolution;

(vii) The occurrence of a change in the debt, a decrease in assets or any other change in the financial position or results of operations of the System or in the affairs of the Issuer subsequent to the date as of which information is given in the Official Statement, except as contemplated in the Official Statement;

(viii) Any event occurring, or information becoming known which, in the reasonable judgment of the Underwriter, makes untrue in any material respect any statement or information contained in the Official Statement, or has the effect that the Official Statement contains any untrue statement of material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(D) Upon the 2004 Closing, the Issuer shall refund and defense the 1994 Bonds;

(E) Upon the 2003 Closing, certain funds available therefor shall be placed in escrow pursuant to the terms of an Escrow Agreement, dated the 2003 Closing Date (the "Escrow Agreement"), by and between the Issuer and the West Virginia Municipal Bond Commission, an agency of the State of West Virginia, as Escrow Agent, and invested in certain direct obligations of the United States of America, the principal of which and interest on which when due will be sufficient to pay as the same become due the Series 2003 C Bonds and the Series 2003 D Bonds, to and including March 1, 2004.

(F) At or prior to the Closing Date, the Underwriter shall have received three counterpart originals of each of the following documents, in each case satisfactory in form and substance to the Underwriter and their Counsel.

(i) The Official Statement, including all appendices thereto, executed on behalf of the Issuer by its Chairman;

(ii) The Resolution, certified by the Issuer's Secretary to be a true, correct and complete copy thereof, without amendment, modification or rescission and in full force and effect as of the Closing Date;

(iii) An unqualified approving opinion of Bond Counsel dated the 2003 Closing Date and addressed to the Issuer, in form and substance acceptable to the Underwriter and its counsel, and if such opinion is not also addressed to the Underwriter, a letter of Bond Counsel dated the Closing Date and addressed to the Underwriter to the effect that the Underwriter may rely on said unqualified approving opinion as if it were addressed specifically to them and an unqualified approving opinion of Bond Counsel dated the 2004 Closing Date and addressed to the Issuer, in substantially the form as that attached as Appendix B to the Official Statement, and if such opinion is not also addressed to the Underwriter, a letter of Bond Counsel dated the 2004 Closing Date and addressed to the Underwriter to the effect that the Underwriter may rely on said unqualified approving opinion as if it were addressed specifically to them;

(iv) A supplemental opinion of Bond Counsel, dated the Closing Date and addressed to the Underwriter, to the effect that (a) the Issuer has full legal right, power and authority to sell and deliver the Bonds to the Underwriter as provided in this Contract of Purchase and to perform all of its obligations under the Escrow Agreement, and this Contract of Purchase, and the same are now in full force and effect; (b) the Escrow Agreement and this Contract of Purchase have been duly authorized, executed and delivered by, and constitute legal, valid and binding agreements and obligations enforceable in accordance with their terms, of the Issuer, except as enforcement may be

limited by bankruptcy, reorganization, insolvency, moratorium or other laws affecting the enforcement of creditors rights from time to time in effect; (c) in connection with the opinion given on the 2004 Closing Date, the Prior Bonds have been defeased and discharged in accordance with the Resolution securing the same and are deemed paid and have no further claim of any kind or under any circumstances to be paid from the Net Revenues, and any pledge, lien, charge or other encumbrance created by the Resolution or by the Act of or on the Security or the System has been completely defeased and discharged (provided that such opinion, insofar as it is based upon the sufficiency of certain funds deposited pursuant to the Escrow Agreement to pay when due the principal of and interest on the Prior Bonds, may rely upon the verification of calculations undertaken by the independent certified public accountants identified in the Official Statement); (d) the Issuer has duly authorized the execution, delivery and distribution of the Official Statement; (e) no registration with the Securities and Exchange Commission under the Securities Act of 1933, as amended, need be made in connection with the offering and sale of the Bonds, and neither the Resolution, nor the Escrow Agreement is required to be qualified under the Trust Indenture Act of 1939, as amended; (f) the enacting of the Resolution, and the execution and delivery of the Bonds, the Escrow Agreement, this Contract of Purchase and the other documents and instruments contemplated by any of such documents, and compliance with the provisions of each thereof, will not conflict with or constitute a breach of or default under any constitutional provisions, applicable law or administrative rule or regulation of the State of West Virginia, the United States of America, or any department, division, agency or instrumentality thereof, or any provision of any applicable court or administrative decree or order; (g) all approvals, consents, authorizations, elections and orders of or filings or registrations with any governmental authority, legislative body, board, agency or commission having jurisdiction, which would constitute conditions precedent to, or the absence of which would materially adversely affect, the due performance by the Issuer of its obligations under the Resolution, the Bonds, the Escrow Agreement, or this Contract of Purchase, have been duly obtained and are in full force and effect, except for such approvals, consents and orders as may be required under the Blue Sky or other securities laws of any state in connection with the offering and sale of the Bonds, as to which no opinion need be expressed (provided that such opinion, as it regards the power and authority of the Issuer to maintain and operate the System may rely upon certifications by the Chairman of the Issuer and the opinion of Ronald J. Flora, Counsel to the Issuer, dated the Closing Date); (h) the statements contained in the Official Statement on the cover and under the captions "Introduction," "Financing Plan," "The Bonds," "Additional Security for the Bonds," "Summary of Certain Provisions of the Resolution" and "Tax Matters", insofar as such statements purport to summarize certain provisions of the Bonds, the Resolution, the Escrow Agreement, and the opinion of Bond Counsel, are accurate and fairly present the information purported to be shown with respect thereto; and (j) based upon the information made available to them in the course of their participation in the preparation of the Official Statement and without having made any independent investigations of the operation or affairs of the Issuer, or the System or any independent verification of the statements of fact contained in the Official Statement including the appendices thereto, such counsel does not believe that the Official Statement (except as to engineering, financial and statistical data contained in the Official Statement, as to which no opinion or belief need be expressed) contains any untrue statement of a material fact or omits to state a material fact which in its judgment, is required to be stated therein in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

An opinion of Goodwin & Goodwin, LLP, counsel for the Underwriter, dated the Closing Date and addressed to the Underwriter, to the effect that (a) this Contract of Purchase has been duly authorized, executed and delivered on behalf of the Underwriter and constitutes a binding agreement of the Underwriter; (b) no registration with the Securities and Exchange Commission under the Securities Act of 1933, as amended, need be made in connection with the offering and sale of the Bonds, and the Resolution is not required to be qualified under the Trust Indenture Act of 1939, as amended; (c) based upon the information made available to them in the course of their participation in the preparation of the Official Statement and without having made any independent investigations of the operation or affairs of the Issuer, or the System or any independent verification of the statements of fact contained in the Official Statement including the appendices thereto, such counsel does not believe that the Official Statement (except for the Appendices thereto, information regarding the Issuer, or the engineering, financial and statistical data contained in the Official Statement, as to which no opinion or belief need be expressed) contains any untrue statement of a material fact or omits to state a material fact which, in its judgment, is required to be stated therein in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, which opinion shall also address such other matters as the Underwriter may require;

(vii) An opinion of Ronald J. Flora, Counsel to the Issuer, dated the Closing Date and addressed to the Issuer, Bond Counsel and the Underwriter, to the effect that (a) the Issuer is a duly organized and validly existing public service district under and pursuant to the Constitution and laws of the State of West Virginia, with full legal right, power and authority to enter into the Escrow Agreement and this Contract of Purchase, to enact the Resolution, to pledge the Security as set forth in the Resolution, to issue, sell and deliver the Bonds to the Underwriter as provided in this Contract of Purchase, to own and operate the System and conduct the business thereof as set forth in and contemplated by the Official Statement and to carry out, give effect to and consummate the transactions contemplated by the Bonds, the Resolution, the Escrow Agreement, this Contract of Purchase and Official Statement; (b) the Bonds, the Escrow Agreement and this Contract of Purchase have been duly authorized, executed and delivered by, and the Resolution has been duly enacted by, and each constitutes a legal, valid and binding agreement and obligation enforceable in accordance with its terms of the Issuer, except as enforcement may be limited by bankruptcy, reorganization, insolvency, moratorium or other laws affecting the enforcement of creditors' rights from time to time in effect; (c) the Issuer has duly authorized the execution, delivery and distribution of the Official Statement; (d) the Issuer is not in breach of or in default under any constitutional provision, applicable law or administrative rule or regulation of the State of West Virginia, the United States of America, or of any department, division, agency or instrumentality of either thereof, or any applicable court or administrative decree or order, or any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the Issuer is party or to which the Issuer or any of the properties or assets of the System are otherwise subject or bound, which breach or default, in any material way, directly or indirectly, would affect System activities, the issuance, execution or delivery of the Bonds or the validity thereof, the validity or enacting of the Resolution or of the execution or delivery of the Escrow Agreement, this Contract of Purchase or the other instruments contemplated by any of such documents to which the Issuer is a party; and no event has occurred and is continuing which, with the passage of time or the giving of notice or both, would constitute such a breach or default; and enacting of the Resolution, and the execution and delivery of the Bonds, the Escrow Agreement, this Contract of Purchase and the other

documents and instruments contemplated by and of such documents, and compliance with the provisions of each thereof, will not conflict with or constitute a breach of or default under any constitutional provision, applicable law or administrative rule or regulation of the State of West Virginia, the United States of America, or of any department, division, agency or instrumentality of either thereof, or any applicable court or administrative decree or order, or any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the Issuer is a party or to which the Issuer or any of the properties or assets of the System are otherwise subject or bound; (e) upon Closing, the Resolution will be in full force and effect, and the Resolution, the Bonds, the Escrow Agreement and this Contract of Purchase will constitute the legal, valid and binding agreements and obligations of the Issuer enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, reorganization, insolvency, moratorium or other laws affecting the enforcement of creditors' rights from time to time in effect; (f) no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, is pending or to her knowledge threatened in any way questioning or affecting the corporate existence of the Issuer, the organization of the Board of the Issuer, or the titles of the officers and members of the Issuer, the Board thereof to their respective offices, or seeking to prohibit, restrain or enjoin the issuance, sale or delivery of the Bonds, the application of the proceeds thereof in accordance with the Resolution, and the Escrow Agreement or the collection or application of the Gross Revenues of the System and any other assets pledged or to be pledged to pay the principal of and interest on the Bonds, or the pledge of and lien on the Security pursuant to the Resolution, or in any way contesting or affecting the validity or enforceability of the Bonds, the Resolution, the Escrow Agreement, this Contract of Purchase or any action of the Issuer, contemplated by any of said documents, or contesting the completeness or accuracy of the Official Statement, or contesting the powers or authority of the Issuer with respect to the issuance, sale or delivery of the Bonds, the enacting of the Resolution, or the execution and delivery of the Escrow Agreement, or this Contract of Purchase, or any action on the part of the Issuer contemplated by any of said documents, including without limitation the power of the Issuer to fix, establish, revise and collect rates and charges for the use of the services and facilities of the System sufficient to meet the rate covenant set forth in the Resolution; (g) all approvals, consents, authorizations, elections and orders of or filings or registrations with any governmental authority, legislative body, board, agency or commission having jurisdiction which would constitute conditions precedent to, or the absence of which would materially adversely affect, the due performance by the Issuer of its obligations under the Resolution, the Bonds, the Escrow Agreement or this Contract of Purchase, have been duly obtained and are in full force and effect, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds, as to which no opinion need be expressed; (h) no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, is pending or to his knowledge, threatened in any way questioning or affecting the corporate existence of the Issuer, the organization of the Board of the Issuer or the titles of the officers and members of the Issuer, or the Board thereof to their respective offices, or seeking to prohibit, restrain or enjoin the issuance, sale or delivery of the Bonds, the application of the proceeds thereof in accordance with the Resolution, or the collection or application of the Gross Revenues of the System and any other assets pledged or to be pledged to pay the principal of and interest on the Bonds, or the pledge of and first lien on the Security pursuant to the Resolution, or in any way contesting or affecting the validity or enforceability of the Bonds, the Resolution, the Escrow Agreement, this Contract of Purchase or any action of the Issuer, contemplated by any of said documents, or in any way

contesting the completeness or accuracy of the Official Statement, or contesting the powers or authority of the Issuer with respect to the issuance, sale or delivery of the Bonds, the enacting of the Resolution or the execution and delivery of the Escrow Agreement or this Contract of Purchase, or any action on the part of the Issuer contemplated by any of said documents, including without limitation the power of the Issuer or otherwise, to fix, establish, revise and collect rates and charges for the use of the services and facilities of the System sufficient to meet the rate covenant set forth in the Resolution, or which would adversely affect the exemption of interest to be paid on the Series 2004 A Bonds from federal income taxation, nor to their knowledge is there any basis therefor; (i) based upon their participation in the preparation of the Official Statement and without having made any independent investigations of the operation or affairs of the Issuer or the System or any independent verification of the statements of fact contained in the Official Statement including the appendices thereto, such counsel does not believe that the Official Statement (except as to information regarding any engineering, financial and statistical data contained in the Official Statement, as to which no opinion or belief need to be expressed) contains any untrue statement of a material fact or omits to state a material fact which, in her judgment, is required to be stated therein in order to make the statements therein, in light of the circumstances under which they were made, not misleading; and (j) the Resolution creates a legally valid and binding pledge of, and first lien and charge upon, the Security, for payment of the principal of, premium, if any, and interest on the Bonds as the same become due and for the other purposes provided in the Resolution, subject only to the provisions of the Resolution permitting application thereof on the terms and conditions set forth in the Resolution;

(viii) A certificate, dated the Closing Date and signed by the Chairman of the Issuer, to the effect that (a) the representations and warranties of the Issuer contained herein are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date; (b) to the best of his knowledge, no event has occurred since the date of the Official Statement which should be disclosed in the Official Statement in order that the Official Statement not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and (c) the Issuer has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied under this Contract of Purchase or otherwise at or prior to the Closing;

(ix) Verification by Smith, Cochran & Hicks, P.L.L.C., independent certified public accountants, of the mathematical accuracy of computations showing the sufficiency of the interest on and principal of the government securities, together with any other amounts deposited for such purpose, to cause the 1994 Bonds to be legally defeased under the 1994 Bond Resolution, of the yield on the Bonds and of the combined yields on certain securities and the transferred proceeds adjustment, if any, in form satisfactory to Bond Counsel;

(x) Certification by Smith, Cochran & Hicks, P.L.L.C., licensed to practice in the State of West Virginia, that the amount of savings stated to be achieved by the refunding of the 1994 Bonds shall, in fact, be saved, based upon their review, comparison and analysis of the net interest cost in dollars of the Bonds and the Prior Bonds;

(xii) A certificate dated the Closing Date and signed by the Chairman of the Issuer, supporting the conclusion that the Series 2004 Bonds are not "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, in substance and form satisfactory to Bond Counsel and counsel to the Underwriter;

(xiii) Such additional legal opinions, certificates, instruments and other documents as the Underwriter may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the Closing Date, of the Issuer's representations and warranties contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction by the Issuer at or prior to the Closing of all agreements then to be performed and all conditions then to be satisfied by the Issuer in connection with the transactions contemplated hereby and by the Resolution and the Official Statement.

