TOWN OF BATH

WATER REFUNDING REVENUE BONDS, SERIES 2008 A
(BRANCH BANKING AND TRUST COMPANY)

DATE OF CLOSING: NOVEMBER 5, 2008

BONDS TRANSCRIPT

STEPTOE & JOHNSON PLLC

John C. Stump, Esquire
707 Virginia Street, East
Chase Tower, Seventh Floor
Charleston, WV 25326
(304)353-8196
john.stump@steptoe-johnson.com

Vincent A. Collins, Esquire
1085 Van Voorhis Road
United Center, Suite 400
Morgantown, WV 26505
(304)598-8161
vincent.collins@steptoe-johnson.com

TOWN OF BATH

WATER REFUNDING REVENUE BONDS, SERIES 2008 A
(Branch Banking and Trust Company)

TABLE OF CONTENTS

Table of Contents

BASIC DOCUMENTS

1. Bond Ordinance
2. Supplemental Resolution
3. Cross-Receipt for Bond and Bond Proceeds
4. Direction to Authenticate and Deliver Bonds
5. Specimen Bond

OPINIONS OF COUNSEL

6. Approving Opinion of Steptoe & Johnson, Bond Counsel
7. Opinion of Counsel to Issuer

CERTIFICATES

8. General Certificate of Issuer
9. Certificate of CPA
10. Certificate as to Arbitrage
11. Certificate of Registrar
12. Certificate of Purchaser

DOCUMENTS OF THE ISSUER

13. Charter and Rules of Procedure
14. Oaths of Office of Officers and Councilmembers

15. Affidavit of Publication of Abstract of Bonds Ordinance and Notice of Public Hearing

16. Minutes on Adoption of Bonds Ordinance and Supplemental Resolution

17. Municipal Bond Commission New Issue Report

18. Current Water Rate Ordinance; Affidavit of Publication of Water Rate Ordinance and Minutes Approving Water Rate Ordinance

MISCELLANEOUS DOCUMENTS

19. Bank Commitment Letter

20. Bank Investment Letter

21. Internal Revenue Service Information Return (Form 8038-G) and Letter of Transmittal

22. Prior Bond Ordinance

23. Consent of Water Development Authority

24. Receipt and Release from

25. Closing Statement

26. Prepayment Agreement and Notice of Redemption

TOWN OF BATH

WATER REFUNDING REVENUE BONDS, SERIES 2008 A

BOND ORDINANCE

Table of Contents

ARTICLE I
STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01 Authority for this Ordinance
Section 1.02 Findings
Section 1.03 Bond Legislation Constitutes Contract
Section 1.04 Definitions

ARTICLE II
AUTHORIZATION OF REFUNDING

Section 2.01 Authorization of Refunding

ARTICLE III
AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND SALE OF BONDS

Section 3.01 Authorization of Bonds
Section 3.02 Terms of Bonds
Section 3.03 Execution of Bonds
Section 3.04 Authentication and Registration
Section 3.05 Negotiability, Transfer and Registration
Section 3.06 Bonds Mutilated, Destroyed, Stolen or Lost
Section 3.07 Bonds Not to Be Indebtedness of the Issuer
Section 3.08 Bonds Secured by Pledge of Gross Revenues; Lien Position with Respect to Prior Bonds
Section 3.09 Form of Bond
FORM OF BOND
Section 3.10 Sale of Bonds
Section 3.11 Disposition of Bond Proceeds
Section 3.12 Designation of Bonds "Qualified Tax-Exempt Obligations

ARTICLE IV
FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

Section 4.01 Establishment of Funds and Accounts with Depository Bank
Section 4.02 Establishment of Funds and Accounts with Commission
Section 4.03 Covenants of the Issuer as to System Revenues and Funds

ARTICLE V
GENERAL COVENANTS

Section 5.01 General Statement
Section 5.02 Rates
Section 5.03 Sale of the System
Section 5.04 Issuance of Additional Parity Bonds
Section 5.05 Insurance and Bonds
Section 5.06 Statutory Mortgage Lien
Section 5.07 Fiscal Year; Budget
Section 5.08 Compensation of Members of Governing Body
Section 5.09 Books and Records; Audits
Section 5.10 Maintenance of System
Section 5.11 No Competition

ARTICLE VI
RATES, ETC.

Section 6.01 Initial Schedule of Rates and Charges; Rules

ARTICLE VII
TAX COVENANTS

Section 7.01 Tax Covenants
Section 7.02 Arbitrage and Tax Exemption
Section 7.03 Tax Certificate and Rebate
Section 7.04 Small Issuer Exemption from rebate of Excess Investment Earnings to the United States

ARTICLE VIII
DEFAULT AND REMEDIES

Section 8.01 Events of Default
Section 8.02 Remedies

ARTICLE IX
DEFEASANCE

Section 9.01 Defeasance

ARTICLE X
MISCELLANEOUS

Section 10.01 Amendment or Modification of Bond Legislation
Section 10.02 Ordinance Constitutes Contract
Section 10.03 Severability of Invalid Provisions
Section 10.04 Table of Contents and Headings
Section 10.05 Conflicting Provisions Repealed
Section 10.06 Covenant of Due Procedure, Etc.
Section 10.07 Statutory Notice and Public Hearing
Section 10.08 Effective Date
SIGNATURES

TOWN OF BATH

ORDINANCE AUTHORIZING THE REFUNDING OF THE WATER REVENUE REFUNDING AND IMPROVEMENT BONDS, SERIES 1997, OF THE TOWN OF BATH THROUGH THE ISSUANCE BY THE TOWN OF NOT MORE THAN $1,200,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REFUNDING REVENUE BONDS, SERIES 2008 A; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDER 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 COUNCIL OF TOWN OF BATH:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01. Authority for this Ordinance. This Ordinance (together with any ordinance, order or resolutions supplemental hereto, the "Bond Legislation") is adopted pursuant to the provisions of Chapter 8, Article 19 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. The Town of Bath (the "Issuer") is a municipal corporation and political subdivision of the State of West Virginia in Morgan County of said State.

B. The Issuer now owns and operates a public waterworks system. The refunding of the Series 1997 A Bonds, as hereinafter defined, hereby authorized and provided for are public purposes of the Issuer and are ordered for the purpose of meeting and serving public convenience and necessity.

C. The Issuer has heretofore issued its Water Revenue Refunding and Improvement Bonds, Series 1997, dated July 29, 1997, issued in the original aggregate principal amount of $1,430,000 (the "Series 1997 A Bonds").

D. It is in the best interest of the Issuer that the Series 1997 A Bonds be currently refunded in order to allow the Issuer to take advantage of the interest savings.

E. It is deemed necessary for the Issuer to issue its Water Refunding Revenue Bonds, Series 2008 A (the "Series 2008 A Bonds") in the total aggregate principal amount of not more than $1,200,000 to pay in full the principal of and interest accrued on the Series 1997 A Bonds, to fund the Series 2008 A Bonds Reserve Account, as hereinafter defined, and to pay costs of issuance thereof and related costs.

F. It is in the best interest of the Issuer that the Series 2008 A Bonds be sold to the Purchaser (as hereinafter defined) pursuant to the terms and provisions of the commitment letter of the Purchaser.

G. The Issuer has complied with all requirements of West Virginia law relating to authorization of the refunding of the Series 1997 A Bonds, and the issuance of the Series 2008 A Bonds, or will have so complied prior to issuance of the Series 2008 A Bonds.

H. Upon the refunding of the Series 1997 A Bonds, there are outstanding obligations of the Issuer which will rank on a parity with the Series 2008 A Bonds as to liens, pledge and source of and security for payment, being the Issuer's (1) Water Revenue Bonds, Series 2006 A (West Virginia DWTRF Program), dated August 29, 2006, issued in the original aggregate principal amount of $1,250,000 (the "Series 2006 A Bonds"); (2) Water Revenue Bonds, Series 2006 B (West Virginia Infrastructure Fund), dated August 29, 2006, issued in the original aggregate principal amount of $1,237,000 (the "Series 2006 B Bonds"); and (3) Water Revenue Bonds, Series 2002 A (West Virginia DWTRF Program), dated December 9, 2002, issued in the original aggregate principal amount of $1,150,000 (the "Series 2002 A Bonds") (collectively referred to herein as the "Prior Bonds").

Prior to the issuance of the Series 2008 A Bonds, the Issuer will obtain (i) a certificate of an Independent Certified Public Accountant stating that the coverage and parity tests, if any, of the Prior Bonds are met and (ii) the written consent of the Holders of the Prior Bonds to the issuance of the Series 2008 A Bonds on a parity with the Prior Bonds. Other than the Prior Bonds, there are no Outstanding bonds or obligations of the Issuer which are secured by revenues or assets of the System. The Issuer is in compliance with all covenants of the Prior Bonds and the Prior Ordinance.

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Series 2008 A Bonds by those who shall be the Registered Owner 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 Owner, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the benefit, protection and security of the Registered Owner of the Series 2008 A Bonds, all of which shall be of equal rank and without preference, priority or distinction between any one Bond and any other Bonds, and 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 8, Article 19 of the West Virginia Code of 1931, as amended and in effect on the date of adoption hereof.

"Authorized Officer" means the Mayor of the Issuer or any other officer of the Issuer specifically designated by resolution of the Governing Body.

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

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

"Bond Registrar" or "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 2008 A Bonds, the Prior Bonds and, where appropriate, any bonds on a parity therewith subsequently authorized to be issued hereunder of by another resolution of the Issuer.

"Closing Date" means the date upon which there is an exchange of the Bonds for all or a portion of the proceeds thereof representing the purchase price of the Bonds by the Purchaser.

"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.

"Council" or "Governing Body" means the Council of the Issuer or any other governing body of the Issuer that succeeds to the functions of the Council as presently constituted.

"Depository Bank" means the bank designated as such in the Supplemental Resolution, and its successors and assigns.

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

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

"Governing Body" means the Town Council 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, 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 or any Tap Fees, as hereinafter defined.

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

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

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

"Issuer" means Town of Bath, a municipal corporation and political subdivision of the State of West Virginia in Morgan County, and, unless the context clearly indicates otherwise, includes the Governing Body of the Issuer.

"Net Proceeds" means the face amount of the Series 2008 A Bonds, plus accrued interest and premium, if any, and less original issue discount, if any. 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 2008 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 as defined in Section 148(b) of the Code that is not a purpose investment.

"Operating Expenses" means the reasonable, proper and necessary costs of repair, maintenance and operation of the System and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses, fees and expenses of fiscal agents, the Depository Bank, the Registrar and the Paying Agent (all as hereinafter defined), 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 Series 2008 A Bonds, charges for depreciation, losses from the sale or other disposition of, or from any decrease in the value of, capital assets, amortization of debt discount or such miscellaneous deductions as are applicable to prior accounting periods.

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

"Parity Bonds" means additional Parity Bonds issued under the provisions and within the limitations prescribed by Section 5.04 hereof.

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

"Prior Bonds" means the Series 2002 A Bonds, Series 2006 A Bonds and Series 2006 B Bonds.

"Prior Ordinance" means, collectively, the ordinances authorizing the Prior Bonds.

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

"Purchaser" means the purchaser or purchasers of the Series 2008 A Bonds directly from the Issuer designated as such in the Supplemental Resolution and its successors and assigns.

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

(a) Government Obligations;

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

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

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

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

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

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

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

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

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

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

"Regulations" means temporary and permanent regulations promulgated under the Code.

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

"Series 1997 A Bonds" means the Water Revenue Refunding and Improvement Bonds, Series 1997, dated July 29, 1997, issued in the original aggregate principle amount of $1,430,000.

"Series 1997 A Ordinance" means the Bond Ordinances authorizing the Series 1997 A Bonds.

"Series 2002 A Bonds" means the Issuer's Water Revenue Bonds, Series 2002 A (West Virginia DWTRF Program), dated December 9, 2002, issued in the original aggregate principal amount of $1,150,000.

"Series 2006 A Bonds" means the Issuer's Water Revenue Bonds, Series 2006 A (West Virginia DWTRF Program), dated August 29, 2006, issued in the original aggregate principal amount of $1,250,000.

"Series 2006 B Bonds" means the Issuer's Water Revenue Bonds, Series 2006 B (West Virginia Infrastructure Fund), dated August 29, 2006, issued in the original aggregate principal amount of $1,237,000.

"Series 2008 A Bonds" means the Water Refunding Revenue Bonds, Series 2008 A, authorized hereby to be issued pursuant to this Ordinance.