If any of the conditions to the obligations of the Underwriter contained in this Contract of Purchase shall not have been satisfied when and as required herein, or if such obligations of the Underwriter shall be terminated for any reason permitted by this Contract of Purchase, this Contract of Purchase shall terminate upon written notice thereof to the Issuer, and neither the Underwriter nor the Issuer shall be under further obligations hereunder; except that (1) the respective obligations of the Issuer and the Underwriter for the payment of expenses, as provided in Paragraph 4 hereof, and (2) the agreement of the Issuer made in Paragraph 7 hereof shall continue as obligations in full force and effect.

4. Expenses. (A) The Underwriter shall be under no obligation to pay, and the Issuer shall pay or cause to be paid (out of the proceeds of the Bonds or any other legally available funds of the Issuer), all expenses incident to the performance of the Issuer's obligations hereunder, including but not limited to the cost of preparation and delivery of the Bonds; the cost of preparation, printing (and/or word processing and reproduction), distribution and delivery of the Resolution, the Preliminary Official Statement, the Official Statement, the Escrow Agreement and all other agreements and documents contemplated hereby or used in connection with the marketing and sale of the Bonds, and drafts of any thereof, in reasonable quantities as requested by the Underwriter; the fees and disbursements of the Bond Counsel, Underwriter's Counsel, Counsel to the Issuer, engineers, accountants, financial advisers and any other experts or consultants retained in connection with the Bonds; fees in connection with the verification of certain mathematical calculations; and any other expenses not specifically enumerated in Paragraph 4(B) hereof incurred in connection with the issuance of the Bonds and the refunding of the Prior Bonds;

(B) The Issuer shall be under no obligation to pay, and the Underwriter shall pay, the cost of preparation, printing (and/or word processing and reproduction), distribution and delivery of the Blue Sky and Legal Investment Memoranda and this Contract of Purchase; expenses to qualify the Bonds for sale under any Blue Sky laws; all advertising expenses in connection with the public offering of the Bonds; and all other expenses incurred by the Underwriter in connection with the public offering and distribution of the Bonds not specifically enumerated in Paragraph 4(A) hereof. If the Bonds are not issued and delivered as set forth herein, the Underwriter shall pay the expenses enumerated in this Paragraph 4(B).

5. Notices. Any notice or other communication to be given to the Issuer under this Contract of Purchase may be given by delivering the same in writing to the Issuer at the address set forth above, Attention: Chairman, and any notice or other communication to be given to the Underwriter under the Contract of Purchase may be given by delivering the same in writing to Crews & Associates, Inc., 2004 Union National Plaza, 124 West Capitol, Little Rock, Arkansas 72201, Attention: Rush Harding.

6. Parties in Interest. This Contract of Purchase is made solely for the benefit of the Issuer and the Underwriter (including successors or assigns of any Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof

7. Survival of Representations and Warranties. The representations and warranties of the Issuer, set forth in or made pursuant to this Contract of Purchase, shall not be deemed to have been discharged, satisfied or otherwise rendered void by reason of the Closing or termination of this Contract of Purchase and shall remain in full force and effect regardless of any investigations or statements as to the results thereof made by or on behalf of the Underwriter and regardless of delivery of and payment for the Bonds.

8. Effective. This Contract of Purchase shall become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by the Issuer and shall be valid and enforceable as of the time of such acceptance.

9. Applicable Law. This Contract of Purchase shall be by the laws of the State of West Virginia.

Very truly yours,

CREWS & ASSOCIATES, INC.

By:

Authorized Representative

Accepted August 28, 2003.

PEA RIDGE PUBLIC SERVICE DISTRICT

By: _____
Chairman

SCHEDULE I

Dated Date: September 1, 2003

Closing Date: September It, 2003

\$2,435,000

**Pea Ridge Public Service District
Taxable Sewer Refunding Revenue Bonds
Series 2003 C**

\$970,000 Serial Bonds

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>
May 1, 2010	\$145,000	3.000%	3.000%
May 1, 2011	155,000	3.000%	3.000%
May 1, 2012	165,000	3.000%	3.000%
May 1, 2013	170,000	3.000%	3.000%
May 1, 2014	180,000	3.000%	3.000%
May I, 2015	155,000	3.000%	3.000%

\$510,000 3.000% Term Bonds due May 1, 2009 at 100%

5340,000 3.000% Term Bonds due May 1, 2017 at 100%

\$615,000 3.000% Term Bonds due May 1, 2020 at 100%

Redemption Provisions

The Bonds are not subject to optional redemption prior to their stated maturities.

\$185,000

**Pea Ridge Public Service District
Taxable Sewer Refunding Revenue Bonds
Series 2003 D**

<u>Date</u>	<u>Maturity Amount</u>	<u>Price</u>	<u>Yield</u>
May 1, 2009	\$185,000	1 00%	3.00%

Redemption Provisions

The Bonds are not subject to optional redemption prior to their stated maturities.

and

When, As and If Issued,

\$2,620,000

**Pea Ridge Public Service District
Sewer Refunding Revenue Bonds
Series 2004 A**

\$970,000 Serial Bonds

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price ar Yield</u>
May 1, 2010	\$145,000	3.700%	3.700%
May 1, 2011	155,000	4.000%	4.000%
May 1, 2012	165,000	4.200%	4.200%
May 1, 2013	170,000	4.400%	4.400%
May 1, 2014	180,000	4.600%	4.600%

May 1, 2015	155,000	4.700%	4.700%
-------------	---------	--------	--------

\$695,000 3.250% Term Bonds due May 1, 2009 at 100%
 5340,000 4.900% Term Bonds due May 1, 2017 at 100%
 \$615,000 5.100% Term Bonds due May 1, 2020 at 100%

Optional Redemption

The Series 2004 Bonds maturing on and after May 1, 2010, are subject to optional redemption, in whole or in part, at any time on and after May 1, 2009, at a redemption price of par, plus accrued interest to the date fixed for redemption.

Mandatory Redemption

The Series 2004 Bonds, when, as and if issued, are subject to mandatory sinking fund redemption as follows:

Series 2004 A Bonds maturing May 1, 2009

2005	\$135,000
2006	135,000
2007	135,000
2008	145,000
2009*	145,000

Series 2004 A Bonds maturing May 1, 2017

2016	\$165,000
2017*	175,000

Series 2004 A Bonds maturing May 1, 2020

2018	\$190,000
2019	205,000
2020*	220,000

* Final Maturity

Net Purchase Price of Series 2003 C and 2003 D Bonds:

Par Amount	\$2,620,000.00
Less: Underwriter's Discount	85,150.00
Plus: Accrued Interest	<u>2,183.34</u>
Net Purchase Price	\$ 2,537,033.34

CONTINUING DISCLOSURE CERTIFICATE

PEA RIDGE PUBLIC SERVICE DISTRICT
as Issuer,

Dated as of September 1, 2003

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THIS CONTINUING DISCLOSURE CERTIFICATE (the "Certificate") is made and entered into as of the 15th day of September, 2003, by PEA RIDGE PUBLIC SERVICE DISTRICT (the "Issuer").

RECITALS:

WHEREAS, the Issuer has issued or will issue its \$2,435,000 Taxable Sewer Refunding Revenue Bonds, Series 2003 C, \$185,000 Taxable Sewer Refunding Revenue Bonds, Series 2003 D, and when, as and if issued, \$2,620,000 Sewer Refunding Revenue Bonds, Series 2004 A (collectively, the "Bonds"), pursuant to a Bond Resolution approved on August 6, 2003, and supplemented by a Supplemental Resolution on August 18, 2003 (collectively, the "Resolution"), to (i) repay certain existing indebtedness; (ii) fund a debt service reserve for the Bonds; and (iii) to pay costs relating to the issuance of the Bonds; and

WHEREAS, the Bonds have been offered and sold pursuant to a Preliminary Official Statement dated August 21, 2003, and an Official Statement dated August 28, 2003 (collectively, the "Offering Document"); and the Issuer has entered into a Bond Purchase Agreement, dated as of August 28, 2003 (the "Bond Purchase Agreement"), with respect to the sale of the Bonds, with the Participating Underwriter, as hereinafter defined; and

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

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

Section I. Definitions; Scope of this Certificate.

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

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

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

"MSRB" shall mean the Municipal Securities Rulemaking Board.

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

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

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

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

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

"SEC" shall mean the Securities and Exchange Commission.

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

"State" shall mean the State of West Virginia.

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

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

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

Section 2. Disclosure of Information.

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

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

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

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

(C) Information Provided by Disclosure Representative to Public.

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

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

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

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

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

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

(D) Means of Making Information Public.

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

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

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

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

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

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

(2) Information shall be transmitted to the following:

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

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

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

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

Nothing in this subsection shall be construed to relieve the Registrar and Paying Agent under the Resolution, of its obligation to provide notices to the holders of all Bonds if such notice

is required by the Resolution, but nothing herein shall be construed to require the them to take any actions other than those set forth in the Resolution.

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

Section 3. Amendment or Modification.

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

Section 4. Miscellaneous.

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

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

(C) Governing Law. This Certificate shall be governed by and interpreted in accordance with the laws of the State; provided that, to the extent that the SEC, the MSRB or any other federal or state agency or regulatory body with jurisdiction over the Bonds shall have promulgated any rule or regulation governing the subject matter hereof, this Certificate shall be interpreted and construed in a manner consistent therewith.

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

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

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

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

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

If a default occurs and continues beyond a period of thirty (30) days following notice of default given in writing to the Issuer, the Participating Underwriter or the holders of at least 2% of the aggregate principal amount of Outstanding Bonds shall, or any Bondholder may, take such actions as may be necessary and appropriate, including seeking an action in mandamus or specific performance to cause the Issuer to comply with its obligations under this Certificate. The Issuer acknowledges that monetary damages will not be an adequate remedy at law for any default hereunder; and, therefore, agrees that the remedy of specific performance shall be the sole remedy available in any proceeding to enforce this Certificate. The occurrence of any event of default as provided in this Certificate shall not constitute an event of default under the Resolution.

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

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

PEA RIDGE PUBLIC SERVICE DISTRICT


By: 
Chairman

EXHIBIT A

Nationally Recognized Municipal Securities Information Repositories approved by the Securities and Exchange Commission as of June 30, 2003;

Bloomberg Municipal Repository

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Skill »ail. Ne id se', os55S

Phone: (009) 279-322

Fax: (609) 279-5962

http://www.bloomberg.com/markets/muni_contactinfo.html

Email: Munis@Bloomberg.com

DPC Data Inc.

One Executive Drive

Fort Lee, NJ 07024

Phone: (201) 346-0701

Fax: (201) 947-0107

<http://www.dpcdata.com>

Email: nnsir@dpcdata.com

FT Interactive Data

Attn: NRMSI.P.

100 Wi Iham Street

New York, New York 10035

Phorte; (212) 771-6999

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

(212) 771-7391 (Primary Market Information)

<http://www.interactivedata.com>

Email: NRMSIR cr,FTID.cotr

Standard & Poor's J. J. Kenny Repository

55 Water Street

45th Floor

New York, NY 10041

Phone: (212) 438-4595

Fax: (212) 438-3975

www.jjken.ny.com/jjkenny/pser_descrip_data_rep.html

Email: [nrtnsir_repository\(&sandp.com](mailto:nrtnsir_repository(&sandp.com)

The Depository Trust Company

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(For Municipal Issues;
Underwriting Department-F,ligNhty; Floor]
[For **ate**
General Counsel's office; 49th floor]
The **Depository Trust Company**
55 Water Street
New York 14'Y 10041- 0099

—s and Cenll—a

This letter sets **forth our understanding** with respect to all issues (*the "Securities"*) that Issuer shall request be made eligible for deposit by The Depositor/ Trust Company C DTC").

To induce DTC to accept the Senior-ides as eli de for s oet at DTC, **and** to a tin a **mm** with DTCS Rules with respect to the Securities, Issuer represents to DEC that Tecniir will amply with the requirements stated in DTCS Operational Arraug meats, as *they* may be amended from true to tine.

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Very truly yours,

Pea Ridge Public Service District

Received m

THE DEPOSITORY TRU Y

By: [Handwritten Signature]

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ppa@ezaw.com



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SCHEDULE A

(To Blanket Issuer Letter of Representation²)

**SAMPLE OFFERING DOCUMENT LANGUAGE
DESCRIBLING BOOK-ENTRY-ONLY ISSUANCE**

(Prepared by OTC-bracketed material may be applicable only to certain *iss*)

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's appointed nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate shall be issued for each share of the Securities, [but, in the event of a fractional amount of shares, such fractional shares shall be meted out with DTC (if, in the event of an aggregate amount of fractional shares, we are authorized to be issued with respect to the amount, and a fractional amount will be issued with respect to the principal amount due to the holder of such security).

1. DTC, the largest clearing corporation in the United States, is a member of the New York Stock Exchange, a member of the National Securities Clearing Corporation, a member of the Depository Trust and Clearing Corporation, a member of the Financial Industry Regulatory Authority, and a member of the Securities Investor Protection Corporation. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, M&I Clearing Corporation, and Egg Markets Clearing Corporation, (MCC, GAM, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, the American Stock Exchange, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to other market participants, including brokers, dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with DTC, either directly or through a clearing agent ("Clearing Agent"). DTC bars the use of the highest minimum credit ratings applicable to its Participants are set forth in the Securities and Exchange Act. More information about DTC can be found at www.dtcc.com.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, who will receive a receipt for the Securities on DTC's records. The owner of each Security ("Beneficial Owner") shall be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not be required to provide information from DIM of their purchases. Beneficial Owners are, however, expected to receive periodic statements from this Director through which Beneficial Owners entered into the Securities are to be accomplished by the Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will receive certificates reflecting their ownership interests in Securities, except in the event that use of a book-entry system is required for the Securities.

4. In the event of a liquidation of DTC, all Securities issued by Direct Participants with DTC are held in the name of Cede & Co. or such other name as may be requested by an authorized representative of DTC. DTC and their registration in the name of Cede & Co. or such other name shall not affect any change in beneficial ownership, DTC has no knowledge of the actual Beneficial Owners of the Securities; it is the responsibility of the

of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]

[6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.]

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

[9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.]

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

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

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

\$2,620,000

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
Sewer Refunding Revenue Bonds, Series 2004 A

REGISTRAR'S AGREEMENT

THIS AGREEMENT, dated as of September 11, 2003, by and between PEA RIDGE PUBLIC SERVICE DISTRICT, a public service district, public corporation and political subdivision of the State of West Virginia (the "Issuer"), and United Bank, Inc., a state banking corporation, as Registrar (the "Bank") under an Resolution of the Issuer adopted August 6, 2003, as amended and supplemented by a Supplemental Resolution adopted August 28, 2003 (collectively, the "Resolution").

WHEREAS, the Issuer has, contemporaneously with the execution hereof, issued and sold its \$2,435,000 aggregate principal amount of Taxable Sewer Refunding Revenue Bonds, Series 2003 C, and \$185,000 aggregate principal amount of Taxable Sewer Refunding Revenue Bonds, Series 2003 C, and the Issuer plans to issue and sell its \$2,620,000 aggregate principal amount of Sewer Refunding Revenue Bonds, Series 2004 A, on March 1, 2004 (collectively, the "Bonds"), pursuant to the Resolution;

WHEREAS, capitalized words and terms used in this Agreement and not otherwise defined herein shall have the respective meanings given them in the Resolution;

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

WHEREAS, the Issuer desires to appoint, and by the Resolution and this Agreement does appoint the Bank to act as Registrar under the Resolution and to take certain other actions hereinafter set forth;

NOW, THEREFORE, it is agreed by and between the parties hereto as follows:

1. Upon the execution of this Agreement by the Issuer and the Bank and during the term hereof, the Bank does accept and shall have and agrees to perform all of the powers and duties of Registrar as set forth in the Resolution, such duties including, among other things, the duties to authenticate, register and deliver Bonds upon original issuance and when properly presented for exchange or transfer, and shall do so with the intention of maintaining the excludability from gross income of interest on the Bonds for purposes of federal income taxation, in accordance with any rules and regulations promulgated by the United States Treasury Department or by the Municipal Securities Rulemaking Board or similar regulatory bodies as the Issuer advises it of and with generally accepted industry standards.

2. The Bank agrees to furnish the Issuer with appropriate records of all transactions carried out by it as Registrar and to furnish the Issuer with the names and specimen signatures of the Bank's authorized officers for the purposes of acting as the Bank and with such other information and reports as the Issuer may from time to time reasonably require.

3. The Bank shall have no responsibility or liability for any action taken by it at the specific direction of the Issuer.

4. As compensation for acting as Registrar pursuant to this Agreement, the Issuer hereby agrees to pay to the Bank the compensation for services rendered as provided in the annexed fee schedule and reimbursement for reasonable expenses incurred in connection therewith.

5. It is intended that this Agreement shall carry out and implement provisions of the Resolution with respect to the Registrar. In the event of any conflict between the terms of this Agreement and the Resolution, the terms of the Resolution shall govern.

6. The Issuer and the Bank each warrants and represents that it is duly authorized and empowered to execute and enter into this Agreement and that neither such execution nor the performance of its duties hereunder or under the Resolution will violate any order, decree or agreement to which it is a party or by which it is bound.

7. This Agreement may be terminated by either party upon 60 days' written notice sent by registered or certified mail to the other party, at the following respective addresses:

ISSUER: Pea Ridge Public Service District
Post Office Box 86
Barboursville, West Virginia 25504
Attention: Chairman

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

8. The Bank is hereby requested and authorized to authenticate and deliver the Bonds in accordance with the Resolution.

9. if any one or more of the covenants or agreements provided in this Agreement to be performed on the part of any of the parties hereto shall be determined by a court of competent jurisdiction to be contrary to law, such covenant or agreement shall be deemed and construed to be severable from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Agreement.

10. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed in their respective names and on their behalf, all as of the day and year first above-written.

PEA RIDGE PUBLIC SERVICE DISTRICT

By Michael T. Suter
Its Chairman

UNITED BANK, INC.

By Kat Smith
Its Authorized Officer

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1VV ItLJNICIR-\t BOND COMMISSION
8 Capitol Street
Suite 500
Charleston, WV 25301
(304) 558-3971

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Date of Report: September 11, 2003

(See Reverse for Instructions)

ISSUE: Pea Ridge Public Service District, Taxable Sewer Refunding Revenue Bonds Series 2003 C

ADDRESS: Post Office Box 86, Barboursville, WV 25504 COUNTY: Cabell

PURPOSE OF ISSUE: New Money: _____
Refunding: _____ REFUNDS ISSUE(S) DATED: November 1, 1994

ISSUE DATE: September 1, 2003 CLOSING DATE: September 11, 2003

ISSUE AMOUNT: \$2,435,000 RATE: See Supplemental Resolution

1ST DEBT SERVICE DUE: March 1, 2004 1ST PRINCIPAL DUE: _____

1ST DEBT SERVICE AMOUNT: \$36,525 PAYING AGENT: Municipal Bond Commission

BOND

UNDERWRITERS

COUNSEL: Stephoe & Johnson PLLC COUNSEL: Goodwin & Goodwin, LLP
Contact Person: Vincent A. Collins, Esq. Contact Person: William Bragg, Esq.
Phone: 304.624.8161 Phone: 304.346.7000

CLOSING BANK: The First State Bank
Contact Person: Osten Mathisen
Phone: 304.736.5271

ESCROW AGENT: Municipal Bond Commission
Contact Person: Witter Hallan
Phone: 304.558.3971

KNOWLEDGEABLE ISSUER CONTACT
Contact Person: Dena Foster, P.E.
Position: General Manager
Phone: 304.736.6711

OTHER: Municipal Bond Commission
Contact Person: Witter Hallan
Function: Paying Agent
Phone: 304.558.3971

DEPOSITS TO MBC AT CLOSE:
By: **Wire** _____
 Check _____
Accrued Interest: \$ _____
Capitalized Interest: \$ _____
Reserve Account: \$ _____
 Other: Escrow Fund \$ 2,422,885.57

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

NOTES: _____

FOR MUNICIPAL BOND COMMISSION USE ONLY:

DOCUMENTS REQUIRED: _____
TRANSFERS REQUIRED: _____

WV MUNI('11'r\L 1.30NI) C:OM1 ISSiON
8 Capitol Street
Suite 500
Charleston, WV 25301
(304) 558-3971

N1:W ISSC,1 RI:POR 1' FORM

Date of Report: September 11₃ 2003

(See Reverse for Instructions) _____

ISSUE: Pea Ridge Public Service District, Taxable Sewer Refunding Revenue Bonds Series 2003 D

ADDRESS: Post Office Box 86, Barboursville, WV 25504

COUNTY: ,_Cabell

PURPOSE OF ISSUE: New Money:
Refunding: ___X___

REFUNDS ISSUE(S) DATED: November 1, 1994

ISSUE DATE: ___September 1, 2003___

CLOSING DATE: ___September 11, 2003___

ISSUE AMOUNT: ___\$185,000___

RATE: ___See Supplemental Resolution___

1ST DEBT SERVICE DUE: ___March 1, 2004___

1ST PRINCIPAL DUE: _____

1ST DEBT SERVICE AMOUNT: ___\$ 2,775___

PAYING AGENT: Municipal Bond Commission

BOND

COUNSEL: Steptoe & Johnson PLLC

Contact Person: Vincent A. Collins, Esq.
Phone: 304.624.8161

UNDERWRITERS

COUNSEL: Goodwin & Goodwin, LLP

Contact Person: William Bragg, Esq.
Phone: 304.346.7000

CLOSING BANK: The First State Bank

Contact Person: Osten Mathisen
Phone: 304.736.5271

ESCROW AGENT: Municipal Bond Commission

Contact Person: Witter Hallan
Phone: 304.558.3971

KNOWLEDGEABLE ISSUER CONTACT

Contact Person: Dena Foster, P.E.
Position: General Manager
Phone: 304.736.6711

OTHER: Municipal Bond Commission

Contact Person: Witter Hallan
Function: Paying Agent
Phone: 304.558.3971

DEPOSITS TO MBC AT CLOSE:

By: X 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: _____

FOR MUNICIPAL BOND COMMISSION USE ONLY:

DOCUMENTS REQUIRED: _____
TRANSFERS REQUIRED: _____

STEPTOE JOHNSON

ATTORNEYS AT LAW

Clarksburg Charleston Morgantown Martinsburg Wheeling Parkersburg

Bank One Center, Seventh Floor

P.O. Box 1588

Charleston, WV 25326-1588

(304) 353-8000 (304) 353-8180 Fax

www.steptoelaw.com

Writer's Contact Information

March 1, 2004

\$2,620,000

Pea Ridge Public Service District
Sewer Refunding Revenue Bonds, Series 2004 A

Pea Ridge Public Service District
Barboursville, West Virginia

Crews & Associates, Inc.
Charleston, West Virginia

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance by Pea Ridge Public Service District (the "Issuer") of its \$2,620,000 aggregate principal amount of Sewer Refunding Revenue Bonds, Series 2004 A (the "Bonds").

The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (collectively, the "Act"), and a Bond Resolution duly adopted by the Issuer on August 6, 2003, as supplemented by a Supplemental Resolution duly adopted by the Issuer on August 28, 2003 (collectively, the "Resolution"), and are subject to all the terms and conditions of the Resolution. All capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Resolution.

The Bonds are issued in fully registered form, are dated March 1, 2004, upon original issuance, mature on May 1 in the years and amounts and bear interest payable each May 1 and November 1, commencing May 1, 2004, as set forth in the Resolution.

The Bonds are not subject to optional redemption, but are subject to mandatory sinking fund redemption, in the amounts and at the redemption prices set forth in the Resolution.

The Resolution provides that the Bonds are issued for the purpose of paying a portion of the costs of currently refunding all of the Issuer's outstanding Sewer Refunding Revenue Bonds, Series 1994 (the "Series 1994 Bonds"), on their first permitted redemption date, being May 1, 2004.

The Bonds have been sold to Crews & Associates, Inc. (the "Original Purchaser"), pursuant to a Contract of Purchase dated August 28, 2003, and accepted by the Issuer (the "Contract of Purchase").



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

Based upon the foregoing, and assuming compliance with the covenants and representations of the Issuer and the other entities set forth in the Resolution, the Escrow Agreement, the Continuing Disclosure Certificate and the Registrar's Agreement and such certifications, we are of the opinion, under existing law, that:

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

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

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

4. The Bonds have been duly authorized, executed and delivered by the Issuer and, assuming proper authentication, constitute valid and legally enforceable limited obligations of the Issuer, payable from, and secured by a lien on, the Net Revenues of the System, on a parity with the Issuer's Outstanding (i) Sewer Revenue Bonds, Series 1992 (West Virginia SRF Program), dated December 28, 1992, (ii) Sewerage System Design Revenue Bonds, Series 2000 (West Virginia SRF Program), dated March 7, 2000, (iii) Sewer Revenue Bonds, Series 2003 A (West Virginia SRF Program), dated August 19, 2003, and (iv) Sewer Revenue Bonds, Series 2003 B (West Virginia Water Development Authority), dated August 19, 2003, and enforceable in accordance with their terms and the terms of the Resolution, and are entitled to the benefits of the Resolution and the Act.

5. The Series 1994 Bonds have been paid within the meaning and with the effect expressed in the Resolution, as supplemented, pursuant to which they were issued, and the covenants, agreements and other obligations of the Issuer to the holders and owners of the Series 1994 Bonds have been satisfied and discharged. In rendering the opinion set forth in this paragraph 5, we have relied upon the verification report of certain independent certified public accountants that the proceeds of the Bonds are sufficient to pay the entire outstanding principal of and premium, if any, on the Series 1994 Bonds on the date hereof, being the redemption date of the Series 1994 Bonds.

6. Under existing laws, regulations, published rulings and judicial decisions of the United States of America, as presently written and applied, the interest on the Bonds (including original issue discount properly allocable to owners of the Bonds) is excludable from gross income of the holders thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal

alternative minimum tax imposed upon individuals and corporations. It should be noted, however, that for the purpose of computing the alternative minimum tax on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. Ownership of tax-exempt obligations, including the Bonds, may result in collateral federal income tax consequences to certain taxpayers, including without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry such obligations. We offer no opinion as to such collateral tax consequences or any other federal tax consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors as to such consequences. The opinions set forth above are subject to the condition that the Issuer comply, on a continuing basis, with all requirements of the Internal Revenue Code of 1986, as amended, and regulations thereunder (collectively, the "Code") that must be satisfied subsequent to issuance of the Bonds for interest thereon to be or continue to be excludable from gross income for federal income tax purposes and with all certifications, covenants and representations which may affect the excludability from gross income of the interest on the Bonds set forth in the Resolution, the Escrow Agreement and the certifications of the Issuer and others. Failure to comply with such Code provisions or such certifications, covenants and representations could cause the interest on the Bonds to be includable in gross income retroactive to the date of issuance of the Bonds.