"Series 2008 A Bonds Reserve Account" means the Series 2008 A Bonds Reserve Account created by Section 4.02 hereof.

"Series 2008 A Bonds Reserve Requirement" means the reserve amount required on the Series 2008 A Bonds equal to one years annual debt service.

"Series 2008 A Bonds Sinking Fund" means the Series 2008 A Bonds Sinking Fund created by Section 4.02 hereof.

"State" means the State of West Virginia.

"Supplemental Resolution" means any resolution or order of the Issuer supplementing or amending this Ordinance and, when preceded by the article "the," refers specifically to the Supplemental Resolution authorizing the sale of the Series 2008 A Bonds; provided, that any matter intended by this Ordinance to be included in the Supplemental Resolution with respect to the Series 2008 A Bonds and not so included may be included in another Supplemental Resolution.

"System" means the complete public waterworks system of the Issuer, presently existing in its entirety or any integral part thereof, and any further additions, extensions and improvements thereto hereafter constructed or acquired for the System from any sources whatsoever.

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

Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations; and words importing the masculine, feminine or neutral gender shall include any other gender.

ARTICLE II

AUTHORIZATION OF REFUNDING

Section 2.01. Authorization of Refunding. All Series 1997 A Bonds Outstanding as of the date of issuance of the Series 2008 A Bonds and all unpaid interest accrued thereon, if any, are hereby ordered to be refunded and paid in full and the pledge of Gross Revenues in favor of the Holders of the Series 1997 A Bonds imposed by the Series 1997 A Ordinance, the monies in the funds and accounts created by the Series 1997 A Ordinance pledged to payment of the Series 1997 A Bonds, and any other funds pledged by the Series 1997 A Ordinance to payment of the Series 1997 A Bonds are hereby ordered terminated, discharged and released upon such payment to the Holders of the Series 1997 A Bonds. Contemporaneously with the payment in full of the Series 1997 A Bonds, the amounts on deposit in the sinking fund, and all other funds and accounts created and maintained on behalf of the Series 1997 A Bonds, shall be released from the lien created by the Series 1997 A Ordinance. The portion of the proceeds of the Series 2008 A Bonds hereby authorized to be applied towards the refunding of the Series 1997 A Bonds shall be applied as provided in Article III hereof.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND SALE OF BONDS

Section 3.01. Authorization of Bonds. For the purpose of refunding the Series 1997 A Bonds, funding the Series 2008 A Bonds Reserve Account and paying certain costs of issuance and related costs not otherwise provided for, or any all of such purposes, there is hereby authorized to be issued the Water Refunding Revenue Bonds, Series 2008 A, of the Issuer, in the aggregate principal amount of not more than $1,200,000, and shall have such terms as set forth hereinafter and in the Supplemental Resolution.

Section 3.02. Terms of Bonds. The Series 2008 A Bonds shall be issued in single form, numbered AR-1, and only as a fully registered Bond. The Series 2008 A Bonds shall be dated such date; shall be in such principal amount, not to exceed $1,200,000; shall bear interest at such rate or rates, not exceeding the then legally permissible limit on such dates; shall mature on such dates and in such amounts; and shall be subject to such repayment or redemption, prepayment penalty all as the Issuer shall prescribe in a Supplemental Resolution. The Series 2008 A Bonds shall be payable as to principal and interest at the office of the Paying Agent in any coin or currency which, on the dates of payment is legal tender for the payment of public or private debts under the laws of the United States of America.

Section 3.03. Execution of Bonds. The Series 2008 A Bonds shall be executed in the name of the Issuer by the Mayor, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the Recorder. In case any one or more of the officers who shall have signed or sealed the Series 2008 A Bonds shall cease to be such officer of the Issuer before the Series 2008 A Bonds so signed and sealed have been actually sold and delivered, the Series 2008 A 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. The Series 2008 A Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.04. Authentication and Registration. No Series 2008 A Bonds shall be valid or obligatory for any purpose or entitled to any security or benefit under this Bond Legislation unless and until the Certificate of Authentication and Registration on such Bond, substantially in the form set forth in Section 3.09 shall have been manually executed by the Bond Registrar. Any such executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Bond Legislation. The Certificate of Authentication and Registration on any Series 2008 A Bond shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar.

Section 3.05. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Series 2008 A Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder, in accepting any of the Series 2008 A Bonds, shall be conclusively deemed to have agreed that such Bond shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder shall further be conclusively deemed to have agreed that said Bond shall be incontestable in the hands of a bona fide holder for value.

So long as the Series 2008 A Bonds remain outstanding, the Issuer, through the Bond Registrar, shall keep and maintain books for the registration and transfer of the Series 2008 A Bonds.

The registered Series 2008 A Bonds shall be transferable only upon the books of the Bond Registrar, by the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender thereto together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or his duly authorized attorney.

In all cases in which the privilege of exchanging the Series 2008 A Bonds or transferring the registered Bonds are exercised, the Bonds shall be delivered in accordance with the provisions of this Bond Legislation. Any Series 2008 A Bond surrendered in any such exchanges or transfers shall forthwith be cancelled by the Bond Registrar. For every such exchange or transfer of the Series 2008 A Bonds, the Bond Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer and the cost of preparing each such new Bond upon each exchange or transfer, and any other expenses of the Bond Registrar incurred in connection therewith, which sum or sums shall be paid by the person requesting such exchange or transfer, as a condition precedent to the exercise of the privilege of making such transfer. The Bond Registrar shall not be obliged to make any such exchange or transfer of the Series 2008 A Bonds during the 15 days preceding a scheduled payment date on such Bonds or after notice of any prepayment of such Bonds has been given.

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case the Series 2008 A Bonds shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Bond Registrar shall, if so advised by the Issuer, authenticate and deliver, a new Series 2008 A Bond of like tenor as the Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Series 2008 A Bond destroyed, stolen or lost, and upon the Holder's furnishing satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer and the Bond Registrar may incur. The Series 2008 A Bond so surrendered shall be cancelled by the Bond Registrar and held for the account of the Issuer. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Series 2008 A Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Section 3.07. Bonds Not to Be Indebtedness of the Issuer. The Series 2008 A Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Gross Revenues derived from the operation of the System as herein provided. No Holder or Holders of

the Series 2008 A Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer, if any, to pay the Series 2008 A Bonds or the interest thereon.

Section 3.08. Bonds Secured by Pledge of Gross Revenues; Lien Position with Respect to Prior Bonds. The payment of the debt service of the Series 2008 A Bonds shall be secured forthwith by a lien on the Gross Revenues derived from the System, in addition to the statutory mortgage lien on the System hereinafter provided, on a parity with the Prior Bonds. The Gross Revenues derived from the System in an amount sufficient to pay the principal of and interest on the Series 2008 A Bonds, and to make the payments as hereinafter provided, are hereby irrevocably pledged to the payment of the principal of and interest on the Series 2008 A Bonds as the same become due.

Section 3.09. Form of Bond. The text of the Series 2008 A Bonds shall be in substantially the following form, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted hereby, or by any Supplemental Resolution adopted prior to the issuance thereof:

[FORM OF BOND]

TOWN OF BATH
WATER REFUNDING REVENUE BONDS, SERIES 2008 A

No. AR-1 $_____

KNOW ALL MEN BY THESE PRESENTS: That on this the _____ day of November, 2008, TOWN OF BATH, a municipal corporation and political subdivision of the State of West Virginia in Morgan 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 order of

BRANCH BANKING AND TRUST COMPANY

or registered assigns (the "Payee"), the principal sum of _____ DOLLARS ($_____), plus interest as follows:

A. Interest on this Bond shall be payable at a rate of 4.18% per annum (hereinafter sometimes called the "Tax-Exempt Rate"). Interest shall be computed on the basis of a year of 360 days and 30 days in a month.

B. Notwithstanding any other provision herein, in the event the interest on this Bond is declared to be includible in gross income for federal income tax purposes by the Internal Revenue Service ("Determination of Taxability"), interest on this Bond shall be payable at a rate of ____% per annum (hereinafter sometimes called the "Taxable Rate"). Interest at the Taxable Rate shall commence to accrue on the date of Determination of Taxability and such interest rate shall be charged retroactively and prospectively for all periods in which interest paid on this Bond is asserted, declared or determined to be includible in gross income for federal income tax purposes, and shall continue until the entire principal of and interest on this Bond are paid, notwithstanding that the entire principal amount of this Bond may have been paid in full prior to the Determination of Taxability. Any interest being past due on this Bond by reason of such increase shall become immediately due and payable.

C. This Bond shall be payable in ____ installments commencing on the 1st day of _____, 2009 and on the 1st day of each month thereafter, to and including September 1, 2024. The monthly installments shall consist of principal and interest as listed on the attached debt service schedule attached hereto as EXHIBIT A.

D. All payments received by the Paying Agent on account of the Bond shall be applied first to payment of interest accrued on the Bond and next to payment of principal of the Bond. If not sooner paid, the entire principal amount of this Bond unpaid on September 1, 2024 together with all accrued interest and any other sums due and owing upon this Bond shall be due and payable on such date.

The principal of and interest on this Bond is payable in any coin or currency which on the date of payment thereof is legal tender for the payment of public and private debts

under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent").

This Bond is subject to prepayment of the principal balance in whole on a scheduled payment date with a 1.0 % prepayment premium.

This Bond is issued to (i) refund the Issuer's Water Revenue Refunding and Improvement Bonds, Series 1997 A; (ii) funding the Series 2008 A Bonds Reserve Account; and (iii) to pay costs of issuance and related costs. The existing public waterworks facilities of the Issuer, and any further additions, improvements or extensions thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 8, Article 19 of the West Virginia Code of 1931, as amended (the "Act"), and a Ordinance duly adopted by the Issuer on November 3, 2008, and a Supplemental Resolution, duly adopted by the Issuer on November 3, 2008 (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof.

THE PRINCIPAL OF AND INTEREST ON THIS BOND IS PAYABLE ONLY FROM AND SECURED BY A PLEDGE OF THE GROSS REVENUES TO BE DERIVED FROM THE OPERATION OF THE SYSTEM, ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT WITH THE ISSUER'S (1) WATER REVENUE BONDS, SERIES 2006 A (WEST VIRGINIA DWTRF PROGRAM), DATED AUGUST 29, 2006, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,250,000 (THE "SERIES 2006 A BONDS"); (2) WATER REVENUE BONDS, SERIES 2006 B (WEST VIRGINIA INFRASTRUCTURE FUND), DATED AUGUST 29, 2006, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,237,000 (THE "SERIES 2006 B BONDS"); AND (3) WATER REVENUE BONDS, SERIES 2002 A (WEST VIRGINIA DWTRF PROGRAM), DATED DECEMBER 9, 2002, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,150,000 (THE "SERIES 2002 A BONDS") (COLLECTIVELY REFERRED TO HEREIN AS THE "PRIOR BONDS").

This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon except from the source set forth above. Under the Bond Legislation, the Issuer has entered into certain covenants with the Payee, for the terms of which reference is made to said Bond Legislation. Remedies provided the Payee are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

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

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

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

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

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

This Bond shall not be valid or obligatory unless authenticated and registered by the Registrar by the execution of the Registrar's Certificate of Authentication and Registration attached hereto and incorporated herein.

IN WITNESS WHEREOF, the TOWN OF BATH has caused this Bond to be signed by its Mayor and its corporate seal to be hereunto affixed hereon and attested by its Recorder, and has caused this Bond to be dated the day and year first written above.

TOWN OF BATH

[SEAL]

By: _____
Its: Mayor

ATTEST:

_____
Recorder

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This is to certify that this Bond is described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above.

Date: November ____, 2008

BRANCH BANKING AND TRUST COMPANY,
as Registrar

By: _____
Its: Authorized Officer

[Form of Assignment]

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

Dated: _____, 20___.

_____

In the presence of:

_____

Section 3.10. Sale of Bonds. The Series 2008 A Bonds shall be sold to the Purchaser contemporaneously with, or as soon as practicable and authorized and permitted by applicable law after, the adoption of the Supplemental Resolution; provided, that the Purchaser and the Issuer shall have agreed to the purchase thereof.

Section 3.11. Disposition of Bond Proceeds. From the monies received from the sale of the Series 2008 A Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Series 2008 A Bonds, the Issuer shall forthwith wire from the proceeds of the Series 2008 A Bonds an amount as specified in supplemental resolution which is equal to the amount necessary to pay in full the entire principal of and interest accrued on the Series 1997 A Bonds directly to the Holders of the Series 1997 A Bonds.