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

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

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

Pea Ridge Public Service District, et al.

Page 4

We do not express any opinion as to the sufficiency or accuracy of the material, information or financial statements which are set forth in the official statement prepared and used in connection with the offering and sale of the Bonds.

We have examined the executed and authenticated Bond Nos. AR-1 through AR-9 of said issue, and in our opinion, said Bonds are in proper form and have been duly executed and authenticated.

Very truly yours,

A handwritten signature in cursive script that reads "Steptoe & Johnson".

STEPTOE & JOHNSON PLLC

\$2,620,000

PEA RIDGE PUBLIC SERVICE DISTRICT

Sewer Refunding Revenue Bonds, Series 2004 A

GENERAL CERTIFICATE OF THE ISSUER AND ATTORNEY ON:

1. TERMS
2. NO LITIGATION
3. RATES
4. PUBLIC SERVICE COMMISSION APPROVAL
5. GOVERNMENTAL APPROVALS
6. AWARD OF BONDS; SIGNATURES
7. DELIVERY AND PAYMENT
8. CERTIFICATION OF DOCUMENTS
9. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS
10. MEETINGS, ETC.
11. INCUMBENCY AND OFFICIAL NAME
12. PRIVATE USE OF FACILITIES
13. NO FEDERAL GUARANTY
14. IRS INFORMATION RETURN
15. PAYMENT OF SERIES 1994 BONDS
16. OFFICIAL STATEMENT CERTIFICATION
17. CERTIFICATIONS REGARDING OFFICIAL STATEMENT
18. DESIGNATION OF REGISTRAR, PAYING AGENT, ESCROW AGENT AND DEPOSITORY BANK
19. COUNTERPARTS

We, the undersigned CHAIRMAN and SECRETARY of Pea Ridge Public Service District (the "Issuer") and the undersigned ATTORNEY for the Issuer, hereby certify in connection with the Issuer's Sewer Refunding Revenue Bonds, Series 2004 A (the "Bonds"), as follows:

1. **TERMS:** All capitalized words and terms used in this General Certificate and not otherwise defined herein shall have the same meanings as set forth in the Bond Resolution of the Issuer adopted August 6, 2003, as amended and supplemented by a Supplemental Resolution adopted August 28, 2003 (collectively, the "Resolution"), and the Contract of Purchase dated August 28, 2003, by and between the Issuer and Crews & Associates, Inc. (the "Underwriter").

2. **NO LITIGATION:** No controversy or litigation of any nature is now pending or threatened, restraining, enjoining, or affecting in any manner the issuance and

delivery of the Bonds or the collection of the Gross Revenues of the System or the pledge of the Net Revenues and other moneys to the payment of the principal of and interest on the Bonds, nor in any manner questioning the proceedings and authority by which the Issuer authorized the issuance and sale of the Bonds nor in any manner affecting the validity or enforceability of the Bonds, the Resolution, the Escrow Agreement, or the Contract of Purchase or any agreement or instrument relating thereto, used or contemplated by the Contract of Purchase or any provisions made or authorized for the payment of the Bonds; nor in any manner questioning the valid existence of the Issuer or the authority or titles of the Chairman, Secretary and the members of the Public Service Board of the Issuer to their respective offices; nor in any manner questioning any proceeding, procedure, action or thing followed, taken or done in connection with the issuance, sale and delivery of the Bonds or the refunding of the Issuer's Sewer Refunding Revenue Bonds, Series 1994 (the "Series 1994 Bonds") which are not set forth in the Official Statement relating to the Bonds.

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

4. **PUBLIC SERVICE COMMISSION APPROVAL:** The Issuer has received the Commission Order of the Public Service Commission of West Virginia entered on July 3, 2003, in Case No. 03-0852-PSD-PC, among other things, approving the refunding of the Series 1994 Bonds and the issuance of the Bonds. The time for appeal of the Order has expired without any appeal and such Order remains in full force and effect.

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

6. **AWARD OF BONDS; SIGNATURES:** The Bonds shall be sold to the Underwriter pursuant to the Contract of Purchase, at an aggregate price of \$2,620,000 (representing par amount of \$2,620,000, less Underwriter's discount of \$-0-). As of the date hereof, the Bonds were duly signed by the manual signature of the Chairman, and the official seal of the Issuer, which seal is impressed upon this Certificate, was impressed or imprinted thereon and attested by the manual signature of the Secretary.

7. **DELIVERY AND PAYMENT:** The undersigned Chairman did, on the date hereof, deliver to the Underwriter, the entire issue of the Bonds, in various denominations and numbered AR-1 to AR-9. At the time of delivery of the Bonds, there was paid to, or on behalf of the Issuer, the agreed price therefor as follows:

Par Amount of Series 2003 A Bonds	\$2,620,000.00
Less: Underwriter's Discount	<u>(0.00)</u>
Purchase Price	<u>\$2,620,000.00</u>

The aforesaid payment was made by the Underwriter to the Issuer by delivery to the Issuer of its Taxable Sewer Refunding Revenue Bonds, Series 2003 C and Taxable Sewer Refunding Revenue Bonds, Series 2003 D Bonds in exchange for the Series 2004 A Bonds.

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

Bond Resolution

Supplemental Resolution

Public Service Commission Order

County Commission Orders Relating to Creation of District

County Commission Orders Appointing Current Boardmembers

Oaths of Office of Current Boardmembers

Rules of Procedure

Minutes of Current Year Organizational Meeting

Minutes on Adoption of Bond Resolution and Supplemental Resolution

Verification Report of Certified Public Accountant Regarding Yield Verification, Sufficiency of Escrow and Savings Resulting from Refunding

Preliminary Official Statement

Official Statement

Contract of Purchase

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, 2003. Except for the Prior Bonds of the Issuer described in the Official Statement, there is

no other 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.

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 2004 are as follows:

Chairman	-	Michael Seaton
Vice Chairman		Charles Woolcock
Secretary/Treasurer	-	Frank Sampson

The duly appointed and acting counsel to the Issuer is Ronald J. Flora, Esquire, Milton, West Virginia.

12. PRIVATE USE OF FACILITIES: The Issuer shall at all times take, and refrain from taking, and shall not fail to take, any and all actions necessary in order to assure the initial and continued tax-exempt status of the Series 2004 A Bonds, when issued, and the interest thereon. Less than 10% of the proceeds of the Series 2004 A Bonds will be used, directly or indirectly, for any private business use, and less than 10% of the payment of principal of, or the interest on, such issue, under the terms of such issue or any underlying

arrangement, is, directly or indirectly, secured by any interest in property used or to be used for a private business use, payments in respect of such property, or to be derived from payments (whether or not to the Issuer) in respect of property, or borrowed money, used or to be used for a private business use. None of the proceeds of the Series 2004 A Bonds will be used, directly or indirectly, for any private business use which is not related to the governmental use of the proceeds of the Series 2004 A Bonds, including the disproportionate related business use of the proceeds of the Series 2004 A Bonds, and none of the payment of principal of or interest on, or the interest on, such issue, under the terms of any underlying arrangement, is, directly or indirectly, secured by any interest in property used, or to be used for a private business use, payments in respect of such property or to be derived from payments (whether or not to the Issuer) in respect of property, or borrowed money, used or to be used for a private business use with respect to such private business use, which is not related to any government use of such proceeds, including the disproportionate business use of the issue of the Series 2004 A Bonds. None of the proceeds of the issue of the Series 2004 A Bonds will be used, directly or indirectly, to make or finance loans to persons other than governmental units. For purposes of this paragraph, private business use means use, directly or indirectly, in a trade or business carried on by any person other than a governmental unit, other than use as a member of the general public. All of the foregoing shall be determined in accordance with and within the meaning of the Internal Revenue Code of 1986, as amended, including any successor provisions and rules and regulations thereunder.

13. **NO FEDERAL GUARANTY:** The Series 2004 A Bonds, when issued, will not be, in whole or part, directly or indirectly, federally guaranteed within the meaning of Section 149(b) of the Code.

14. **IRS INFORMATION RETURN:** On the date hereof, the undersigned Chairman will officially sign a properly completed IRS Form 8038-G and will cause such executed Form 8038-G to be filed in a timely manner with the Internal Revenue Service Center, Ogden, Utah.

15. **PAYMENT OF SERIES 1994 BONDS:** The funds on deposit in the Escrow Fund established by the Escrow Agreement among the Issuer and the West Virginia Municipal Bond Commission, as Escrow Agent and Paying Agent, dated September 11, 2003, have been invested as provided in the Escrow Agreement and the amount of such invested funds is sufficient to effect the special mandatory redemption of the Series 2003 C Bonds and the purchase of the Series 2004 A Bonds, and the proceeds of the Series 2004 A Bonds, together with certain funds of the Issuer, are sufficient to fully pay the entire outstanding principal amount of, and premium on, the Series 1994 Bonds on the date hereof.

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

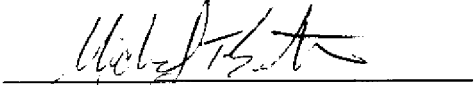
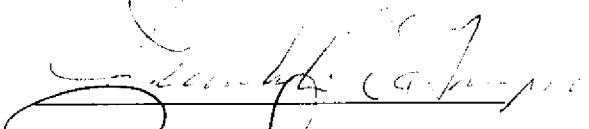
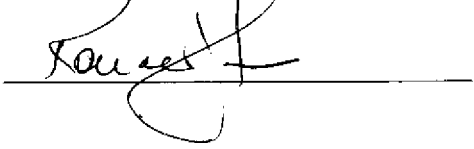
17. **CERTIFICATIONS REGARDING OFFICIAL STATEMENT:** In addition to the foregoing, the undersigned hereby certify, as follows: (a) the representations and warranties of the Issuer contained in the Contract of Purchase are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date; (b) to the best of our knowledge, no event has occurred since the date of the Official Statement which should be disclosed in the Official Statement in order that the Official Statement not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and (c) the Issuer has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied under the Contract of Purchase or otherwise at or prior to the Closing.

18. **DESIGNATION OF REGISTRAR, PAYING AGENT, ESCROW AGENT AND DEPOSITORY BANK:** The Issuer hereby confirms the appointment of United Bank, Inc., Charleston, West Virginia, as Registrar, the West Virginia Municipal Bond Commission, Charleston, West Virginia, as Escrow Agent and Paying Agent, and The First State Bank, Barboursville, West Virginia, as Depository Bank.

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

WITNESS our signatures and the official corporate seal of the PEA RIDGE PUBLIC SERVICE DISTRICT on this 1st day of March, 2004.

[SEAL]

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

07123104
692580-00003

PEA RIDGE PUBLIC SERVICE DISTRICT

SEWER REFUNDING REVENUE BONDS, SERIES 2004 A

TAX AND NON-ARBITRAGE CERTIFICATE

WHEREAS, Pea Ridge Public Service District (the "Issuer") has determined to issue its \$2,620,000 Sewer Refunding Revenue Bonds, Series 2004 A, dated March 1, 2004 (the "Series 2004 A Bonds"), to provide moneys, which, together with certain other moneys available to the Issuer, will be used for the purpose of currently refunding all of the Issuer's outstanding Sewer Refunding Revenue Bonds, Series 1994, dated November 1, 1994 (the "Series 1994 Bonds");

WHEREAS, the Series 2004 A Bonds are intended to be issued as obligations of the Issuer upon which the interest thereon is excludable from the gross income of the owners thereof for federal income tax purposes;

WHEREAS, the Internal Revenue Code of 1986 and the Regulations promulgated with respect thereto, as amended (collectively, the "Code") prescribe restrictions on the Series 2004 A Bonds, the activities of the Issuer and the application and expenditure of proceeds of the Series 2004 A Bonds and earnings thereon in order that interest on the Series 2004 A Bonds not be includable in gross income of the owners thereof for federal income tax purposes, and compliance with the procedures in this Tax and Non-Arbitrage Certificate (the "Tax Certificate") is required in order to ensure that the requirements of the Code are and will continue to be met;

WHEREAS, this Tax Certificate sets forth such restrictions on the Series 2004 A Bonds, the activities of the Issuer, the application and expenditure of proceeds of the Series 2004 A Bonds and earnings thereon; and

WHEREAS, in order to ensure that interest on the Series 2004 A Bonds will not be includable in gross income of the owners thereof for federal income tax purposes, such requirements must be met unless the Issuer is notified in writing to the contrary by Bond Counsel;

NOW THEREFORE, the undersigned Chairman of the Issuer, being the official of the Issuer duly charged with the responsibility for the issuance of the Series 2004 A Bonds, hereby certifies as follows, all capitalized terms used herein and not otherwise defined to have the same meanings ascribed thereto in the Bond Resolution adopted by the Issuer on August 6, 2003, as amended and supplemented by a Supplemental Resolution adopted by the Issuer on August 28, 2003 (collectively, the "Resolution"), pursuant to which the Series 2004 A Bonds are issued:

ARTICLE I

DEFINITIONS AND INTERPRETATION

Section 1.1. Definitions. For the purpose of this Tax Certificate, the following words and terms shall have the respective meanings set forth as follows, and any capitalized words or terms used but not defined herein shall have the meanings set forth in the Resolution:

"Average Economic Life" shall mean the average reasonably expected economic life, within the meaning of Section 147(b) of the Code, of the assets financed or refinanced with the proceeds of the Series 2004 A Bonds.

"Average Maturity" shall mean the average maturity of the Series 2004 A Bonds within the meaning of Section 147(b) of the Code.

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

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

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

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

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

"Bond Counsel" shall mean any law firm or firms with expertise in public finance selected by the Issuer with respect to the issuance of or matters relating to the exclusion from federal income taxation of interest on the Series 2004 A Bonds.

"Bond Year" shall mean 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.