B. Next, the Purchaser shall pay to the Municipal Bond Commission an amount as specified in the supplemental resolution which is equal to the amount necessary to fully fund the Series 2008 A Bonds Reserve Account.

C. Next, the Purchaser shall pay the costs of issuance of the Series 2008 A Bonds.

Section 3.12. Designation of Bonds "Qualified Tax-Exempt Obligations." The Issuer hereby designates the Series 2008 A Bonds as "qualified tax-exempt obligations" for the purpose of Section 265(b)(3)(B) of the Code and covenants that the Bond does 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 (excluding 501(c)(3) Bonds, as defined in Section 141 of the Code), including the Series 2008 A Bonds, have been or shall be issued by the Issuer, including all subordinate entities of the Issuer, during calendar year 2008.

ARTICLE IV

FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

Section 4.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are hereby created with and shall be held by the Depository Bank separate and apart from all other funds or accounts of the Depository Bank and the Issuer and from each other:

(1) Revenue Fund (established by Prior Ordinance);

(2) Renewal and Replacement Fund (established in Prior Ordinance); and

(3) Series 2008 A Bonds Proceeds Fund.

Section 4.02. Establishment of Funds and Accounts with Commission. The following special funds or accounts are hereby created with (or continued if previously established by the Prior Ordinance) 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 2002 A Bonds Sinking Fund (established by Prior Ordinance and continued hereby);

(2) Series 2002 A Bonds Reserve Account (established by Prior Ordinance and continued hereby);

(3) Series 2006 A Bonds Sinking Fund (established by Prior Ordinance and continued hereby);

(4) Series 2006 A Bonds Reserve Account (established by Prior Ordinance and continued hereby);

(5) Series 2006 B Bonds Sinking Fund (established by Prior Ordinance and continued hereby);

(6) Series 2006 B Bonds Reserve Account (established by Prior Ordinance and continued hereby);

(7) Series 2008 A Bonds Sinking Fund; and

(8) Series 2008 A Bonds Reserve Account.

Section 4.03. Covenants of the Issuer as to System Revenues and Funds. So long as the Series 2008 A Bonds shall be outstanding and unpaid, or until there shall have been set apart, a sum sufficient to pay, when due or at the earliest practical prepayment date, the entire principal of the Series 2008 A Bonds remaining unpaid, together with interest accrued and to accrue thereon, the Issuer further covenants with the holder of the Series 2008 A Bonds as follows:

A. REVENUE FUND. The entire Gross Revenues derived from the operation of the System, and all parts thereof, and all Tap Fees received, shall be

deposited as collected by the Issuer in the Revenue Fund established with the Depository Bank. The Revenue Fund shall constitute a trust fund for the purposes provided herein 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 provided herein.

B. DISPOSITION OF REVENUES. 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 of each month, transfer from the Revenue Account and remit to the Commission the amounts required to pay the interest, on the Series 2008 A Bonds.

(2) The Issuer shall next, on the first of each month, transfer from the Revenue Account and remit to the Commission (i) the amounts required to pay the principal, on the Prior Bonds as required by Prior Ordinance; and (ii) the amount required to pay the principal on the Series 2008 A Bonds. All payments with respect to principal of and interest on the Prior Bonds and the Series 2008 A Bonds shall be made on an equal pro rata basis in accordance with the respective aggregate principal amounts thereof outstanding and on a parity with each other.

(3) The Issuer shall next, each month, pay from the monies in the Revenue Fund all current Operating Expenses.

(4) The Issuer shall next, on the first of each month, transfer from the Revenue Account and remit to the Commission, (i) the amounts required for deposit into the respective Reserve Fund for the Prior Bonds; and (ii) commencing the month following the Closing Date for deposit in the Series 2008 A Bonds Reserve Account, an amount equal to 1/120th of the Series 2008 A Bonds Reserve Requirement, until the amount in the Series 2008 A Bonds Reserve Account equals the Series 2008 A Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2008 A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2008 A Bonds Reserve Requirement.

(5) The Issuer shall next, on the first day of each month, from the monies remaining in the Revenue Fund, transfer to the Renewal and Replacement Fund, a sum equal to 2 ½% of the Gross Revenues each month (as previously set forth in the Prior Ordinances and not in addition thereto), exclusive of any payments for account of any Reserve Account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII hereof. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, repairs, improvements or extensions to the System; provided, that any deficiencies in any Reserve Account (except to the extent such

deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof) shall be promptly eliminated with monies from the Renewal and Replacement Fund.

(6) After all the foregoing provisions for use of monies in the Revenue Fund have been fully complied with, any monies remaining therein and not permitted to be retained therein may be used to prepay installments of the Prior Bonds and the Series 2008 A Bonds, pro rata, or for any lawful purpose.

Monies in the Series 2008 A Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest on the Series 2008 A Bonds as the same shall become due. Monies in the Series 2008 A Bonds Reserve Account shall be used only for the purpose of paying principal of and interest on the Series 2008 A Bonds as the same shall come due, when other monies in the Sinking Fund are insufficient therefor, and for no other purpose.

All investment earnings on monies in the Series 2008 A Bonds Sinking Fund shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall, during the Project, as applicable, be deposited in the Series 2008 A Bonds Project Trust Fund, and following completion thereof, shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payment due on the Series 2008 A Bonds.

Any withdrawals from the Series 2008 A Bonds Reserve Account, which result in a reduction in the balance of such account to below the Reserve Requirement thereof, shall be restored from the first Gross 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 2008 A Bonds are issued, provision shall be made for additional payments into the respective sinking funds sufficient to pay the interest on such additional parity Bonds and accomplish retirement thereof at maturity and to accumulate a balance in the respective Reserve Accounts in an amount equal to the requirement thereof.

The Issuer shall not be required to make any further payments into the Series 2008 A Bonds Sinking Fund, or the Series 2008 A Bonds Reserve Account when the aggregate amount of funds therein are at least equal to the aggregate principal amount of the Series 2008 A Bonds issued pursuant to this Bond Legislation then Outstanding and all interest 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 2008 A Bonds, in accordance with the respective principal amounts then Outstanding.

The Commission is hereby designated as the fiscal agent for the administration of the Series 2008 A Bonds Sinking Fund, and the Series 2008 A Bonds Reserve Account created hereunder, and all amounts required for said accounts shall be remitted to the Commission from the Revenue Fund by the Issuer at the times provided herein. All remittances made by the Issuer to the Commission shall clearly identify the fund or account into which each amount is to be deposited. If required by the Authority at anytime, the Issuer shall make the necessary arrangements whereby required

payments into said accounts shall be automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates required hereunder.

Monies in the Series 2008 A Bonds Sinking Fund and the Series 2008 A Bonds Reserve Account shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The Series 2008 A Bonds Sinking Fund and the Series 2008 A Bonds Reserve Account shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 2008 A Bonds, under the conditions and restrictions set forth herein.

C. CHANGE OF DEPOSITORY BANK. The Issuer may designate another bank or trust company insured by FDIC as Depository Bank if the Depository Bank should cease for any reason to serve or if the Governing Body determines by resolution that the Depository Bank or its successor should no longer serve as Depository Bank. Upon any such change, the Governing Body will cause notice of the change to be sent by registered or certified mail to the Purchaser.

D. CHARGES AND FEES. The Issuer shall remit from the Revenue Fund to the Depository Bank and the Commission such additional sums as shall be necessary to pay the charges and fees of the Depository Bank or the Commission then due.

E. INVESTMENT OF EXCESS BALANCES. The monies in excess of the sum insured by FDIC in any of such funds or 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 of West Virginia.

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

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

ARTICLE V

GENERAL COVENANTS

Section 5.01. General Statement. So long as the Series 2008 A Bonds shall be outstanding and unpaid, or until there shall have been set apart a sum sufficient to prepay the entire principal of the Series 2008 A Bonds remaining unpaid, together with interest accrued and to accrue thereon to the date of prepayment, the covenants and agreements contained herein shall be and constitute valid and legally binding covenants between the Issuer and the Bondholder.

Section 5.02. Rates. Prior to the issuance of the Series 2008 A Bonds, rates or charges for the use of the services and facilities of the System will be fixed and established, all in the manner and form required by law, and a copy of such rates and charges so fixed and established shall at all times be kept on file in the office of the Recorder of the Issuer, which copy will be open to inspection by all interested parties. The schedule or schedules 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 and accounts created hereunder. Such schedule or schedules of rates and charges shall be revised from time to time, 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 or schedules of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System, (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the Series 2008 A Bonds, and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2008 A Bonds; provided that, in the event that, an amount equal to or in excess of the Reserve Requirement is on deposit in the Series 2008 A Bonds Reserve Account and any reserve accounts for obligations on a parity with the Series 2008 A Bonds are funded at least at the requirement therefor, such sum need only equal 110% of the maximum amount required in any year for payment of principal of and interest on the Series 2008 A Bonds, and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2008 A Bonds. In any event, the Issuer shall not reduce the rates or charges for services set forth in the rate ordinance described in Section 6.01.

The Issuer hereby covenants to commence enactment of such ordinance or ordinances as shall be required to increase the rates and charges for the services and facilities of the System within 30 days following a determination of the Independent Certified Public Accountant that less than the above-required coverage exists or in the event that the annual audit report shows less than the above-required coverage, such increase to provide rates and charges sufficient to produce such required coverage.

Section 5.03. 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 Ordinance.

Section 5.04. Issuance of Additional Parity Bonds. So long as the Prior Bonds are outstanding, no additional Parity Bonds or obligations payable out of any of the Revenues of the System shall be issued, except as set forth in the Prior Ordinance.

All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 2008 A Bonds.

No such Parity Bonds shall be issued except for the purpose of financing the costs of the construction or acquisition of extensions, improvements or betterments to the System or refunding the Prior Bonds or the Bonds issued pursuant hereto or subsequent Parity Bonds, or any combination of such purposes.

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

(1) The Bonds Outstanding;

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

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

The "estimated average increased annual Net Revenues to be received in each of the 3 succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from (a) the improvements to be financed by such Parity Bonds and (b) any increase in rates adopted by the Issuer, the period for appeal of which has expired prior to the date of delivery of such Parity Bonds, and shall not exceed the amount to be stated in the certificate of the Independent Certified Public Accountants.

The Net Revenues actually derived from the System during the 12-consecutive month period hereinabove referred to may be adjusted by adding to such Net Revenues such additional Net Revenues which would have been received, on account of increased rates, rentals, fees and charges for the System adopted by the Issuer, the period for appeal of which has expired prior to issuance of such Parity Bonds.

All covenants and other provisions of this Bond Legislation (except as to details of such Parity Bonds inconsistent herewith) shall be for the equal benefit, protection and security of the Holder of the Series 2008 A 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. The Issuer shall comply fully with all the increased payments into the various funds and accounts created in this Bond Legislation required for and on account of such Parity Bonds, in addition to the payments required for Bonds theretofore issued pursuant to this Bond Legislation.

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on the Revenues of the System is subject to the

prior and superior liens of the Bonds on such Revenues. The Issuer shall not issue any obligations whatsoever payable from the revenues of the System, or any part thereof, which rank prior to or, except in the manner and under the conditions provided in this section, equally, as to lien on and source of and security for payment from such revenues, with the Bond.

No Parity Bonds shall be issued any time, however, unless all the payments 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 5.05. Insurance and Bonds. A. The Issuer hereby covenants and agrees that it will, as an expense of construction, operation and maintenance of the System, procure, carry and maintain, so long as the Series 2008 A Bonds remain outstanding, insurance with a reputable insurance carrier or carriers covering the following risks and in the following amounts:

(i) Fire, Lightning, Vandalism, Malicious Mischief and Extended Coverage Insurance, to be procured upon any portion of the System now in use, on all above-ground structures of the System and mechanical and electrical equipment in place or stored on the site in an amount equal to the full insurable value thereof. In the event of any damage to or destruction of any portion of the System, the Issuer will promptly arrange for the application of the insurance proceeds for the repair or reconstruction of such damaged or destroyed portion.

(ii) Public Liability Insurance, with limits of not less than $500,000 for one or more persons injured or killed in one accident to protect the Issuer from claims for bodily injury and/or death, and not less than $200,000 to protect the Issuer from claims for damage to property of others which may arise from the operation of the System, such insurance to be procured not later than the date of delivery of the Series 2008 A Bonds.