"Bond Yield" shall mean the yield of the Series 2004 A Bonds, calculated in accordance with the provisions of Section 1.148-4 of the Regulations.

" **Closing Date** " or "Date of **Issue**" means March 1, 2004, the date on which the Issuer will deliver the Series 2004 A Bonds in exchange for the purchase price thereof.

" **Code** " shall mean the Internal Revenue Code of 1986, and the Regulations promulgated thereto, as amended.

" **Computation Date** " shall mean each Installment Computation Date and the Final Computation Date.

" **Computation Date Credit**" shall mean \$1,000 for each Bond Year during which there are Proceeds subject to rebate, or such other amount as may then be permitted by the Regulations. Only one Computation Date Credit for each Computation Date is permitted for the Series 2004 A Bonds.

" **Costs of Issuance** " shall mean all costs incurred in connection with the issuance of the Series 2004 A Bonds and the refunding of the Series 1994 Bonds.

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

" **Eligible Investment** " shall mean a fixed rate investment that is not a SLG and is not in a restricted escrow; the payment taken into account with respect to which equals the outstanding par amount of the investment plus accrued interest (if any) for a period of less than one year; the interest on which accrues on the outstanding par amount of the investment and is actually and unconditionally due at periodic intervals of one year or less; the first payment of interest on which is due at the end of the first short compounding interval or the first whole compounding interval; and the maturity date of which is the highest yield date, i.e., the date on which the holder is entitled to require the investment to be purchased, redeemed or retired at a stated price that when used in computing the yield on the investment produces the highest yield.

" **Fair Market Value**" of an Investment shall mean as follows:

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

(b) Investment Contracts. The purchase price of a guaranteed investment contract is treated as its Fair Market Value on the purchase date if -

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

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

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

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

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

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

(c) Certificates of Deposit. The Fair Market Value of a certificate of deposit is its purchase price if it has a fixed rate of interest, a fixed payment schedule, and a substantial penalty for early withdrawal and the yield on the certificate of deposit is not less than (1) the yield on comparable direct obligations of the United States, and (2) the highest yield published or posted by the provider to be currently available on reasonably comparable certificates of deposit.

"Final Computation Date" shall mean the date on which the last Bond is Discharged.

"Fiscal Year" means the fiscal year of the Issuer, which commences on July 1 of each year and ends on June 30 of the subsequent year.

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

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

where:

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

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

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

\circ = A fraction, the numerator of which is the length of the interval and the denominator of which is the length of a whole compounding interval.

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

"**Installment Computation Date**" shall mean the last day of the fifth Bond Year and each succeeding fifth Bond Year, until and excluding the Final Computation Date.

"**Investment**" shall mean any security, obligation, annuity contract, or investment type property as defined in section I48(b) of the Code.

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

"**IRS**" shall mean the Internal Revenue Service.

"**Issue Price**" shall mean, with respect to the Series 2004 A Bonds, \$2,620,000 (par amount, plus accrued interest) for all purposes other than IRS Form 8038-G.

"**Issuer**" shall mean Pea Ridge Public Service District, a public service district and political subdivision of the State of West Virginia, in Cabell County thereof, and, unless the context clearly indicates otherwise, includes the Public Service Board and any successor thereto.

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

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

"**Payment**" shall mean a payment as defined in section 1.148-3(d) of the Regulations for purposes of computing the rebate amount, and a payment as defined in section 1.148-5(b) of the Regulations for purposes of computing the yield on an investment.

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

$$PV = FV$$

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

"**Present Value of an Investment**" shall mean the value of an investment computed under the economic accrual method; using the same compounding interval and financial conventions used to compute the yield on the Series 2004 A Bonds. On any valuation date, the Present Value of an Investment is equal to the Present Value of all unconditionally payable receipts to be received from the payments to be paid for the investment after that date, using the Yield on the Investment as the discount rate.

"**Proceeds**" shall mean Sale Proceeds, Investment Proceeds, and Transferred Proceeds of an issue of bonds. Proceeds do not include amounts that are actually or constructively received with respect to an investment that is acquired for the governmental purpose of an issue that are properly allocable to the immaterially higher yield under

section 1.148-2(d) of the Regulations or section 143(g) of the Code or to qualified administrative cost recoverable under section 1.148-5(e).

"**Purchaser**" shall mean Crews & Associates, Inc., Charleston, West Virginia, as the original purchaser of the Series 2004 A Bonds directly from the Issuer.

"**Purpose Investment**" shall mean any investment that is acquired with the Gross Proceeds of an issue of obligations to carry out the governmental purpose for which such issue was issued.

"Rebate Amount" shall mean with respect to the Series 2004 A Bonds, the amount computed as described in Section 3.5 hereof.

"Rebate Analyst" shall mean the entity or person chosen by the Issuer in accordance with Section 3.8 hereof to determine the Rebate Amount.

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

"**Rebate Yield**" shall mean the yield on the Series 2004 A Bonds for purposes of determining the Rebate Amount, computed as described in Section 3.3(B) hereof.

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

"**Redemption Date**" shall mean 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**" shall mean 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.

"Regulation" or "Regulations" shall mean the temporary, proposed or final Income Tax Regulations promulgated by the Department of the Treasury that are applicable to the Series 2004 A Bonds.

"**Related Person**" shall mean any person related to any beneficiary of the Series 2004 A Bonds within the meaning of Section 144(a)(3) of the Code.

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

"Sale Proceeds" shall mean amounts actually or constructively received from the sale of an issue of bonds (including amounts used to pay underwriter's discount and compensation and accrued interest other than pre-issuance accrued interest).

"**Series 1994 Bonds**" shall mean the Issuer's Sewer Refunding Revenue Bonds, Series 1994, dated November 1, 1994.

"**Series 2003 C**" shall mean the Issuer's \$2,435,000 Taxable Sewer Refunding Revenue Bonds, Series 2003 C, dated September 1, 2003.

"**Series 2003 D Bonds**" shall mean the Issuer's \$185,000 Taxable Sewer Refunding Revenue Bonds, Series 2003 D, dated September 1, 2003.

"**Series 2004 A Bonds**" shall mean the Issuer's \$2,620,000 Sewer Refunding Revenue Bonds, Series 2004 A, dated March 1, 2004.

"SLG" or "SLGS" shall mean a time deposit security issued by the United States Treasury pursuant to the Time Deposit State and Local Government Series Program described in 31 C.R.F. part 344.

"State" shall mean the State of West Virginia.

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

"Tax Certificate" shall mean this Tax and Non-Arbitrage Certificate of the Issuer as the same may be amended, modified or supplemented from time to time in accordance with the terms hereof.

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

"Transferred Proceeds of the Bonds" shall mean amounts that have ceased to be allocated to the Series 1994 Bonds and are treated as Transferred Proceeds of the Series 2004 A Bonds.

"Treasury" shall mean the United States Department of Treasury.

"Universal Cap" shall mean the maximum value of Nonpurpose Investments which may be allocated to the Series 2004 A Bonds under section 1.148-6 of the Regulations and is determined by reference to the Value of all outstanding Bonds of the issue. For purposes of this determination Nonpurpose Investments include cash, Tax-Exempt Bonds (i.e., any tax-exempt bond that is not investment property under section 148(b)(3) of the Code), qualified mortgage loans, and qualified student loans.

"Valuation Date" shall mean the date on which the value of the Universal Cap and the Nonpurpose Investments allocable to the Series 2004 A Bonds thereunder must be determined under section 1.148-6 of the Regulations. In general, beginning with the first Bond Year beginning after second year anniversary of the Issue Date, the first day of each Bond Year constitutes a Valuation Date. In addition, the Regulations provide with respect to a refunded issue (e.g., the Series 1994 Bonds) and a refunding issue (i.e., the Series 2004 A Bonds) each date on which proceeds of the refunded issue would become transferred proceeds of the refunding issue, e.g., each date on which principal of the refunded issue is paid with proceeds of the refunding bonds, constitutes a Valuation Date.

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

(a) In the case of a plain par bond (within the meaning of section 1.148-1(b) of the Regulations), its outstanding stated principal amount, plus accrued unpaid interest or in the case of a plain par bond actually redeemed, or that is treated as redeemed, its stated redemption price on the redemption date plus accrued unpaid interest; and

(b) In the case of a bond other than a plain par bond, the value on a date of such a bond is generally its Present Value on that date, using the yield on the issue of which the bonds are a part as the discount factor. In determining the Present Value of a variable rate bond, the initial interest rate on the bond established by the index or other rate setting mechanism is used to determine the interest payments on that bond.

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

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

"Yield" or "yield" shall mean the yield computed under section 1.148-4 of the Regulations for the Series 2004 A Bonds, and the yield computed under Section 1.148-5 of the Regulations for an Investment.

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

Section 1.2. Interpretation. In this Tax Certificate:

(A) The terms "hereby," "hereof," "hereto," "herein," "hereunder" and any similar terms, as used in this Tax Certificate, refer to this Tax Certificate, and the term "hereafter" means after, and the term "heretofore" means before the date of this Tax Certificate.

(B) Unless the context requires otherwise, words of the masculine gender mean and include correlative words of the feminine and neuter genders and words importing the singular number mean and include the plural number and vice versa.

(C) Words importing persons include thins, associations, partnerships, trusts, corporations and other legal entities, including public bodies, as well as natural persons.

(D) Any headings preceding the texts of the several Articles and Sections of this Tax Certificate, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Tax Certificate, nor shall they affect its meaning, construction or effect.

(E) All certifications, documents and instructions required to be given or made by any person or party hereunder shall be made in writing.

(F) This Tax Certificate shall be governed by and construed in accordance with the applicable laws of the State.

(G) If any provision of this Tax Certificate shall be ruled invalid by any court of competent jurisdiction, the invalidity of such provision shall not affect any of the remaining provisions hereof.

Section 1.3. Reliance on Documents. Bond Counsel shall be permitted to rely on the contents of any certification, document or instruction provided pursuant to this Tax Certificate and shall not be responsible or liable in any way for the accuracy of its contents or the failure of the Issuer to deliver such document.

ARTICLE 11

REPRESENTATIONS BY THE ISSUER, USE OF PROCEEDS
AND 265(b)(3) DESIGNATION

Section 2.1. Representations of the Issuer. The Issuer represents that:

(A) This certificate is being executed and delivered pursuant to Section 148 of the Code. I am an officer of the Public Service Board of the Issuer charged with the responsibility of issuing the Series 2004 A 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.

(B) This certificate may be relied upon as the certificate of the Issuer.

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

(D) This certificate is based upon facts, circumstances, estimates and expectations of the Issuer in existence on the Closing Date and to the best of our knowledge and belief, the expectations of the Issuer set forth herein are reasonable.

(E) The Issuer has covenanted in the Resolution that it will not permit at any time or times any of the proceeds of the Series 2004 A Bonds or any funds of the Issuer to be used directly or indirectly to acquire any securities or obligations, the acquisition of which would cause any of the Series 2004 A Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code.

Section 2.2. Use of Proceeds. (A) The Series 2004 A Bonds were sold and delivered on the Closing Date, upon a negotiated basis, to the Purchaser for the purchase price of \$2,620,000 (par amount).

(B) The Series 2004 A Bonds are being delivered simultaneously with the delivery of this Tax Certificate and are issued for the purpose of providing moneys, together with certain funds of the Issuer ("Issuer's Funds"), necessary to currently refund the Series 1994 Bonds.

(C) The Series 1994 Bonds were issued for the purpose of refunding certain bonds of the Issuer previously issued to pay costs of acquisition and construction of certain

public sewerage facilities (or improvements thereto) of the Issuer. All such bonds refunded by the Series 1994 Bonds have, together with interest thereon, been paid in full.

(D) The face amount of the Series 2004 A Bonds is \$2,620,000. The sources and uses of proceeds of the Series 2004 A Bonds and the moneys to be transferred from the Series 1994 Bonds Reserve Account in connection with the refunding of the Series 1994 Bonds is as follows:

<u>Sources</u>	
Par amount of Series 2004 A Bonds	\$2,620,000.00
Transfer from Series 1994 Bonds	
Reserve Account	<u>262,225.00</u>
Total Sources	<u>\$2,882,225.00</u>

<u>Uses</u>	
Refund Series 1994 Bonds	\$2,405,000.00
Call Premium	48,100.00
Series 2004 A Bonds	
Reserve Account deposit	240,000.00
Costs of Issuance and Contingency	<u>189,125.00</u>
Total Uses	<u>\$2,882,225.00</u>

(E) The Purchaser has stated in its certificate that the Series 2004 A Bonds have been reoffered, and a substantial amount thereof sold, to purchasers other than bond houses, brokers or other intermediaries, at the initial offering prices not greater than, or yields no lower than, the respective prices and yields shown on the inside cover page of the Official Statement for the Series 2004 A Bonds, including interest accrued, if any, on the Series 2004 A Bonds from March 1, 2004.

Section 2.3. Designation of 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 III

ARBITRAGE

Section 3.1. Arbitrage Representations. The Issuer represents that:

(A) The Proceeds from the sale of the Series 2004 A Bonds shall be applied as indicated in Section 2.1(I).

(B) The Issue Price of the Series 2004 A Bonds is based on the certificate executed by the Purchaser of even date herewith. The Issuer is not aware of any facts or circumstances that would cause them to question the accuracy of the representations made by the Purchaser.

(C) No portion of the proceeds of the Series 2004 A Bonds will be used directly or indirectly to replace funds of the Issuer used directly or indirectly to acquire securities or obligations which may reasonably be expected, on the date hereof, to produce a yield materially higher than the Yield on the Series 2004 A Bonds.

(D) Other than as described in this Tax Certificate, the Series 2004 A Bonds are not and will not be part of a transaction or series of transactions that (i) attempt to circumvent the provisions of Section 148 of the Code, or any successor thereto, and the regulations promulgated thereunder which enable the Issuer to exploit the difference between tax-exempt and taxable interest rates to gain a material financial advantage or (ii) increase the burden on the market for tax-exempt obligations in any manner, including, without limitation, by selling obligations that would not otherwise be sold or selling a larger amount of obligations, or issuing them sooner, or allowing them to remain outstanding longer, than would otherwise be necessary.

(E) No other obligations are being issued by the Issuer or any related entity at substantially the same time and sold pursuant to a common plan of financing and which will be paid out of substantially the same source of funds (or which will have substantially the same claim to be paid out of substantially the same source of funds) as the Series 2004 A Bonds or which will be paid directly or indirectly from proceeds of the sale of the Series 2004 A Bonds.

(F) The Issuer has not been notified of the listing or proposed listing of the Issuer by the Internal Revenue Service as an issuer that may not certify its bonds.

(G) The issuance of the Series 2004 A Bonds will not involve the use of a "device" or an "abusive transaction" within the meaning of Section 149(d)(4) of the Code.

(H) In connection with the Series 2004 A Bonds, there has not been created or established, and the Issuer does not expect that there will be created or established, any sinking fund, pledged fund or similar fund (other than as specifically identified in this Tax Certificate), including without limitation any arrangement under which money, securities or obligations are pledged directly or indirectly to secure the Series 2004 A Bonds or any contract securing the Series 2004 A Bonds or any arrangement providing for compensating or minimum balances to be maintained by the Issuer with any registered owner of the Series 2004 A Bonds.

(I) On each Valuation Date, the Issuer shall value the Nonpurpose Investments allocable to the Series 2004 A Bonds thereunder. Nonpurpose Investments cease to be allocated to the Series 2004 A Bonds to the extent such Nonpurpose Investments have been expended for the governmental purpose of the issue, or to the extent the value thereof exceeds the value permitted to be allocated to the Series 2004 A Bonds under the Universal Cap. To the extent Nonpurpose Investments cease to be allocated to an issue and the value of the Universal Cap exceeds the value of the remaining Nonpurpose Investments allocated to such issue, other Nonpurpose Investments may become allocated to the issue, provided that such Nonpurpose Investments are not already properly allocated to another issue and provided that such allocation does not cause the value of the Nonpurpose Investments allocated to the Series 2004 A Bonds to exceed the Universal Cap.

Notwithstanding anything herein to the contrary, the failure to perform the determination of Nonpurpose Investments allocable to the Series 2004 A Bonds as of a Valuation Date shall not be considered a violation of this provision if the value of Nonpurpose Investments allocated to the Series 2004 A Bonds did not exceed the value of the Series 2004 A Bonds outstanding on such date.

Section 3.2. The Refunding. (A) At the request of the Issuer, certain schedules (the "Schedules") have been prepared by Smith, Cochran & Hicks, P.L.L.C., Certified Public Accountants, and are attached to the Verification Report for purposes of detailing certain relevant aspects of the refunding. As more fully detailed on the Schedules, the refunding program will be implemented generally as set forth below.

(B) The entire outstanding principal amount of the Series 1994 Bonds and the redemption premium (collectively, the "Redemption Price"), shall be paid *from* proceeds of the Series 2004 A Bonds and from moneys in the Series 1994 Bonds Reserve Account, on the redemption date thereof, being May 1, 2004 (the "Redemption Date").

Section 3.3. Series 2004 A Bonds. (A) The principal amounts, interest rates, interest and principal payment dates, and debt service with respect to the Series 2004 A Bonds are detailed in the Schedules.

(B) Using the initial offering price of the Series 2004 A Bonds as the "purchase price" and taking into account accrued interest, if any, as described below, the yield on the Series 2004 A Bonds is computed in the Schedules to be 4.4859090% (the "Bond Yield").

(C) Except for moneys in the Series 1994 Bonds Sinking Fund and the Series 1994 Bonds Reserve Account, no Proceeds of the Series 1994 Bonds will remain unexpended as of the Closing Date. With the exception of such moneys, there will not be any "transferred proceeds" of the Series 2004 A Bonds as a result of the refunding of the Series 1994 Bonds.

(D) A Series 2004 A Bonds Sinking Fund is created under the Resolution. Moneys deposited to the Series 2004 A Bonds Sinking Fund, including subsequent deposits thereto, will be spent within a 13-month period beginning on the date of deposit and will be depleted at least once a year, except for a reasonable carryover amount not in excess of 1112 of the annual debt service with respect to the Series 2004 A Bonds. The Series 2004 A Bonds will all bear interest at a fixed interest rate and the average maturity of the Series 2004 A Bonds will be in excess of 5 years. The Series 2004 A Bonds Sinking Fund is designed to achieve a proper matching of the Issuer's revenues and debt service on the Series 2004 A Bonds within each Bond Year. Such moneys will be invested without restriction as to yield and are not subject to rebate.

(E) A Series 2004 A Bonds Reserve Account within the Series 2004 A Bonds Sinking Fund is created under the Resolution in an amount equal to \$240,000 (the "Reserve Account Requirement"). The Series 2004 A Bonds Reserve Account will be funded by the deposit of \$240,000 transferred from the Series 1994 Bonds Reserve Account. The Reserve Account Requirement is not in excess of the maximum annual principal and interest requirements of the Series 2004 A Bonds, is not in excess of 10% of the stated principal amount of the Series 2004 A Bonds and is not in excess of 125 % of the average annual principal and interest requirements of the Series 2004 A Bonds. The moneys in the Series 2004 A Bonds Reserve Account will be invested without restriction as to yield. All earnings on amounts deposited in the Series 2004 A Bonds Reserve Account will, to the extent the yield thereon exceeds the yield on the Series 2004 A Bonds, be subject to rebate.

(F) A Depreciation Fund is created under the Resolution, to be funded through monthly deposits of Revenues. Absent an Event of Default on the Series 2004 A Bonds, and depletion in full of the Series 2004 A Bonds Reserve Account, the Depreciation Fund is not expected to be used for the purpose of paying Debt Service on the Series 2004 A Bonds. Such moneys will be invested without restriction as to yield and are not subject to rebate.

(G) A Series 2004 A Bonds Redemption Account is created under the Resolution. In the event moneys are deposited into the Series 2004 A Bonds Redemption

Account, to the extent they are not part of a Bona Fide Debt Service Fund, they will, to the extent the yield thereon exceeds the yield on the Series 2004 A Bonds, be subject to rebate. Otherwise, they will be invested without restriction as to yield and are not subject to rebate.

(H) A Costs of Issuance Fund was created under the Resolution and funded from proceeds of the Series 2003 D Bonds in the amount of \$52,861.70. Such amount was fully expended within six months from the date of issuance of the Series 2003 C Bonds.

(I) Other than the funds and accounts described above, there are no other funds or accounts of the Issuer (i) which are reasonably expected to be used to pay Debt Service on the Series 2004 A Bonds or which are pledged as collateral to secure repayment of Debt Service on the Series 2004 A Bonds and (ii) for which there is a reasonable assurance that amounts therein will be available to pay Debt Service on the Series 2004 A Bonds.

Section 3.4. Arbitrage Compliance. The Issuer acknowledges that the continued non-inclusion of interest on the Series 2004 A Bonds for purposes of federal income taxation depends, in part, upon compliance with the arbitrage limitations imposed by Section 148 of the Code, including the rebate requirement described in Section 3.4 hereof. The procedures set forth below are subject to amplification and revision as necessary to comply with the rebate requirements. The Issuer hereby agrees and covenants to take all actions necessary to comply with these requirements. The Issuer hereby agrees and covenants that it shall not permit at any time or times any of the proceeds of the Series 2004 A Bonds or other funds of the Issuer to be used directly or indirectly, to acquire any asset or investment, the acquisition of which would cause the Series 2004 A Bonds to be "arbitrage bonds" for purposes of Section 148 of the Code. The Issuer further agrees and covenants that it shall do and perform all acts and things necessary in order to assure that the arbitrage and rebate requirements of Section 148 of the Code are met. To that end, the Issuer shall take the actions described in Sections 3.4 through the end of Article III hereof with respect to the investment of proceeds on deposit in the funds and accounts established Resolution. The Issuer shall cause to be made the required transfers, dispositions and payments described in Sections 3.4 through the end of Article III hereof.

Section 3.5. Calculation of Rebate Amount. Section 148(f) of the Code requires the payment to the United States of the excess of the amount earned on the investment of Gross Proceeds in Nonpurpose Investments over the amount that would have been earned on such investments had the amount so invested been invested at a rate equal to the Yield on the Series 2004 A Bonds, together with any income attributable to such excess. Except as provided below, all of the funds and accounts established by the Resolution, and all other amounts treated as Gross Proceeds, to the extent funded with proceeds of the Series 2004 A Bonds, are subject to this requirement. In order to meet the rebate requirement, the Issuer agrees and covenants to take the following actions:

(A) Record of Investments and Expenditures. For each Nonpurpose Investment acquired with or allocated to Gross Proceeds of the Series 2004 A Bonds, the Issuer shall record its purchase date or allocation date, its purchase

price (reduced by broker's or dealer's commissions or other administrative expenses, which shall also be separately stated), or, if not acquired directly with Gross Proceeds, its Fair Market Value on the allocation date, accrued interest due on its purchase date or allocation date, its face amount, its coupon or interest rate, its Yield-to-Maturity, the frequency of its interest payments, its disposition price (not reduced by any broker or dealer's commission or discount), accrued interest due on its disposition date and its disposition date. The Issuer shall also record the date and amount of all expenditures made with the proceeds of the Series 2004 A Bonds, including the payment of any Rebate Amount.

Generally, Administrative Costs paid with respect to Nonpurpose Investments do not increase the costs of such Investments or reduce the income therefrom. Administrative Costs paid with respect to guaranteed investment contracts have the effect of increasing the yield thereon for rebate purposes.

(B) Computation of Yield. For each Computation Date, the Issuer shall compute Yield on the Series 2004 A Bonds. When expressed as a decimal, Yield shall be accurate to at least six (6) decimal places and rounded to at least five (5) decimal places.

(C) Computation of Rebate Amount. Subject to the special rules set forth in paragraphs (F) and (G) of this Section 3.5, the Issuer shall determine the Rebate Amount on each Computation Date. For this purpose:

(1) Any Computation Date. The Rebate Amount, determined as of any Computation Date, shall be equal to the excess of the Future Value of all receipts with respect to the Nonpurpose Investments allocated to the Series 2004 A Bonds over the Future Value of all payments with respect to such Nonpurpose Investments, which excess, in the case of the Final Computation Date, shall be increased by the amount described in subparagraph (2) below.

(2) Final Computation Date. Only in the case of the Final Computation Date, the amount determined under subparagraph 1) above shall be increased by the earnings actually derived from investing such amount at an arm's length interest rate during the "payment period" that begins on the Final Computation Date and ends fifteen (15) days before the final Rebate Amount is actually paid; provided that if the moneys representing the final Rebate Amount cannot be identified on the Final Computation Date under a reasonable accounting system or, even if so identified, have not been invested at an arm's length interest rate, then the amount of the increase shall be equal to the

earnings that would have accrued if the Rebate Amount had been so identified and had been invested at a rate equal to the maximum rate of interest in effect on the Final Computation Date for a SLG having a term equal to thirty (30) days or, if longer, the payment period referred to above.

(D) Nonpurpose Receipts. For purposes of paragraph (C), receipts with respect to a Nonpurpose investment that is allocated to the Series 2004 A Bonds consist of:

(1) Actual Receipts. The amount(s) actually or constructively received with respect to the Nonpurpose Investment, determined without reduction for sales commissions, administrative expenses or similar expenses. An amount is constructively received when it is credited to the account of, set apart for, or otherwise made available to or for, a payee so that such amount may be drawn on by such payee (or could be so drawn on, assuming timely notice of the payee's intention to withdraw).

(2) Disposition Receipts. The amount corresponding to the Fair Market Value of a Nonpurpose Investment that ceases to be allocated to the Bonds for reasons not related to its sale or retirement, determined as of the date of such cessation.

(3) Installment—Date—Receipts. The amount corresponding to the Fair Market Value of a Nonpurpose Investment that continues to be allocated to the Series 2004 A Bonds on any Computation Date. For this purpose, the Present Value of a fixed rate Nonpurpose Investment which is not an investment contract may be substituted for its Fair Market Value.

(4) Rebate—Receipts. The amount(s), if any, representing the recovery of rebate overpayments, determined as of the date of any such recovery.

(5) Imputed Receipts. The amount(s), if any, representing Imputed Receipts, as defined herein and as determined from time to time in accordance with such definition.

(E) Nonpurpose Payments. For purposes of paragraph (C), payments with respect to a Nonpurpose Investment that is allocated to the Series 2004 A Bonds consist of:

(1) Direct Payments. The amount of the Gross Proceeds of the Series 2004 A Bonds that was used to purchase the Nonpurpose Investment, determined without regard to brokerage commissions, administrative expenses or similar expenses.

(2) Constructive Payments. The amount that is equal to the Fair Market Value of a Nonpurpose Investment which, although not directly purchased with the Gross Proceeds of the Series 2004 A Bonds, is allocated to the Series 2004 A Bonds, determined as of the date that such investment becomes so allocated.

(3) Rebate Payments. The amount which is equal to the portion of the Rebate Amount, if any, that is required to be paid following a Computation Date, determined as of the earlier of the date of any such payment or the due date of any such payment.

(4) Computation—Date—Credit. The amount corresponding to the application Computation Date Credit, determined as of each Computation Date.

(F) Exceptions for Construction Fund Expenditures. If the Issuer qualifies under any of the exceptions to rebate under Section 148(f) of the Code or Reg. § 1.148-7(d), earnings on moneys deposited in any construction fund will not be subject to rebate.

(G) Exception from Rebate for Certain Debt Service Fund Earnings. Notwithstanding anything in this Section 3.5 to the contrary, if the gross earnings from the Investments held in the Debt Service Fund for the Bond Year in question, that are attributable to Nonpurpose Investments, are less than \$100,000 (other than from the investment of moneys in obligations described in Section 103(a) of the Code which are also not specified Private Activity Bonds within the meaning of Section 57(a)(5)(C) of the Code), then any amount earned on such Bond Fund shall not be taken into account in determining the Rebate Amount. For purposes of this paragraph, the term "gross earnings " means the aggregate amount earned on the Nonpurpose Investments allocated to the Gross Proceeds of the Series 2004 A Bonds credited to the Debt Service Fund including amounts earned on such amounts if in turn credited to the Debt Service Fund.