(iii) Vehicular Public Liability Insurance, in the event the Issuer owns or operates any vehicle in the operation of the System, or in the event that any vehicle not owned by the Issuer is operated at any time or times for the benefit of the Issuer, with limits of not less than $500,000 for one or more persons injured or killed in one accident to protect the Issuer from claims for bodily injury and/or death, and not less than $200,000 to protect the Issuer from claims for damage to property of others which may arise from such operation of vehicles, such insurance to be procured prior to acquisition or commencement of operation of any such vehicle for the Issuer.

(iv) Workers' Compensation Coverage for All Employees of the Town Eligible Therefor and Performance and Payment Bonds, such bonds to be in the amounts of 100% of the construction contract, will be required of each prime contractor, and such payment bonds have been or will be filed with the Clerk of the County Commission of said County prior to commencement of construction in compliance with West Virginia Code Section 38-2-39. Workers' compensation coverage shall be maintained as required by the laws of the State of West Virginia.

(v) Flood Insurance to be procured, to the extent available at reasonable cost to the Issuer.

(vi) Fidelity Bonds will be provided as to every member of the Governing Body and as to every officer and employee thereof having custody of the Revenue Fund or of any revenues

or other funds of the Issuer in such amount as may be requested by the Purchaser from time to time.

(vii) Provided, however, and in lieu of and notwithstanding the foregoing provisions of this Section, so long as the Series 2008 A Bonds are outstanding, the Issuer will carry insurance and bonds or cause insurance and bonds to be carried for the protection of the Issuer with insurance carriers or bonding companies acceptable to Purchaser.

B. All insurance proceeds awarded to the Issuer that are not applied to the repair or replacement of the subject property damaged or destroyed, shall be applied by the Issuer to prepayment of the Bond, unless otherwise consented to in writing by the Bondholder.

Section 5.06. Statutory Mortgage Lien. For the further protection of the Holder of the Bond, 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 and shall take effect immediately upon the delivery of the Series 2008 A Bonds, on a parity with the Prior Bonds.

Section 5.07. Fiscal Year; Budget. While the Series 2008 A Bonds are outstanding and unpaid and to the extent not now prohibited by law, the System shall be operated and maintained on a Fiscal Year basis commencing on July 1 of each year and ending on the following June 30, which period shall also constitute the budget year for the operation and maintenance of the System. Not later than 30 days prior to the beginning of each Fiscal Year, the Issuer agrees to adopt the Annual Budget for the ensuing year, and no expenditures for operation and maintenance expenses of the System in excess of the Annual Budget shall be made during such Fiscal Year unless unanimously authorized and directed by the Governing Body. Copies of each Annual Budget shall be delivered to the Purchaser by the beginning of each Fiscal Year.

If for any reason the Issuer shall not have adopted the Annual Budget before the 1st day of any Fiscal Year, it shall adopt a Budget of Current Expenses from month to month until the adoption of the Annual Budget; provided, however, that no such monthly budget shall exceed the budget for the corresponding month in the next year preceding by more than 10%; and provided further, that adoption of a Budget of Current Expenses shall not constitute compliance with the covenant to adopt an Annual Budget unless failure to adopt an Annual Budget be for a reason beyond the control of the Issuer. Each such Budget of Current Expenses shall be mailed immediately to the Purchaser.

Section 5.08. Compensation of Members of Governing Body. The Issuer hereby covenants and agrees that no compensation for policy direction shall be paid to the members of the Governing Body in excess of the amount permitted by the Act. Payment of any compensation to any such member for policy direction shall not be made if such payment would cause the Gross Revenues to fall below the amount required to meet all payments provided for herein, nor when there is default in the performance of or compliance with any covenant or provision hereof.

Section 5.09. Books and Records; Audits. 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 the Purchaser shall have the right at all reasonable times to inspect the System and all records, accounts and data of the Issuer relating thereto.

The Issuer shall, at least once a year, cause said books, records and accounts of the System to be properly audited by an independent competent firm of certified public accountants and shall mail a copy of such audit report to the Purchaser. The Issuer shall further comply with the Act with respect to such books, records and accounts.

Section 5.10. Maintenance of System. The Issuer covenants that it will continuously operate, in an economical and efficient manner, and maintain the System as a revenue-producing utility as herein provided so long as the Series 2008 A Bonds are outstanding.

Section 5.11. No Competition. To the extent legally allowable, the Issuer will not permit competition with the System within its boundaries or within the territory served by it and will not grant or cause, consent to or allow the granting of any franchise, permit or other authorization for any person, firm, corporation, public or private body, agency or instrumentality whatsoever to provide any of the services supplied by the System within the boundaries of the Issuer or within the territory served by the System.

ARTICLE VI

RATES, ETC.

Section 6.01. Initial Schedule of Rates and Charges; Rules. A. The initial schedule of rates and charges for the services and facilities of the System, subject to change consonant with the provisions hereof, shall be as set forth in the Water Rate Ordinance of the Issuer dated May 6, 2008 as amended by Recommended Decision of the Public Service Commission dated September 22, 2008 in Case No. 08-0940-W-MA.

B. There shall not be any discrimination or differential in rates between customers in similar circumstances.

C. All delinquent fees, rates and charges for services or facilities of the System shall be liens on the premises served of equal degree, rank and priority with the lien on such premises of state, county, school and municipal taxes, as provided in the Act. The Issuer shall have all remedies and powers provided under the Act and other applicable provisions of law with regard to the collection and enforcement of such fees, rates and charges.

D. The Issuer will not render or cause to be rendered any free services of any nature by the System nor any of the facilities; and in the event that the Issuer or any department, agency, officer or employee thereof should avail itself or themselves of the services or facilities of the System, the same fees, rates and charges applicable to other customers receiving like services under similar circumstances shall be charged, such charges shall be paid as they accrue, and revenues so received shall be deposited and accounted for in the same manner as other revenues of the System.

E. The Issuer may require any applicant for any service by the System to deposit a reasonable and equitable amount to insure payment of all charges for the services rendered by the System, which deposit shall be handled and disposed of under the applicable rules and regulations of the Public Service Commission of West Virginia.

F. The Issuer, to the extent permitted by law, will not accept payment of any water bill from a customer served with water and sewer services by the Issuer without payment at the same time of a sewer bill owed by such customer for the same premises.

ARTICLE VII

TAX COVENANTS

Section 7.01. 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 2008 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 2008 A Bonds during the term thereof is, under the terms of the Series 2008 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 2008 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 2008 A Bonds during the term thereof is, under the terms of the Series 2008 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 2008 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 2008 A Bonds is 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 that 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 the lesser of 5% of the Net Proceeds of the Series 2008 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 2008 A Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

D. INFORMATION RETURN. The Issuer will file all statements, instruments and returns necessary to assure the tax-exempt status of the Series 2008 A Bonds and the interest thereon, including without limitation, the information return required under Section 149(e) of the Code.

E. FURTHER ACTIONS. The Issuer will take all actions that may be required of it so that the interest on the Series 2008 A Bonds will be and remain excludable from gross income for federal income tax purposes, and will not take any actions, or fail to take any actions which would adversely affect such exclusion.

Section 7.02. Arbitrage and Tax Exemption. The Issuer covenants that (i) it shall not take, or permit or suffer to be taken, any action with respect to the gross or other proceeds of the Series 2008 A Bonds which would cause the Series 2008 A Bonds to be an "arbitrage bond" within the meaning of Section 148 of the Code, and (ii) it will take all actions that may be required of it (including, without implied limitation, the timely filing of a Federal information return with respect to the Series 2008 A Bonds) so that the interest on the Series 2008 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 7.03. Tax Certificate and Rebate. The Issuer shall deliver a certificate of arbitrage, a tax certificate or other similar certificate to be prepared by nationally recognized bond counsel or tax counsel relating to payment of arbitrage rebate and other tax matters as a condition to issuance of the Series 2008 A Bonds. In addition, the Issuer covenants to comply with all Regulations from time to time in effect and applicable to the Series 2008 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 Bond Legislation.

The Issuer shall calculate, annually, the rebatable arbitrage, determined in accordance with Section 148(f) of the Code. The Issuer shall pay, or cause to be paid, to the United States, the rebatable arbitrage in accordance with Section 148(f) of the Code and such Regulations. 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 in time to time in effect with such reports and statements as may be prescribed by such Regulations. The Issuer and the Depository Bank (at the expense of the Issuer) may provide for the employment of independent attorneys, accountants or consultants compensated on such reasonable basis as the Issuer or the Depository Bank may deem appropriate in order to assure compliance with this Section 7.03. The Issuer shall keep and retain, or cause to be kept and retained, records of the determinations made pursuant to this Section 7.03 in accordance with the requirements of Section 148(f) of the Code and such Regulations.

Section 7.04. Small Issuer Exemption from Rebate of Excess Investment Earnings to the United States. In accordance with Section 148 (f)(4)(D) of the Code, the Issuer covenants that it is a governmental unit with general taxing powers; that no part of the Notes are private activity bonds; that 95% or more of the Net Proceeds of the Notes are to be used for local governmental activities of the Issuer (or of a governmental unit the jurisdiction of which is entirely within the jurisdiction of the Issuer); and that the aggregate face amount of all the tax-exempt obligations (other than private activity bonds) issued by the Issuer during the calendar year in which the Notes are issued does not and will not exceed $5,000,000, determined in accordance with Section 148(f)(4)(D) of the Code and the Regulations from time to time in effect an applicable to the Notes. For purposes of the first paragraph of this Section and for purposes of applying Section 148(f)(4)(D) of the Code, the Issuer and all entities which issue obligations on behalf of the Issuer shall be treated as one issuer; all obligations issued by a governmental unit to make loans to other governmental units with general taxing powers not subordinate to such unit shall, for purposes of applying this first paragraph of this Section and Section 148(f)(4)(D) of the Code, be treated as not issued by such unit; all obligations issued by a subordinate entity shall, for purposes of applying this first paragraph of this Section and Section 148(f)(4)(D) of the Code to each other entity to which such entity is subordinate, be treated as issued by such other entity; and an entity formed (or, to the extent provided by the Secretary, as set forth in the Code, availed of) to avoid the purposes of such Section

ARTICLE VIII

DEFAULT AND REMEDIES

Section 8.01. Events of Default. A. Each of the following events shall constitute an "Event of Default" with respect to the Series 2008 A Bonds:

1. If default occurs in the due and punctual payment of the principal of or interest on the Series 2008 A Bonds; or

(A) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Series 2008 A Bonds set forth in this Bond Legislation, any supplemental resolution, or in the Series 2008 A Bonds, and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Paying Agent, Depository Bank, any other bank or banking association holding any fund or account hereunder or a Holder of a Series 2008 A Bonds;

(B) 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

(C) If default occurs with respect to the Prior Bonds or the Prior Ordinance.

Section 8.02. Remedies. Upon the happening and continuance of any Event of Default, the Registered Owner of the Series 2008 A 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 proceeding enforce all rights of such Registered Owner 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 Series 2008 A 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 Owner of the Series 2008 A Bonds, and (v) by action or bill in equity enjoin any acts in violation of the Bond Legislation with respect to the Series 2008 A Bonds, or the rights of such Registered Owner.

No remedy by the terms of this Ordinance conferred upon or reserved to the Bondholders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Bondholders hereunder or now or hereafter existing at law or by statute. All rights and remedies of the Holders of the Series 2008 A Bonds shall be on a parity with those of the Holders of the Prior Bonds.

ARTICLE IX

DEFEASANCE

Section 9.01. Defeasance. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holder of the Series 2008 A Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then this Bond Legislation and the pledge of Gross Revenues and other monies and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owner of the Series 2008 A Bonds shall thereupon cease, terminate and become void and be discharged and satisfied, except as may otherwise be necessary to assure the exclusion of interest on the Series 2008 A Bonds from gross income for federal income tax purposes.

The payment of the Series 2008 A Bonds with 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 principal installments of and interest on the Series 2008 A Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. The Series 2008 A Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited with the Paying Agent, 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 other monies, if any, deposited with the Paying Agent at the same time, shall be sufficient to pay when due the principal installments of and interest due and to become due on the Series 2008 A Bonds on and prior to the maturity dates thereof. Neither securities nor monies deposited with the Paying Agent pursuant to this section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal installments of and interest on the Series 2008 A Bonds; provided, that any cash received from such principal or interest payments on such securities deposited with the Paying Agent, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal installments of and interest to become due on the Series 2008 A Bonds on and prior to the maturity dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer as received by the Paying Agent, free and clear of any trust, lien or pledge. For the purpose of this section, securities shall mean and include only Government Obligations.