(H) Calculation of Rebate Amount. For each Computation Date, the Issuer shall compute, or cause to be computed.

(I) Hedge Bonds. Not more than fifty percent (50 %) of the proceeds of the Series 2004 A Bonds are or will be invested in Nonpurpose Investments at a guaranteed yield for a period of four (4) years or more.

Section 3.6. Payment to United States. (A) Unless the Series 2004 A Bonds are redeemed prior to such time, the issuer shall pay to the United States, not later than sixty (60) days after each Installment Computation Date, an amount which, when added to all previous rebate payments made with respect to the Series 2004 A Bonds, is equal to not less than ninety percent (90%) of the Rebate Amount (computed from the date of issuance of the Series 2004 A Bonds to each such Installment Computation Date). The Issuer shall pay to the United States, not later than sixty (6) days after the last outstanding Series 2004 A Bonds are paid or redeemed, one hundred percent (100%) of the Rebate Amount for the Final Computation Date.

(B) The portion of the Rebate Amount that is required to be paid following a Computation Date shall be rounded down to the nearest multiple of \$100. Any such portion that is less than \$100 shall be rounded to \$0.

(C) The Issuer shall make each payment of an installment to the Internal Revenue Service. Each payment shall be accompanied by the copy of the Form 8038-T or Form 8038 filed with respect to the Bond issue, the statement summarizing the determination of the Rebate Amount and also, to the extent not otherwise shown on the Form 8038, a statement on which is identified the issue for which the Rebate Amount is due and the CUSIP number for the Series 2004 A Bond having the latest maturity.

Section 3.7 Recordkeeping. In connection with the rebate requirement the Issuer shall maintain the following records.

(A) The Issuer shall retain records of the determinations made pursuant to Section 3.5 until six (6) years after the retirement of the last obligation of the issue.

(B) The Issuer shall record all amounts paid to the United States pursuant to Section 3.5.

Section 3.8. Rebate Analyst. A Rebate Analyst shall be appointed to perform the rebate calculations required herein. The charges and fees of such Rebate Analyst shall be paid by the Issuer upon presentation of an invoice for services rendered in connection therewith.

Section 3.9. Covenant as to Purchase Price. The Issuer covenants and agrees that it shall not acquire Nonpurpose Investments at other than arm's length, Fair Market Value prices.

ARTICLE IV

COVENANTS AND AMENDMENTS

Section 4.1. Compliance with Code. The Issuer covenants and agrees that it shall at all times do and perform all acts and things necessary and within its reasonable control in order to assure that interest on the Series 2004 A Bonds, when, as and if issued, shall, for purposes of federal income taxation, not be included in gross income.

The Issuer acknowledges that the covenants and conditions set forth in this Tax Certificate are based upon the Code as it exists on the date hereof and that the Code may be subsequently interpreted or modified by the federal government in a manner which is inconsistent with the covenants set forth herein. The Issuer agrees that any such subsequent modification or interpretation of the Code will be deemed a requirement that must be met pursuant to the general tax covenant set forth above.

The Issuer shall not be required to comply with any specific requirement of this Tax Certificate to the extent that, in the opinion of Bond Counsel furnished to the Issuer, compliance with such requirement is not necessary to maintain the tax-exempt status of the Series 2004 A Bonds.

Section 4.2. Amendment. This Tax Certificate may be amended by consent of Bond Counsel.

IN WITNISS WHEREOF, the Issuer has caused this Tax and Non-Arbitrage Certificate to be executed on its behalf by its Chairman all as of this March 1, 2004.

PEA RIDGE PUBLIC SERVICE DISTRICT

By Its Chairman

02/23/04
(925h0.00001

SCHEDULE A

SOURCES AND USES OF BOND PROCEEDS

<u>Sources</u>	
Par amount of Series 2004 A Bonds	\$2,620,000.00
Transfer from Series 1994 Bonds	
Reserve Account	<u>262,225.00</u>
Total Sources	<u>\$2,882,225.00</u>
<u>Uses</u>	
Refund Series 1994 Bonds	\$2,405,000.00
Call Premium	48,100.00
Series 2004 A Bonds	
Reserve Account deposit	240,000.00
Costs of Issuance and Contingency	<u>189,125.00</u>
Total Uses	<u>\$2,882,225.00</u>

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

No. AR-1

\$695,000

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
PEA RIDGE PUBLIC SERVICE DISTRICT
SEWER REFUNDING REVENUE BOND,
SERIES 2004 A

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>BOND DATE</u>	<u>CUSIP NO.</u>
3.25%	May 1, 2009	March 1, 2004	704538BM8
REGISTERED OWNER:	CEDE & CO.		
PRINCIPAL AMOUNT:	SIX HUNDRED NINETY 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, 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 \$2,620,000 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 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.

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 \$12,429,500 (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 \$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."

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 shall not be subject to optional redemption.

(B) 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	\$ 135,000
2006	135,000
2007	135,000

2008	145,000
2009*	145,000

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.

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.

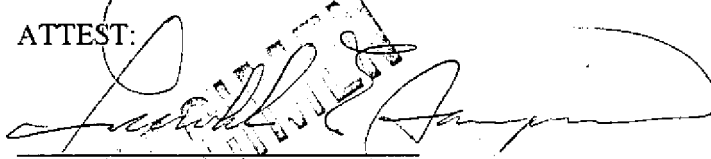
IN WITNESS WHEREOF, PEA RIDGE PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairman, and its corporate seal to be imprinted hereon and attested by its Secretary, and has caused this Bond to be dated as of the Bond Date specified above.

[SEAL]



Chairman

ATTEST:



Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

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

Dated: March 1, 2004.

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. AR-2

\$145,000

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
PEA RIDGE PUBLIC SERVICE DISTRICT
SEWER REFUNDING REVENUE BOND,
SERIES 2004 A

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>BOND DATE</u>	<u>CUSIP NO.</u>
3.70%	May 1, 2010	March 1, 2004	704538BN6

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, 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 \$2,620,000 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 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.

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 \$12,429,500 (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 \$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."

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 shall not be subject to optional redemption.

(B) 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	\$ 135,000
2006	135,000
2007	135,000

2008	145,000
2009*	145,000

Bonds Maturing May 1, 2017

Year (May 1)	<u>Principal Amount</u>
2016	\$ 165,000
2017*	175,000

Bonds Maturing May 1, 2020

Year (May 1)	<u>Principal Amount</u>
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.

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.

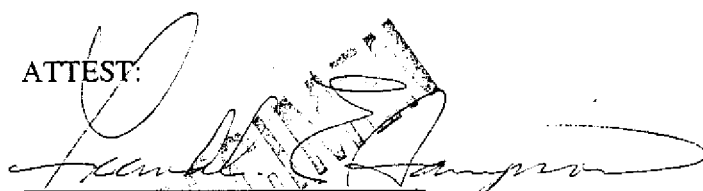
All provisions of the Resolution and the statutes under which this Bond is issued shall be deemed to be a part of the contract evidenced by this Bond to the same extent as if written fully herein.

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]


Chairman

ATTEST:

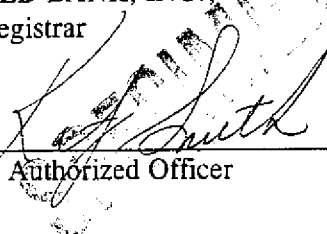

Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

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

Dated: March 1, 2004.

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. AR-3

\$155,000

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
PEA RIDGE PUBLIC SERVICE DISTRICT
SEWER REFUNDING REVENUE BOND,
SERIES 2004 A

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>BOND DATE</u>	<u>CUSIP NO.</u>
4.00%	May 1, 2011	March 1, 2004	704538BP1

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, 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 \$2,620,000 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 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.

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 \$12,429,500 (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 \$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."

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 shall not be subject to optional redemption.

(B) 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	\$ 135,000
2006	135,000
2007	135,000
2008	145,000
2009*	145,000

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.

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]



Chairman

ATTEST:



Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

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

Dated: March 1, 2004.

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.

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

No. AR-4

\$165,000

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
PEA RIDGE PUBLIC SERVICE DISTRICT
SEWER REFUNDING REVENUE BOND,
SERIES 2004 A

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>BOND DATE</u>	<u>CUSIP NO.</u>
4.20%	May 1, 2012	March 1, 2004	704538BQ9

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, 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 \$2,620,000 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 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.

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 \$12,429,500 (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 \$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."

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 shall not be subject to optional redemption.

(B) 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:

<u>Bonds Maturing May 1, 2009</u>	
<u>Year</u> <u>(May 1)</u>	<u>Principal Amount</u>
2005	\$ 135,000
2006	135,000
2007	135,000

2008	145,000
2009*	145,000

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.

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]



Chairman

ATTEST:

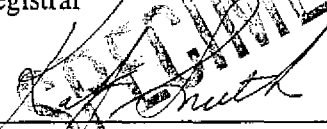

Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

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

Dated: March 1, 2004.

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. AR-5

\$170,000

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
PEA RIDGE PUBLIC SERVICE DISTRICT
SEWER REFUNDING REVENUE BOND,
SERIES 2004 A

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>BOND DATE</u>	<u>CUSIP NO.</u>
4.40%	May 1, 2013	March 1, 2004	704538BR7

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, 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 \$2,620,000 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 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.

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 \$12,429,500 (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 \$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."

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 shall not be subject to optional redemption.

(B) 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

<u>Year</u> <u>(May 1)</u>	<u>Principal Amount</u>
2005	\$ 135,000
2006	135,000
2007	135,000

2008	145,000
2009*	145,000

Bonds Maturing May 1, 2017

Year (May 1)	<u>Principal Amount</u>
2016	\$ 165,000
2017*	175,000

Bonds Maturing May 1, 2020

Year (May 1)	<u>Principal Amount</u>
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.

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]


Chairman

SP. CLERK

ATTEST:

Secretary

SP. CLERK

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

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

Dated: March 1, 2004.

UNITED BANK, INC.,
as Registrar

By 
Its Authorized Officer

VOID

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. AR-6

\$180,000

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
PEA RIDGE PUBLIC SERVICE DISTRICT
SEWER REFUNDING REVENUE BOND,
SERIES 2004 A

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>BOND DATE</u>	<u>CUSIP NO.</u>
4.60%	May 1, 2014	March 1, 2004	704538BS5

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 1 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 \$2,620,000 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 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.

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 \$12,429,500 (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 \$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."

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 shall not be subject to optional redemption.

(B) 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:

<u>Bonds Maturing May 1, 2009</u>	
<u>Year</u> <u>(May 1)</u>	<u>Principal Amount</u>
2005	\$ 135,000
2006	135,000
2007	135,000

2008	145,000
2009*	145,000

Bonds Maturing May 1, 2017

Year (May 1)	Principal Amount
2016	\$ 165,000
2017*	175,000

Bonds Maturing May 1, 2020

Year (May 11)	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.

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.

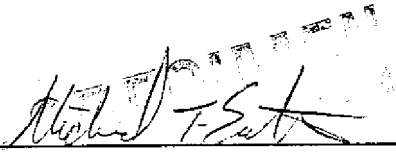
This Bond has been designated by the Issuer to be a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended.

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.

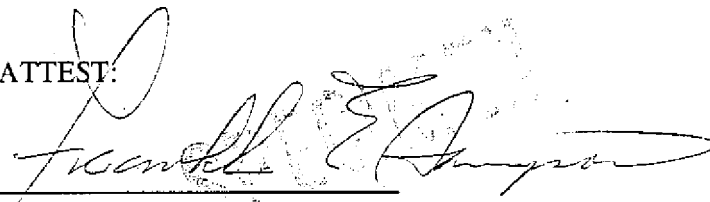
All provisions of the Resolution and the statutes under which this Bond is issued shall be deemed to be a part of the contract evidenced by this Bond to the same extent as if written fully herein.

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]



Chairman

ATTEST:


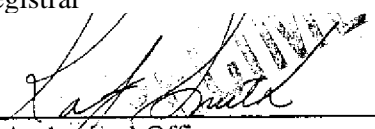
Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

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

Dated: March 1, 2004.

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. AR-7

\$155,000

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
PEA RIDGE PUBLIC SERVICE DISTRICT
SEWER REFUNDING REVENUE BOND,
SERIES 2004 A

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>BOND DATE</u>	<u>CUSIP NO.</u>
4.70%	May 1, 2015	March 1, 2004	704538BT3

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, 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 \$2,620,000 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 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.

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 \$12,429,500 (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 \$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."

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 shall not be subject to optional redemption.

(B) 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	\$ 135,000
2006	135,000
2007	135,000

2008	145,000
2009*	145,000

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.

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.

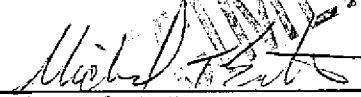
This Bond has been designated by the Issuer to be a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended.

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]


Chairman

ATTEST:

Secretary

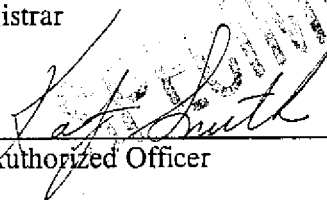
CERTIFICATE OF AUTHENTICATION AND REGISTRATION

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

Dated: March 1, 2004.

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. AR-8

\$340,000

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
PEA RIDGE PUBLIC SERVICE DISTRICT
SEWER REFUNDING REVENUE BOND,
SERIES 2004 A

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>BOND DATE</u>	<u>CUSIP NO.</u>
4.90%	May 1, 2017	March 1, 2004	704538BU0

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, 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 \$2,620,000 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 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.

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 \$12,429,500 (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 \$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."

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 shall not be subject to optional redemption.

(B) 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	\$ 135,000
2006	135,000
2007	135,000

2008	145,000
2009*	145,000

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.

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.

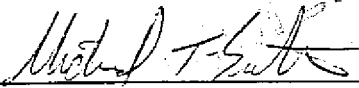
This Bond has been designated by the Issuer to be a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended.

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.

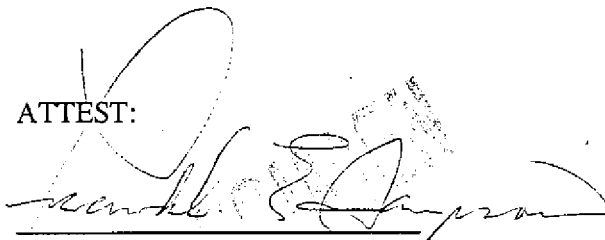
All provisions of the Resolution and the statutes under which this Bond is issued shall be deemed to be a part of the contract evidenced by this Bond to the same extent as if written fully herein.

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]



Chairman

ATTEST:


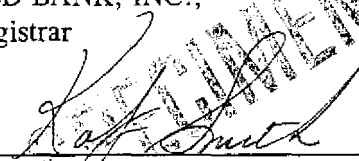
Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

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

Dated: March 1, 2004.

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. AR-9

\$615,000

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
PEA RIDGE PUBLIC SERVICE DISTRICT
SEWER REFUNDING REVENUE BOND,
SERIES 2004 A

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>BOND DATE</u>	<u>CUSIP NO.</u>
5.10%	May 1, 2020	March 1, 2004	704538BV8

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, 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 \$2,620,000 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 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.

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 \$12,429,500 (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 \$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."

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 shall not be subject to optional redemption.

(B) 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	\$ 135,000
2006	135,000
2007	135,000
2008	145,000
2009*	145,000

Bonds Maturing May 1, 2017

Year (May 1)	<u>Principal Amount</u>
2016	\$ 165,000
2017*	.175,000

Bonds Maturing May 1, 2020

Year (May 1)	<u>Principal Amount</u>
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.

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.

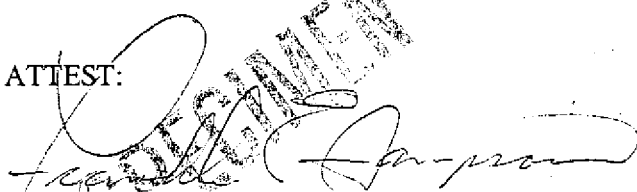
All provisions of the Resolution and the statutes under which this Bond is issued shall be deemed to be a part of the contract evidenced by this Bond to the same extent as if written fully herein.

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]



Chairman

ATTEST:


Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

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

Dated: March 1, 2004.

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.



WEST VIRGINIA
MUNICIPAL BOND COMMISSION

REBECCA MELTON CRAIG
State Tax Commissioner
Chair

JOHN D. PERDUE
State Treasurer

GLEN B. GAINER III
State Auditor

Suite 500
8 Capitol Street
Charleston, West Virginia 25301
(304) 558-3971/72
FAX (304) 558-1280

LARRY CHAPMAN
Member

JOHN ROACH
Member

SARA L. BOARDMAN
Acting Exec Director

NOTICE OF FULL REDEMPTION

\$185,000
PEA RIDGE PUBLIC SERVICE DISTRICT
(CABELL COUNTY) WEST VIRGINIA
TAXABLE SEWER REFUNDING REVENUE BONDS, SERIES 2003 D, 3.0%
Dated September 1, 2003

CUSIP
7045386X4

TO THE REGISTERED OWNERS OF ALL THE ABOVE-CAPTIONED BONDS:

You are hereby notified that all the Taxable Sewer Refunding Revenue Bonds, Series 2003 D, of Pea Ridge Public Service District (the "District"), dated September 1, 2003 (the "Series 2003 D Bonds"), were ordered by the District to be redeemed on March 1, 2004 (the "Redemption Date"), in accordance with the provisions of the Resolution authorizing issuance of the Series 2003 D Bonds.

All Series 2003 D Bonds outstanding as of the Redemption Date are to be surrendered to:

United Bank
Corporate Trust Department
Attn: Kathy Smith
500 Virginia Street, E.
Charleston, West Virginia 25301

in exchange for one of the District's Sewer Refunding Revenue Bonds, Series 2004 A, dated March 1, 2004, in an amount equal to the then outstanding principal amount of your Series 2003 D Bond, at a price equal to the ratio of the principal amount of your Series 2003 D Bond to \$2,620,000 times \$2,435,000 (the gross redemption proceeds for all Series 2003 C and Series 2003 D Bonds of the District), plus accrued interest thereon to and including March 1, 2004.

Upon receipt by United Bank of your Series 2003 D Bond, United Bank will deliver to you the Series 2004 A Bond purchased on your behalf.

All holders should provide a valid Form W-9 Taxpayer Identification Number to the paying agent to avoid backup withholding.

PEA RIDGE PUBLIC SERVICE DISTRICT

By
Chairman

WEST VIRGINIA MUNICIPAL BOND
COMMISSION, as Paying Agent

By
Its: Authorized Representative

Dated: February 1, 2004

* No representation is made as to the correctness of the CUSIP numbers as printed on the Series 2003 D Bonds or as contained in this notice of redemption.

01/26/04
692580 00003

WV MUNICIPAL BOND COMMISSION
 8 Capitol Street
 Suite 500
 Charleston, WV 25301
 (304) 558-3971

NEW ISSUE REPORT FORM

Date of Report: March 1, 2004

(See Reverse for Instructions)

ISSUE: Pea Ridge Public Service District, Sewer Refunding Revenue Bonds Series 2004 A

ADDRESS: Post Office Box 86, Barboursville, WV 25504 COUNTY: Cabell

PURPOSE OF ISSUE: New Money:
 Refunding:

REFUNDS ISSUE(S) DATED: November 1, 1994

ISSUE DATE: March 1, 2004

CLOSING DATE: March 1, 2004

ISSUE AMOUNT: \$2,620,000

RATE: See Supplemental Resolution

1ST DEBT SERVICE DUE: May 1, 2004

1ST PRINCIPAL DUE: May 1, 2005

1ST DEBT SERVICE AMOUNT: \$57,992.08

PAYING AGENT: Municipal Bond Commission

BOND

COUNSEL: Stoptoe & Johnson PLLC
 Contact Person: Vincent A. Collins, Esq.
 Phone: 304.624.8161

UNDERWRITERS

COUNSEL: Goodwin & Goodwin, LLP
 Contact Person: William Bragg, Esq.
 Phone: 304.346.7000

CLOSING BANK: The First State Bank

Contact Person: Osten Mathisen
 Phone: 304.736.5271

ESCROW AGENT: Municipal Bond Commission

Contact Person: Sara Boardman
 Phone: 304.558.3971

KNOWLEDGEABLE ISSUER CONTACT

Contact Person: Dena Foster, P.E.
 Position: General Manager
 Phone: 304.736.6711

OTHER: Municipal Bond Commission

Contact Person: Sara Boardman
 Function: Paying Agent
 Phone: 304.558.3971

DEPOSITS TO MBC AT CLOSE:

By: Wire
 Check

Accrued Interest: \$ _____
 Capitalized Interest: \$ _____
 Reserve Account: \$ _____
 Other: Paying Agent \$ _____

REFUNDS & TRANSFERS BY MBC AT CLOSE

By: Wire
 Wire
 Wire
 Check
 IGT

To DTC (on 311104): \$39,300.00 *
 To DTC (on 511104): \$18,692.08 *
 To Series 1994 Paying Agent (on 511104): \$2,453,100.00 *
 To Issuer (on 511104): \$Balance of 1994 Reserve Account *
 To Cons. Invest. Fund \$ _____
 To Other:2004 A Reserve Acct. (on 5/1104):\$240,000.00* _____

NOTES: * On March 1, 2004, \$36,525.00 (\$34,495.83 from the Escrow Account and \$2,029.17 from the Series 2003 C Debt Service Account) will be wired to DTC as interest through that date on the Series 2003 C Bonds; on March 1, 2004, \$2,775.00 (\$2,620.83 from the Escrow Account and \$154.17 from the Series 2003 D Debt Service Account) will be wired to DTC as interest through that date on the Series 2003 D Bonds; on March 1, 2004, \$2,435,000 will remain in the Escrow Account as agreed to by the Issuer, the Underwriter and the Escrow Agent. Then, on May 1, 2004, \$18,692.08 from the Escrow Account will be wired to DTC as interest on the Series 2004 A Bonds; \$2,435,000 from the Escrow Account will be wired to JP Morgan Chase as paying agent for the Series 1994 Bonds to pay principal and a portion of prepayment penalty for the Series 1994 Bonds being refunded; on May 1, 2004, \$18,100.00 from the Series 1994 Reserve Account will be wired to JP Morgan Chase to pay the remaining prepayment penalty on the Series 1994 Bonds; on May 1, 2004, \$240,000 from the Series 1994 Reserve Account shall be transferred to the Series 2004 A Reserve Account, and any remaining monies in the Series 1994 Reserve account shall be forwarded by check to the Issuer. Any remaining monies in the Escrow Account shall be transferred on May 1, 2004, to the Series 2004 A Bonds Sinking Fund.

FOR MUNICIPAL BOND COMMISSION USE ONLY:

DOCUMENTS REQUIRED:

TRANSFERS REQUIRED:

The purpose of the NEW ISSUE REPORT FORM is to provide the WV Municipal Bond Commission with an early warning of three basic facts no later than the day of closing on any issue for which the Commission is to act as fiscal agent. These are:

1. Formal notification that a new issue is outstanding.
2. Date of first action or debt service.
3. Contact people should we lack documents, information, or funds needed to administer the issue by the date of the first action or debt service.

The commission recognizes that as bond transcripts become increasingly long and complex, it has become more difficult to assemble and submit them to the Commission within the 30 days specified by the West Virginia Code 13-3-8. This notice is not intended to provide all the information needed to administer an issue, but to alert the Commission and ensure that no debt service payments are missed due to delays in assembling bond transcripts. If, at the time of closing, documents such as the ordinance and all supplements, debt service schedules, and a specimen bond or photostat are available and submitted with this form, it will greatly aid the Commission in the performance of its duties. These documents are needed to set up the proper accounts and to advise the issuer of monthly deposit requirements as far in advance of the first debt service as possible.

It is not necessary to complete all items if they are not pertinent to your issue. Indicate the County of the issuer. With PSDs that overlap more than one county, indicate the county of their business office. Complete "Rate" only if the issue has only one rate. Please complete a separate form for each series of an issue. Other important information can be recorded under "Notes."

Again, please submit this form on each new issue on the day of closing. If fund transfers into or out of the Commission at closing are required, please submit this form before closing. If no significant facts change by closing, no resubmission at closing is required. If, however, there are changes, please submit an updated form, with changes noted, at closing.

If you should have any questions concerning this form, please call the Commission.



CPA

acici/Hs

Certified Public Accountants & Consultants

September 11, 2003

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
Sewer Refunding Revenue Bonds, Series 2004 A

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 Gentleman:

Based upon the rates and charges set forth in the Final Order of the Public Service Commission of West Virginia entered March 23, 2003, in Case No. 02-1213-PSD-CN, the current operation and maintenance expenses of Pea Ridge Public Service District (the "Issuer") and the current number and type of customers of the Issuer, it is my opinion that such rates and charges will be sufficient to provide revenues which, together with other revenues of the sewerage system (the "System") of the Issuer, will pay all repair, operation and maintenance expenses of the System and leave a balance each year equal to at least 115% of the maximum amount required in any year for debt service on the Issuer's Sewer Refunding Revenue Bonds, Series 2004 A (the "Series 2004 A Bonds"), or, in the event the Series 2004 A Bonds are not issued, the Issuer's Taxable Sewer Refunding Revenue Bonds, Series 2003 D (the "Series 2003 D Bonds" and, together with the Series 2004 A Bonds, the "Bonds"), and all other obligations secured by or payable from the revenues of the System, on a parity with the Series 2004 A Bonds, or, in the event the Series 2004 A Bonds are not issued, the Series 2003 D Bonds, including the issuer's Sewer Revenue Bonds, Series 1992 (West Virginia SRF Program), Sewerage System Design Revenue Bonds, Series 2000 (West Virginia SRF Program), Sewer Revenue Bonds, Series 2003 A (West Virginia SRF Program) and Sewer Revenue Bonds, Series 2003 B (West Virginia Water Development Authority) (collectively, the "Prior

Bonds") and, in the event the Series 2004 A Bonds are not issued, the Issuer's Sewer Refunding Revenue Bonds, Series 1994 (the "1994 Bonds").

It is my further opinion that (1) the rates and charges of the System are sufficient to produce Net Revenues equal to not less than the sum of (a) 115% of the Maximum Annual Debt Service on the Prior Bonds and the Series 2004 A Bonds, or, in the event the Series 2004 A Bonds are not issued, on the Prior Bonds, the Series 1994 Bonds and the Series 2003 D Bonds, in any Fiscal Year, 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, or, in the event the Series 2004 A Bonds are not issued, the amount, if any, required to be deposited in the respective reserve accounts for the Prior Bonds, the Series 1994 Bonds and the Series 2003 D Bonds, 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 (2) the Net Revenues actually derived from the System during the Fiscal Year preceding the date of the actual issuance of the Series 2004 A Bonds, or, in the event the Series 2004 A Bonds are not issued, the Series 2003 D Bonds, plus the estimated increased annual Net Revenues expected to be received after the date of issuance of the Series 2004 A Bonds, or, in the event the Series 2004 A Bonds are not issued, the Series 2003 D Bonds, are not less than 115% of the Maximum Annual Debt Service on the Prior Bonds and the Series 2004 A Bonds, or, in the event the Series 2004 A Bonds are not issued, on the Prior Bonds, the 1994 Bonds and the Series 2003 D Bonds, all in accordance with the resolutions authorizing the Prior Bonds, the Series 1994 Bonds and the Bonds.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael D. Griffith, CPA". The signature is stylized and cursive.

Michael D. Griffith, CPA