ARTICLE X

MISCELLANEOUS

Section 10.01. Amendment or Modification of Bond Legislation. This Bond Legislation may not be amended or modified after final passage without the prior written consent of the Registered Owner; provided, however, that this Bond Legislation may be amended without the consent of the Registered Owner as may be necessary to assure the exclusion of interest on the Series 2008 A Bonds from gross income of the Registered Owner for federal income tax purposes.

Section 10.02. Ordinance Constitutes Contract. The provisions of the Ordinance shall constitute a contract between the Issuer and the Holders of the Bonds, and no change, variation or alteration of any kind of the provisions of the Ordinance shall be made in any manner, except as in this Ordinance provided.

Section 10.03. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Ordinance should be held invalid by any court of competent jurisdiction, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Ordinance, the Supplemental Resolution, or the Series 2008 A Bonds.

Section 10.04. Table of Contents and Headings. The table of contents and headings of the articles, sections and subsections hereof are for convenience of reference only, and shall not affect in any way the meaning or interpretation of any provision hereof.

Section 10.05. Conflicting Provisions Repealed. All orders, indentures, or resolutions and or parts thereof in conflict with the provisions of this Ordinance are, to the extent of such conflict, hereby repealed; provided that, in the event of any conflict between this Ordinance and the Prior Ordinance, the Prior Ordinance shall control, unless less restrictive, so long as the Prior Bonds are Outstanding.

Section 10.06. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the adoption of this Ordinance 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 Mayor, Recorder and members of the Governing Body were at all times when any actions in connection with this Ordinance occurred and are duly in office and duly qualified for such office.

Section 10.07. Statutory Notice and Public Hearing. Upon adoption hereof, an abstract of this Ordinance, determined by the Issuer to contain sufficient information as to give notice of the contents hereof, shall be published once a week for two successive weeks within a period of fourteen consecutive days, with at least six full days intervening between each publication, in *Morgan Messanger*, a newspaper published and of general circulation in the Town of Bath, together with a notice stating that this Ordinance has been adopted and that the Issuer contemplates the issuance of the Bonds and that any person interested may appear before Council upon a date certain, not less than 10 days subsequent to the date of the first publication of the said

abstract and notice, and present protests, and that a certified copy of the Ordinance is on file in the office of the Recorder for review by interested parties during the office hours of the Recorder.

At such hearing, all objections and suggestions shall be heard and Council shall take such action as it shall deem proper in the premises.

Passed on First Reading:	October 7, 2008
Passed on Second Reading:	October 21, 2008
Passed on Final Reading following Public Hearing:	November 3, 2008

Section 10.08. Effective Date. This Ordinance shall take effect immediately upon adoption.

[Remainder of Page Intentionally Blank]

Adopted this 3rd of November, 2008.

Mayor

CERTIFICATION

Certified a true copy of a Bond Ordinance duly adopted by the Council of the Town of Bath on the 3rd day of November, 2008.

Date: November 5, 2008.

[SEAL]

Irene Hedrick

Recorder

055550.00001

TOWN OF BATH

Water Refunding Revenue Bonds, Series 2008 A

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO DATE, MATURITY, INTEREST RATE AND OTHER TERMS OF THE WATER REFUNDING REVENUE BONDS, SERIES 2008 A, OF THE TOWN OF BATH; AUTHORIZING AND APPROVING THE SALE AND DELIVERY OF SUCH BONDS TO THE BRANCH BANKING AND TRUST COMPANY; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the Council (the "Governing Body") of the Town of Bath (the "Issuer") has duly and officially adopted an ordinance on November 3, 2008 (the "Bond Ordinance"), entitled:

ORDINANCE AUTHORIZING THE REFUNDING OF THE WATER REVENUE REFUNDING AND IMPROVEMENT BONDS, SERIES 1997 OF THE TOWN OF BATH THROUGH THE ISSUANCE BY THE TOWN OF NOT MORE THAN $1,200,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REFUNDING REVENUE BONDS, SERIES 2008 A; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDER OF SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

WHEREAS, the Bond Ordinance provides for the issuance of Water Refunding Revenue Bonds, Series 2008 A, of the Issuer (the "Bonds" or the "Series 2008 A Bonds"), in an aggregate principal amount of not more than $1,200,000, all in accordance with Chapter 8, Article 19 of the West Virginia Code of 1931, as amended (the "Act"); and in the Bond Ordinance, it is provided that the date, the maturity date, interest rate and other terms of the Bonds should be established by a supplemental resolution pertaining to the Bonds; and that other matters relating to the Bonds be herein provided for;

WHEREAS, the Bonds are proposed to be purchased by the Branch Banking and Trust Company, Charleston, West Virginia (the "Purchaser"), pursuant to the terms of the commitment letter dated September 19, 2008, a copy of which is attached hereto and made a part hereof (the "Commitment Letter"); and

WHEREAS, the Governing Body deems it essential and desirable that this supplemental resolution (the "Supplemental Resolution") be adopted and that the date, the maturity date, the interest rate and other terms of the Bonds be fixed hereby in the manner stated herein, and that other matters relating to the Bonds be herein provided for.

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF TOWN OF BATH:

Section 1. Pursuant to the Bond Ordinance and the Act, this Supplemental Resolution is adopted and there is hereby authorized and ordered to be issued the Water Refunding Revenue Bonds, Series 2008 A, of the Issuer, originally represented by a single Bond, numbered AR-1, in the principal amount of $1,091,000. The Series 2008 A Bonds shall be dated November 5, 2008, shall mature on September 1, 2024 and shall bear interest as follows:

A. Interest on the Bonds shall be payable at a rate of 4.18% per annum (hereinafter sometimes called the "Tax-Exempt Rate"). Interest shall be computed on the basis of a year of 360 days, and 30 days in a month.

B. Notwithstanding any other provision herein, in the event the interest on the Bonds is declared to be includible in gross income for federal income tax purposes by the Internal Revenue Service ("Determination of Taxability"), interest on the Bonds shall be payable at a rate of 6.19% per annum (hereinafter sometimes called the "Taxable Rate"). Interest at the Taxable Rate shall commence to accrue on the date of Determination of Taxability and such interest rate shall be charged retroactively and prospectively for all periods in which interest paid on the Bonds is asserted, declared or determined to be includible in gross income for federal income tax purposes, and shall continue until the entire principal of and interest on the Bonds are paid, notwithstanding that the entire principal amount of the Bonds may have been paid in full prior to the Determination of Taxability. Any interest being past due on the Bonds by reason of such increase shall become immediately due and payable.

C. The Bond shall be payable in 189 monthly installments, commencing January 1, 2009, and continuing on the first day of each month thereafter to and including September 1, 2024. The monthly installments shall consist of principal and interest and shall be as listed on the debt service schedule attached hereto as Exhibit A.

D. The Bond shall have a prepayment premium of 1%.

E. All payments received by the Paying Agent on account of this Bond shall be applied first to payment of interest accrued on the Bond and next to payment of principal of this Bond. If not sooner paid, the entire principal amount of this Bond unpaid on September 1, 2024, together with all accrued interest and any other sums due and owing upon this Bond shall be due and payable on such date.

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

Section 3. The Issuer does hereby approve the terms of the Commitment Letter dated September 19, 2008.

Section 4. The Bonds shall be sold to the Branch Banking and Trust Company, Charleston, West Virginia, and shall be registered in the name of such bank. The price of the Bonds shall be 100% of par value, there being no interest accrued thereon.

Section 5. The Issuer does hereby appoint and designate the Branch Banking and Trust Company, Charleston, West Virginia, the Registrar for the Bonds.

Section 6. The Issuer does hereby appoint and designate the Commission, the Paying Agent for the Bonds.

Section 7. Series 2008 A Bonds Proceeds in the amount of $976,963.40 as shown in Exhibit B attached hereto shall be deposited with the Commission to net pay the entire outstanding balance of and all accrued interest on the Issuer's Water Revenue Refunding and Improvement Bonds, Series 1997 A (the "Series 1997 A Bonds") at Closing.

Section 8. The Series 1997 A Bonds were secured by a reserve account pledged for the payment of and principal on the Series 1997 A Bonds, which account is held at the Commission. The amount of $108,562 in the Series 1997 A Bonds Reserve Account shall be deposited with the Commission as shown in Exhibit B attached hereto to net pay the entire outstanding balance of and all accrued interest on the Issuer's Water Revenue Refunding and Improvement Bonds, Series 1997 A (the "Series 1997 A Bonds") at Closing.

Section 9. The amount of $20,782.73 in the Series 1997 A Sinking Fund shall be deposited with the Commission as shown in Exhibit B attached hereto to net pay the entire outstanding balance of and all accrued interest on the Issuer's Water Revenue Refunding and Improvement Bonds, Series 1997 A (the "Series 1997 A Bonds") at Closing.

Section 10. Series 2008 A Bonds Proceeds in the amount of $95,436.60 shall be deposited with the Commission as shown in Exhibit B attached hereto to fund the Series 2008 A Bonds Reserve Account.

Section 11. Series 2008 Bond Proceeds shall be disbursed as shown on the Closing Statement attached hereto as Exhibit C.

Section 12. The payment of the Series 1997 A Bonds with the proceeds of the Series 2008 A Bonds is in the public interest, serves a public purpose of the Issuer and will promote health, welfare and safety of the residents of the Issuer.

Section 13. The Issuer hereby designates the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended.

Section 14. The Mayor and Recorder are hereby authorized and directed to execute and deliver the Bonds and such other documents and certificates required or desirable in connection with the Bonds hereby and by the Bond Ordinance approved and provided for, to the end that the Bonds may be delivered to the Purchaser on or about November 5, 2008.

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

[Remainder of Page Intentionally Blank]

Adopted this 3rd day of November, 2008.

TOWN OF BATH

By: _____
Its: Mayor

CERTIFICATION

Certified a true copy of a Supplemental Resolution duly adopted by the Council of TOWN OF BATH on the 3rd day of November, 2008.

Date: November 5, 2008

[SEAL]

Recorder

EXHIBIT A

Debt Service Schedule

Town of Bath, West Virginia
Series 2008, Water Revenue Refunding Bond

Compound Period ..... : Monthly

Nominal Annual Rate .... : 4.180 %

CASH FLOW DATA

	Event	Date	Amount	Number	Period	End Date
1	Loan	11/05/2008	1,091,000.00	1		
2	Payment	01/01/2009	7,913.16	189	Monthly	09/01/2024

AMORTIZATION SCHEDULE - Normal Amortization, 360 Day Year

	Date	Payment	Interest	Principal	Balance
Loan	11/05/2008				1,091,000.00
1	01/01/2009	7,913.16	7,105.40	807.76	1,090,192.24
2	02/01/2009	7,913.16	3,797.50	4,115.66	1,086,076.58
3	03/01/2009	7,913.16	3,783.17	4,129.99	1,081,946.59
4	04/01/2009	7,913.16	3,768.78	4,144.38	1,077,802.21
5	05/01/2009	7,913.16	3,754.34	4,158.82	1,073,643.39
6	06/01/2009	7,913.16	3,739.86	4,173.30	1,069,470.09
2009 Totals		47,478.96	25,949.05	21,529.91	
7	07/01/2009	7,913.16	3,725.32	4,187.84	1,065,282.25
8	08/01/2009	7,913.16	3,710.73	4,202.43	1,061,079.82
9	09/01/2009	7,913.16	3,696.09	4,217.07	1,056,862.75
10	10/01/2009	7,913.16	3,681.41	4,231.75	1,052,631.00
11	11/01/2009	7,913.16	3,666.66	4,246.50	1,048,384.50
12	12/01/2009	7,913.16	3,651.87	4,261.29	1,044,123.21
13	01/01/2010	7,913.16	3,637.03	4,276.13	1,039,847.08
14	02/01/2010	7,913.16	3,622.13	4,291.03	1,035,556.05
15	03/01/2010	7,913.16	3,607.19	4,305.97	1,031,250.08
16	04/01/2010	7,913.16	3,592.19	4,320.97	1,026,929.11
17	05/01/2010	7,913.16	3,577.14	4,336.02	1,022,593.09
18	06/01/2010	7,913.16	3,562.03	4,351.13	1,018,241.96
2010 Totals		94,957.92	43,729.79	51,228.13	
19	07/01/2010	7,913.16	3,546.88	4,366.28	1,013,875.68
20	08/01/2010	7,913.16	3,531.67	4,381.49	1,009,494.19
21	09/01/2010	7,913.16	3,516.40	4,396.76	1,005,097.43
22	10/01/2010	7,913.16	3,501.09	4,412.07	1,000,685.36
23	11/01/2010	7,913.16	3,485.72	4,427.44	996,257.92
24	12/01/2010	7,913.16	3,470.30	4,442.86	991,815.06
25	01/01/2011	7,913.16	3,454.82	4,458.34	987,356.72
26	02/01/2011	7,913.16	3,439.29	4,473.87	982,882.85
27	03/01/2011	7,913.16	3,423.71	4,489.45	978,393.40
28	04/01/2011	7,913.16	3,408.07	4,505.09	973,888.31
29	05/01/2011	7,913.16	3,392.38	4,520.78	969,367.53
30	06/01/2011	7,913.16	3,376.63	4,536.53	964,831.00

Town of Bath, West Virginia
Series 2008, Water Revenue Refunding Bond

	Date	Payment	Interest	Principal	Balance
2011 Totals		94,957.92	41,546.96	53,410.96	
31	07/01/2011	7,913.16	3,360.83	4,552.33	960,278.67
32	08/01/2011	7,913.16	3,344.97	4,568.19	955,710.48
33	09/01/2011	7,913.16	3,329.06	4,584.10	951,126.38
34	10/01/2011	7,913.16	3,313.09	4,600.07	946,526.31
35	11/01/2011	7,913.16	3,297.07	4,616.09	941,910.22
36	12/01/2011	7,913.16	3,280.99	4,632.17	937,278.05
37	01/01/2012	7,913.16	3,264.85	4,648.31	932,629.74
38	02/01/2012	7,913.16	3,248.66	4,664.50	927,965.24
39	03/01/2012	7,913.16	3,232.41	4,680.75	923,284.49
40	04/01/2012	7,913.16	3,216.11	4,697.05	918,587.44
41	05/01/2012	7,913.16	3,199.75	4,713.41	913,874.03
42	06/01/2012	7,913.16	3,183.33	4,729.83	909,144.20
2012 Totals		94,957.92	39,271.12	55,686.80	
43	07/01/2012	7,913.16	3,166.85	4,746.31	904,397.89
44	08/01/2012	7,913.16	3,150.32	4,762.84	899,635.05
45	09/01/2012	7,913.16	3,133.73	4,779.43	894,855.62
46	10/01/2012	7,913.16	3,117.08	4,796.08	890,059.54
47	11/01/2012	7,913.16	3,100.37	4,812.79	885,246.75
48	12/01/2012	7,913.16	3,083.61	4,829.55	880,417.20
49	01/01/2013	7,913.16	3,066.79	4,846.37	875,570.83
50	02/01/2013	7,913.16	3,049.91	4,863.25	870,707.58
51	03/01/2013	7,913.16	3,032.96	4,880.20	865,827.38
52	04/01/2013	7,913.16	3,015.97	4,897.19	860,930.19
53	05/01/2013	7,913.16	2,998.91	4,914.25	856,015.94
54	06/01/2013	7,913.16	2,981.79	4,931.37	851,084.57
2013 Totals		94,957.92	36,898.29	58,059.63	
55	07/01/2013	7,913.16	2,964.61	4,948.55	846,136.02
56	08/01/2013	7,913.16	2,947.37	4,965.79	841,170.23
57	09/01/2013	7,913.16	2,930.08	4,983.08	836,187.15
58	10/01/2013	7,913.16	2,912.72	5,000.44	831,186.71
59	11/01/2013	7,913.16	2,895.30	5,017.86	826,168.85
60	12/01/2013	7,913.16	2,877.82	5,035.34	821,133.51
61	01/01/2014	7,913.16	2,860.28	5,052.88	816,080.63
62	02/01/2014	7,913.16	2,842.68	5,070.48	811,010.15
63	03/01/2014	7,913.16	2,825.02	5,088.14	805,922.01
64	04/01/2014	7,913.16	2,807.30	5,105.86	800,816.15
65	05/01/2014	7,913.16	2,789.51	5,123.65	795,692.50
66	06/01/2014	7,913.16	2,771.66	5,141.50	790,551.00
2014 Totals		94,957.92	34,424.35	60,533.57	
67	07/01/2014	7,913.16	2,753.75	5,159.41	785,391.59
68	08/01/2014	7,913.16	2,735.78	5,177.38	780,214.21
69	09/01/2014	7,913.16	2,717.75	5,195.41	775,018.80
70	10/01/2014	7,913.16	2,699.65	5,213.51	769,805.29

Town of Bath, West Virginia
Series 2008, Water Revenue Refunding Bond

	Date	Payment	Interest	Principal	Balance
71	11/01/2014	7,913.16	2,681.49	5,231.67	764,573.62
72	12/01/2014	7,913.16	2,663.26	5,249.90	759,323.72
73	01/01/2015	7,913.16	2,644.98	5,268.18	754,055.54
74	02/01/2015	7,913.16	2,626.63	5,286.53	748,769.01
75	03/01/2015	7,913.16	2,608.21	5,304.95	743,464.06
76	04/01/2015	7,913.16	2,589.73	5,323.43	738,140.63
77	05/01/2015	7,913.16	2,571.19	5,341.97	732,798.66
78	06/01/2015	7,913.16	2,552.58	5,360.58	727,438.08
2015 Totals		94,957.92	31,845.00	63,112.92	
79	07/01/2015	7,913.16	2,533.91	5,379.25	722,058.83
80	08/01/2015	7,913.16	2,515.17	5,397.99	716,660.84
81	09/01/2015	7,913.16	2,496.37	5,416.79	711,244.05
82	10/01/2015	7,913.16	2,477.50	5,435.66	705,808.39
83	11/01/2015	7,913.16	2,458.57	5,454.59	700,353.80
84	12/01/2015	7,913.16	2,439.57	5,473.59	694,880.21
85	01/01/2016	7,913.16	2,420.50	5,492.66	689,387.55
86	02/01/2016	7,913.16	2,401.37	5,511.79	683,875.76
87	03/01/2016	7,913.16	2,382.17	5,530.99	678,344.77
88	04/01/2016	7,913.16	2,362.90	5,550.26	672,794.51
89	05/01/2016	7,913.16	2,343.57	5,569.59	667,224.92
90	06/01/2016	7,913.16	2,324.17	5,588.99	661,635.93
2016 Totals		94,957.92	29,155.77	65,802.15	
91	07/01/2016	7,913.16	2,304.70	5,608.46	656,027.47
92	08/01/2016	7,913.16	2,285.16	5,628.00	650,399.47
93	09/01/2016	7,913.16	2,265.56	5,647.60	644,751.87
94	10/01/2016	7,913.16	2,245.89	5,667.27	639,084.60
95	11/01/2016	7,913.16	2,226.14	5,687.02	633,397.58
96	12/01/2016	7,913.16	2,206.33	5,706.83	627,690.75
97	01/01/2017	7,913.16	2,186.46	5,726.70	621,964.05
98	02/01/2017	7,913.16	2,166.51	5,746.65	616,217.40
99	03/01/2017	7,913.16	2,146.49	5,766.67	610,450.73
100	04/01/2017	7,913.16	2,126.40	5,786.76	604,663.97
101	05/01/2017	7,913.16	2,106.25	5,806.91	598,857.06
102	06/01/2017	7,913.16	2,086.02	5,827.14	593,029.92
2017 Totals		94,957.92	26,351.91	68,606.01	
103	07/01/2017	7,913.16	2,065.72	5,847.44	587,182.48
104	08/01/2017	7,913.16	2,045.35	5,867.81	581,314.67
105	09/01/2017	7,913.16	2,024.91	5,888.25	575,426.42
106	10/01/2017	7,913.16	2,004.40	5,908.76	569,517.66
107	11/01/2017	7,913.16	1,983.82	5,929.34	563,588.32
108	12/01/2017	7,913.16	1,963.17	5,949.99	557,638.33
109	01/01/2018	7,913.16	1,942.44	5,970.72	551,667.61
110	02/01/2018	7,913.16	1,921.64	5,991.52	545,676.09
111	03/01/2018	7,913.16	1,900.77	6,012.39	539,663.70
112	04/01/2018	7,913.16	1,879.83	6,033.33	533,630.37

Town of Bath, West Virginia
Series 2008, Water Revenue Refunding Bond

	Date	Payment	Interest	Principal	Balance
113	05/01/2018	7,913.16	1,858.81	6,054.35	527,576.02
114	06/01/2018	7,913.16	1,837.72	6,075.44	521,500.58
2018 Totals		94,957.92	23,428.58	71,529.34	
115	07/01/2018	7,913.16	1,816.56	6,096.60	515,403.98
116	08/01/2018	7,913.16	1,795.32	6,117.84	509,286.14
117	09/01/2018	7,913.16	1,774.01	6,139.15	503,146.99
118	10/01/2018	7,913.16	1,752.63	6,160.53	496,986.46
119	11/01/2018	7,913.16	1,731.17	6,181.99	490,804.47
120	12/01/2018	7,913.16	1,709.64	6,203.52	484,600.95
121	01/01/2019	7,913.16	1,688.03	6,225.13	478,375.82
122	02/01/2019	7,913.16	1,666.34	6,246.82	472,129.00
123	03/01/2019	7,913.16	1,644.58	6,268.58	465,860.42
124	04/01/2019	7,913.16	1,622.75	6,290.41	459,570.01
125	05/01/2019	7,913.16	1,600.84	6,312.32	453,257.69
126	06/01/2019	7,913.16	1,578.85	6,334.31	446,923.38
2019 Totals		94,957.92	20,380.72	74,577.20	
127	07/01/2019	7,913.16	1,556.78	6,356.38	440,567.00
128	08/01/2019	7,913.16	1,534.64	6,378.52	434,188.48
129	09/01/2019	7,913.16	1,512.42	6,400.74	427,787.74
130	10/01/2019	7,913.16	1,490.13	6,423.03	421,364.71
131	11/01/2019	7,913.16	1,467.75	6,445.41	414,919.30
132	12/01/2019	7,913.16	1,445.30	6,467.86	408,451.44
133	01/01/2020	7,913.16	1,422.77	6,490.39	401,961.05
134	02/01/2020	7,913.16	1,400.16	6,513.00	395,448.05
135	03/01/2020	7,913.16	1,377.48	6,535.68	388,912.37
136	04/01/2020	7,913.16	1,354.71	6,558.45	382,353.92
137	05/01/2020	7,913.16	1,331.87	6,581.29	375,772.63
138	06/01/2020	7,913.16	1,308.94	6,604.22	369,168.41
2020 Totals		94,957.92	17,202.95	77,754.97	
139	07/01/2020	7,913.16	1,285.94	6,627.22	362,541.19
140	08/01/2020	7,913.16	1,262.85	6,650.31	355,890.88
141	09/01/2020	7,913.16	1,239.69	6,673.47	349,217.41
142	10/01/2020	7,913.16	1,216.44	6,696.72	342,520.69
143	11/01/2020	7,913.16	1,193.11	6,720.05	335,800.64
144	12/01/2020	7,913.16	1,169.71	6,743.45	329,057.19
145	01/01/2021	7,913.16	1,146.22	6,766.94	322,290.25
146	02/01/2021	7,913.16	1,122.64	6,790.52	315,499.73
147	03/01/2021	7,913.16	1,098.99	6,814.17	308,685.56
148	04/01/2021	7,913.16	1,075.25	6,837.91	301,847.65
149	05/01/2021	7,913.16	1,051.44	6,861.72	294,985.93
150	06/01/2021	7,913.16	1,027.53	6,885.63	288,100.30
2021 Totals		94,957.92	13,889.81	81,068.11	
151	07/01/2021	7,913.16	1,003.55	6,909.61	281,190.69
152	08/01/2021	7,913.16	979.48	6,933.68	274,257.01

Town of Bath, West Virginia
Series 2008, Water Revenue Refunding Bond

	Date	Payment	Interest	Principal	Balance
153	09/01/2021	7,913.16	955.33	6,957.83	267,299.18
154	10/01/2021	7,913.16	931.09	6,982.07	260,317.11
155	11/01/2021	7,913.16	906.77	7,006.39	253,310.72
156	12/01/2021	7,913.16	882.37	7,030.79	246,279.93
157	01/01/2022	7,913.16	857.88	7,055.28	239,224.65
158	02/01/2022	7,913.16	833.30	7,079.86	232,144.79
159	03/01/2022	7,913.16	808.64	7,104.52	225,040.27
160	04/01/2022	7,913.16	783.89	7,129.27	217,911.00
161	05/01/2022	7,913.16	759.06	7,154.10	210,756.90
162	06/01/2022	7,913.16	734.14	7,179.02	203,577.88
2022 Totals		94,957.92	10,435.50	84,522.42	
163	07/01/2022	7,913.16	709.13	7,204.03	196,373.85
164	08/01/2022	7,913.16	684.04	7,229.12	189,144.73
165	09/01/2022	7,913.16	658.85	7,254.31	181,890.42
166	10/01/2022	7,913.16	633.58	7,279.58	174,610.84
167	11/01/2022	7,913.16	608.23	7,304.93	167,305.91
168	12/01/2022	7,913.16	582.78	7,330.38	159,975.53
169	01/01/2023	7,913.16	557.25	7,355.91	152,619.62
170	02/01/2023	7,913.16	531.63	7,381.53	145,238.09
171	03/01/2023	7,913.16	505.91	7,407.25	137,830.84
172	04/01/2023	7,913.16	480.11	7,433.05	130,397.79
173	05/01/2023	7,913.16	454.22	7,458.94	122,938.85
174	06/01/2023	7,913.16	428.24	7,484.92	115,453.93
2023 Totals		94,957.92	6,833.97	88,123.95	
175	07/01/2023	7,913.16	402.16	7,511.00	107,942.93
176	08/01/2023	7,913.16	376.00	7,537.16	100,405.77
177	09/01/2023	7,913.16	349.75	7,563.41	92,842.36
178	10/01/2023	7,913.16	323.40	7,589.76	85,252.60
179	11/01/2023	7,913.16	296.96	7,616.20	77,636.40
180	12/01/2023	7,913.16	270.43	7,642.73	69,993.67
181	01/01/2024	7,913.16	243.81	7,669.35	62,324.32
182	02/01/2024	7,913.16	217.10	7,696.06	54,628.26
183	03/01/2024	7,913.16	190.29	7,722.87	46,905.39
184	04/01/2024	7,913.16	163.39	7,749.77	39,155.62
185	05/01/2024	7,913.16	136.39	7,776.77	31,378.85
186	06/01/2024	7,913.16	109.30	7,803.86	23,574.99
2024 Totals		94,957.92	3,078.98	91,878.94	
187	07/01/2024	7,913.16	82.12	7,831.04	15,743.95
188	08/01/2024	7,913.16	54.84	7,858.32	7,885.63
189	09/01/2024	7,913.16	27.53	7,885.63	0.00
2025 Totals		23,739.48	164.49	23,574.99	
Grand Totals		1,495,587.24	404,587.24	1,091,000.00	

EXHIBIT B

Sources and Uses

Town of Bath
Water Revenue Refunding Bonds, Series 2008 A

A. COST OF PROJECT		TOTAL	Series 2008 A	1997 A Reserve	1997 A Sinking Fund
1 Refunding Series 1997 A					
Outstanding Principal		1,080,000.00	950,655.27	108,562.00	20,782.73
Interest (Sept 1 to Dec 1)	172.31/day	15,508.13	15,508.13	0.00	0.00
Premium	1.0%	10,800.00	10,800.00	0.00	0.00
2 Accounting		650.00	650.00	0.00	0.00
3 Bank fee		2,950.00	2,950.00	0.00	0.00
4 Municipal Bond Commission Fee		1,812.58	0.00	0.00	1,812.58
5 TOTAL of Lines 1 through 4		1,111,720.71	980,563.40	108,562.00	22,595.31
B. COST OF FINANCING					
6 Funded Reserve		95,436.60	95,436.60	0.00	0.00
7 Bond Counsel		15,000.00	15,000.00	0.00	0.00
8 Cost of Issuance (lines 6 through 7)		110,436.60	110,436.60	0.00	0.00
9 TOTAL PROJECT COST line 5 plus line 8		1,222,157.31	1,091,000.00	108,562.00	22,595.31
C. SOURCES OFOTHER FUNDS					
10 Federal Grants					
11 State Grants					
12 Any Other Source	1997 A Sinking Fund	22,595.31			22,595.31
13 Any Other Source	1997 A reserve	108,562.00		108,562.00	
14 TOTAL GRANTS Lines 10 through 13		131,157.31	0.00	108,562.00	22,595.31
15 Size of Bond Issue (line 9 minus Line 14)		1,091,000.00	1,091,000.00	0.00	0.00

Town of Bath

November 3, 2008
Date

EXHIBIT C

Closing Statement

CLOSING MEMORANDUM

To: **Financing Team**

From: **John C. Stump, Esquire**

Date: **November 5, 2008**

Re: **Town of Bath, Water Refunding Revenue Bonds, Series 2008 A**

DISBURSEMENTS TO MUNICIPAL BOND COMMISSION

Payor:	Branch Banking and Trust Company
Source:	Series 2008 A Bonds Proceeds
Amount:	$976,963.40
Form:	Transfer
Payee:	Town of Bath
Bank:	BB&T for benefit of Municipal Bond Commission
Routing #:	051503394
Account #:	5270517317
Reference:	Series 1997 A Bonds
Contact:	Sara Boardman, 304.558.3971

DISBURSEMENTS TO MUNICIPAL BOND COMMISSION

Payor:	Branch Banking and Trust Company
Source:	Series 2008 A Bonds Proceeds
Amount:	$ 95,436.60
Form:	Transfer
Payee:	Town of Bath
Bank:	BB&T for benefit of Municipal Bond Commission
Routing #:	051503394
Account #:	5270517317
Contact:	Sara Boardman, 304.558.3971
Account:	Series 2008 A Bonds Reserve Account

OTHER DISBURSEMENTS FOR BY CHECK

Steptoe & Johnson PLLC	$15,000
Bennett & Dobbins	$ 650
Branch Banking & Trust	$ 2,950

055550.00001

TOWN OF BATH

Water Refunding Revenue Bonds, Series 2008 A

CROSS-RECEIPT FOR BOND AND BOND PROCEEDS

On this 5th day of November, 2008, the undersigned authorized representative of Branch Banking and Trust Company, Charleston, West Virginia (the "Purchaser"), and the undersigned Mayor of the Town of Bath (the "Issuer"), hereby certify as follows:

1. On November 5, 2008, at Berkeley Springs, West Virginia, the Purchaser received the Town of Bath Water Refunding Revenue Bonds, Series 2008 A, No. AR-1 (the "Bonds"), issued as a single Bond in the principal amount of $1,091,000, dated November 5, 2008. The Bonds represent the entire above-captioned Bond issue.

2. At the time of such receipt, the Bonds had been executed and sealed by the designated officials of the Issuer.

3. The Issuer has received and hereby acknowledges receipt from the Purchaser of the sum of $1,091,000, being the entire principal amount of the Bonds, there being no interest accrued thereon, of which $976,963.40 was directly transferred to the West Virginia Municipal Bond Commission account number 5270517317 to pay the a portion of the principal amount of and interest accrued on the Issuer's Water Revenue Refunding and Improvement Bonds, Series 1997 A, $95,436.60 was directly transferred to the West Virginia Municipal Bond Commission account number 5270517317 to fund the Series 2008 A Bonds Reserve Account, and $18,600 was received by the Issuer to pay the costs of issuance and related costs.

[Remainder of Page Intentionally Blank]

WITNESS our respective signatures dated as of the day and year first written above.

BRANCH BANKING AND TRUST COMPANY

By: _____
Its: Authorized Officer

TOWN OF BATH

By: _____
Its: Mayor

055550.00001

CH5002245.1

TOWN OF BATH

Water Refunding Revenue Bonds, Series 2008 A

DIRECTION TO AUTHENTICATE AND DELIVER BONDS

Branch Banking and Trust Company,
as Registrar
Charleston, West Virginia

Ladies and Gentlemen:

There are delivered to you herewith on this 5th day of November, 2008:

1. Bond No. AR-1, constituting the entire original issue of the Town of Bath Water Refunding Revenue Bonds, Series 2008 A, dated November 5, 2008, in the principal amount of $1,091,000 (the "Bonds"), executed by the Mayor and the Recorder of the Town of Bath (the "Issuer") and bearing the official seal of the Issuer. The Bonds are authorized to be issued under and pursuant to a Bond Ordinance enacted by the Issuer on November 3, 2008, and a Supplemental Resolution adopted by the Issuer on November 3, 2008 (collectively, the "Bond Legislation").

2. A copy of the Bond Legislation duly certified by the Recorder.

3. A signed, unqualified approving opinion of nationally recognized bond counsel designated by the Issuer and acceptable to the Purchaser.

4. 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.

You are hereby requested and authorized to authenticate, register and deliver the Bonds to Branch Banking and Trust Company, Charleston, West Virginia, as the Purchaser thereof.

[Remainder of Page Intentionally Blank]

Dated this as of the day and year first written above.

TOWN OF BATH

By: _____
Its: Mayor

055550.00001

SPECIMEN

TOWN OF BATH
WATER REFUNDING REVENUE BONDS, SERIES 2008 A

No. AR-1 $1,091,000

KNOW ALL MEN BY THESE PRESENTS: That on this the 5th day of November, 2008, the TOWN OF BATH, a municipal corporation and political subdivision of the State of West Virginia in Morgan 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 order of

BRANCH BANKING AND TRUST COMPANY

or registered assigns (the "Payee"), the principal sum of ONE MILLION NINETY-ONE THOUSAND DOLLARS ($1,091,000), plus interest as follows:

A. Interest on this Bond shall be payable at a rate of 4.18% per annum (hereinafter sometimes called the "Tax-Exempt Rate"). Interest shall be computed on the basis of a year of 360 days and 30 days in a month.

B. Notwithstanding any other provision herein, in the event the interest on this Bond is declared to be includible in gross income for federal income tax purposes by the Internal Revenue Service ("Determination of Taxability"), interest on this Bond shall be payable at a rate of 6.19% per annum (hereinafter sometimes called the "Taxable Rate"). Interest at the Taxable Rate shall commence to accrue on the date of Determination of Taxability and such interest rate shall be charged retroactively and prospectively for all periods in which interest paid on this Bond is asserted, declared or determined to be includible in gross income for federal income tax purposes, and shall continue until the entire principal of and interest on this Bond are paid, notwithstanding that the entire principal amount of this Bond may have been paid in full prior to the Determination of Taxability. Any interest being past due on this Bond by reason of such increase shall become immediately due and payable.

C. This Bond shall be payable in 189 installments commencing on the 1st day of January, 2009 and on the 1st day of each month thereafter, to and including September 1, 2024. The monthly installments shall consist of principal and interest as listed on the attached debt service schedule attached hereto as EXHIBIT A.

D. All payments received by the Paying Agent on account of the Bond shall be applied first to payment of interest accrued on the Bond and next to payment of principal of the Bond. If not sooner paid, the entire principal amount of this Bond unpaid on September 1, 2024 together with all accrued interest and any other sums due and owing upon this Bond shall be due and payable on such date.

The principal of and interest on this Bond is payable in any coin or currency which on the date of payment thereof is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent").

This Bond is subject to prepayment of the principal balance in whole on a scheduled payment date with a 1.0 % prepayment premium.

This Bond is issued to (i) refund the Issuer's Water Revenue Refunding and Improvement Bonds, Series 1997 A; (ii) funding the Series 2008 A Bonds Reserve Account; and (iii) to pay costs of issuance and related costs. The existing public waterworks facilities of the Issuer, and any further additions, improvements or extensions thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 8, Article 19 of the West Virginia Code of 1931, as amended (the "Act"), and a Ordinance duly adopted by the Issuer on November 3, 2008, and a Supplemental Resolution, duly adopted by the Issuer on November 3, 2008 (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof.

THE PRINCIPAL OF AND INTEREST ON THIS BOND IS PAYABLE ONLY FROM AND SECURED BY A PLEDGE OF THE GROSS REVENUES TO BE DERIVED FROM THE OPERATION OF THE SYSTEM, ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT WITH THE ISSUER'S (1) WATER REVENUE BONDS, SERIES 2006 A (WEST VIRGINIA DWTRF PROGRAM), DATED AUGUST 29, 2006, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,250,000 (THE "SERIES 2006 A BONDS"); (2) WATER REVENUE BONDS, SERIES 2006 B (WEST VIRGINIA INFRASTRUCTURE FUND), DATED AUGUST 29, 2006, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,237,000 (THE "SERIES 2006 B BONDS"); AND (3) WATER REVENUE BONDS, SERIES 2002 A (WEST VIRGINIA DWTRF PROGRAM), DATED DECEMBER 9, 2002, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,150,000 (THE "SERIES 2002 A BONDS") (COLLECTIVELY REFERRED TO HEREIN AS THE "PRIOR BONDS").

This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon except from the source set forth above. Under the Bond Legislation, the Issuer has entered into certain covenants with the Payee, for the terms of which reference is made to said Bond Legislation. Remedies provided the Payee are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

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

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

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

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

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

This Bond shall not be valid or obligatory unless authenticated and registered by the Registrar by the execution of the Registrar's Certificate of Authentication and Registration attached hereto and incorporated herein.

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, the TOWN OF BATH has caused this Bond to be signed by its Mayor and its corporate seal to be hereunto affixed hereon and attested by its Recorder, and has caused this Bond to be dated the day and year first written above.

TOWN OF BATH

[SEAL]

By: _____
Its: Mayor

SPECIMEN

ATTEST:

_____
Recorder

SPECIMEN

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This is to certify that this Bond is described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above.

Date: November 5, 2008

BRANCH BANKING AND TRUST COMPANY,
as Registrar

SPECIMEN

By: _____
Its: Authorized Officer

EXHIBIT A

Debt Service Schedule

Town of Bath, West Virginia
Series 2008, Water Revenue Refunding Bond

Compound Period ..... : Monthly

Nominal Annual Rate .... : 4.180 %

CASH FLOW DATA

	Event	Date	Amount	Number	Period	End Date
1	Loan	11/05/2008	1,091,000.00	1		
2	Payment	01/01/2009	7,913.16	189	Monthly	09/01/2024

AMORTIZATION SCHEDULE - Normal Amortization, 360 Day Year

	Date	Payment	Interest	Principal	Balance
Loan	11/05/2008				1,091,000.00
1	01/01/2009	7,913.16	7,105.40	807.76	1,090,192.24
2	02/01/2009	7,913.16	3,797.50	4,115.66	1,086,076.58
3	03/01/2009	7,913.16	3,783.17	4,129.99	1,081,946.59
4	04/01/2009	7,913.16	3,768.78	4,144.38	1,077,802.21
5	05/01/2009	7,913.16	3,754.34	4,158.82	1,073,643.39
6	06/01/2009	7,913.16	3,739.86	4,173.30	1,069,470.09
2009 Totals		47,478.96	25,949.05	21,529.91	
7	07/01/2009	7,913.16	3,725.32	4,187.84	1,065,282.25
8	08/01/2009	7,913.16	3,710.73	4,202.43	1,061,079.82
9	09/01/2009	7,913.16	3,696.09	4,217.07	1,056,862.75
10	10/01/2009	7,913.16	3,681.41	4,231.75	1,052,631.00
11	11/01/2009	7,913.16	3,666.66	4,246.50	1,048,384.50
12	12/01/2009	7,913.16	3,651.87	4,261.29	1,044,123.21
13	01/01/2010	7,913.16	3,637.03	4,276.13	1,039,847.08
14	02/01/2010	7,913.16	3,622.13	4,291.03	1,035,556.05
15	03/01/2010	7,913.16	3,607.19	4,305.97	1,031,250.08
16	04/01/2010	7,913.16	3,592.19	4,320.97	1,026,929.11
17	05/01/2010	7,913.16	3,577.14	4,336.02	1,022,593.09
18	06/01/2010	7,913.16	3,562.03	4,351.13	1,018,241.96
2010 Totals		94,957.92	43,729.79	51,228.13	
19	07/01/2010	7,913.16	3,546.88	4,366.28	1,013,875.68
20	08/01/2010	7,913.16	3,531.67	4,381.49	1,009,494.19
21	09/01/2010	7,913.16	3,516.40	4,396.76	1,005,097.43
22	10/01/2010	7,913.16	3,501.09	4,412.07	1,000,685.36
23	11/01/2010	7,913.16	3,485.72	4,427.44	996,257.92
24	12/01/2010	7,913.16	3,470.30	4,442.86	991,815.06
25	01/01/2011	7,913.16	3,454.82	4,458.34	987,356.72
26	02/01/2011	7,913.16	3,439.29	4,473.87	982,882.85
27	03/01/2011	7,913.16	3,423.71	4,489.45	978,393.40
28	04/01/2011	7,913.16	3,408.07	4,505.09	973,888.31
29	05/01/2011	7,913.16	3,392.38	4,520.78	969,367.53
30	06/01/2011	7,913.16	3,376.63	4,536.53	964,831.00

Town of Bath, West Virginia
Series 2008, Water Revenue Refunding Bond

	Date	Payment	Interest	Principal	Balance
2011 Totals		94,957.92	41,546.96	53,410.96	
31	07/01/2011	7,913.16	3,360.83	4,552.33	960,278.67
32	08/01/2011	7,913.16	3,344.97	4,568.19	955,710.48
33	09/01/2011	7,913.16	3,329.06	4,584.10	951,126.38
34	10/01/2011	7,913.16	3,313.09	4,600.07	946,526.31
35	11/01/2011	7,913.16	3,297.07	4,616.09	941,910.22
36	12/01/2011	7,913.16	3,280.99	4,632.17	937,278.05
37	01/01/2012	7,913.16	3,264.85	4,648.31	932,629.74
38	02/01/2012	7,913.16	3,248.66	4,664.50	927,965.24
39	03/01/2012	7,913.16	3,232.41	4,680.75	923,284.49
40	04/01/2012	7,913.16	3,216.11	4,697.05	918,587.44
41	05/01/2012	7,913.16	3,199.75	4,713.41	913,874.03
42	06/01/2012	7,913.16	3,183.33	4,729.83	909,144.20
2012 Totals		94,957.92	39,271.12	55,686.80	
43	07/01/2012	7,913.16	3,166.85	4,746.31	904,397.89
44	08/01/2012	7,913.16	3,150.32	4,762.84	899,635.05
45	09/01/2012	7,913.16	3,133.73	4,779.43	894,855.62
46	10/01/2012	7,913.16	3,117.08	4,796.08	890,059.54
47	11/01/2012	7,913.16	3,100.37	4,812.79	885,246.75
48	12/01/2012	7,913.16	3,083.61	4,829.55	880,417.20
49	01/01/2013	7,913.16	3,066.79	4,846.37	875,570.83
50	02/01/2013	7,913.16	3,049.91	4,863.25	870,707.58
51	03/01/2013	7,913.16	3,032.96	4,880.20	865,827.38
52	04/01/2013	7,913.16	3,015.97	4,897.19	860,930.19
53	05/01/2013	7,913.16	2,998.91	4,914.25	856,015.94
54	06/01/2013	7,913.16	2,981.79	4,931.37	851,084.57
2013 Totals		94,957.92	36,898.29	58,059.63	
55	07/01/2013	7,913.16	2,964.61	4,948.55	846,136.02
56	08/01/2013	7,913.16	2,947.37	4,965.79	841,170.23
57	09/01/2013	7,913.16	2,930.08	4,983.08	836,187.15
58	10/01/2013	7,913.16	2,912.72	5,000.44	831,186.71
59	11/01/2013	7,913.16	2,895.30	5,017.86	826,168.85
60	12/01/2013	7,913.16	2,877.82	5,035.34	821,133.51
61	01/01/2014	7,913.16	2,860.28	5,052.88	816,080.63
62	02/01/2014	7,913.16	2,842.68	5,070.48	811,010.15
63	03/01/2014	7,913.16	2,825.02	5,088.14	805,922.01
64	04/01/2014	7,913.16	2,807.30	5,105.86	800,816.15
65	05/01/2014	7,913.16	2,789.51	5,123.65	795,692.50
66	06/01/2014	7,913.16	2,771.66	5,141.50	790,551.00
2014 Totals		94,957.92	34,424.35	60,533.57	
67	07/01/2014	7,913.16	2,753.75	5,159.41	785,391.59
68	08/01/2014	7,913.16	2,735.78	5,177.38	780,214.21
69	09/01/2014	7,913.16	2,717.75	5,195.41	775,018.80
70	10/01/2014	7,913.16	2,699.65	5,213.51	769,805.29

Town of Bath, West Virginia
Series 2008 Water Revenue Refunding Bond

	Date	Payment	Interest	Principal	Balance
71	11/01/2014	7,913.16	2,681.49	5,231.67	764,573.62
72	12/01/2014	7,913.16	2,663.26	5,249.90	759,323.72
73	01/01/2015	7,913.16	2,644.98	5,268.18	754,055.54
74	02/01/2015	7,913.16	2,626.63	5,286.53	748,769.01
75	03/01/2015	7,913.16	2,608.21	5,304.95	743,464.06
76	04/01/2015	7,913.16	2,589.73	5,323.43	738,140.63
77	05/01/2015	7,913.16	2,571.19	5,341.97	732,798.66
78	06/01/2015	7,913.16	2,552.58	5,360.58	727,438.08
2015 Total		94,957.92	31,845.00	63,112.92	
79	07/01/2015	7,913.16	2,533.91	5,379.25	722,058.83
80	08/01/2015	7,913.16	2,515.17	5,397.99	716,660.84
81	09/01/2015	7,913.16	2,496.37	5,416.79	711,244.05
82	10/01/2015	7,913.16	2,477.50	5,435.66	705,808.39
83	11/01/2015	7,913.16	2,458.57	5,454.59	700,353.80
84	12/01/2015	7,913.16	2,439.57	5,473.59	694,880.21
85	01/01/2016	7,913.16	2,420.50	5,492.66	689,387.55
86	02/01/2016	7,913.16	2,401.37	5,511.79	683,875.76
87	03/01/2016	7,913.16	2,382.17	5,530.99	678,344.77
88	04/01/2016	7,913.16	2,362.90	5,550.26	672,794.51
89	05/01/2016	7,913.16	2,343.57	5,569.59	667,224.92
90	06/01/2016	7,913.16	2,324.17	5,588.99	661,635.93
2016 Total		94,957.92	29,155.77	65,802.15	
91	07/01/2016	7,913.16	2,304.70	5,608.46	656,027.47
92	08/01/2016	7,913.16	2,285.16	5,628.00	650,399.47
93	09/01/2016	7,913.16	2,265.56	5,647.60	644,751.87
94	10/01/2016	7,913.16	2,245.89	5,667.27	639,084.60
95	11/01/2016	7,913.16	2,226.14	5,687.02	633,397.58
96	12/01/2016	7,913.16	2,206.33	5,706.83	627,690.75
97	01/01/2017	7,913.16	2,186.46	5,726.70	621,964.05
98	02/01/2017	7,913.16	2,166.51	5,746.65	616,217.40
99	03/01/2017	7,913.16	2,146.49	5,766.67	610,450.73
100	04/01/2017	7,913.16	2,126.40	5,786.76	604,663.97
101	05/01/2017	7,913.16	2,106.25	5,806.91	598,857.06
102	06/01/2017	7,913.16	2,086.02	5,827.14	593,029.92
2017 Total		94,957.92	26,351.91	68,606.01	
103	07/01/2017	7,913.16	2,065.72	5,847.44	587,182.48
104	08/01/2017	7,913.16	2,045.35	5,867.81	581,314.67
105	09/01/2017	7,913.16	2,024.91	5,888.25	575,426.42
106	10/01/2017	7,913.16	2,004.40	5,908.76	569,517.66
107	11/01/2017	7,913.16	1,983.82	5,929.34	563,588.32
108	12/01/2017	7,913.16	1,963.17	5,949.99	557,638.33
109	01/01/2018	7,913.16	1,942.44	5,970.72	551,667.61
110	02/01/2018	7,913.16	1,921.64	5,991.52	545,676.09
111	03/01/2018	7,913.16	1,900.77	6,012.39	539,663.70
112	04/01/2018	7,913.16	1,879.83	6,033.33	533,630.37

Town of Ba... West Virginia
Series 200... ater Revenue Refunding Bond

	D...	Payment	Interest	Principal	Balance
113	05 /2018	7,913.16	1,858.81	6,054.35	527,576.02
114	0 /201	7,913.16	1,837.72	6,075.44	521,500.58
2018 Tota		94,957.92	23,428.58	71,529.34	
115	07 /2018	7,913.16	1,816.56	6,096.60	515,403.98
116	0 01/2018	7,913.16	1,795.32	6,117.84	509,286.14
117	0 01/201	7,913.16	1,774.01	6,139.15	503,146.99
118	1 /2018	7,913.16	1,752.63	6,160.53	496,986.46
119	1 /2018	7,913.16	1,731.17	6,181.99	490,804.47
120	12 /2018	7,913.16	1,709.64	6,203.52	484,600.95
121	01 /2019	7,913.16	1,688.03	6,225.13	478,375.82
122	0 /2019	7,913.16	1,666.34	6,246.82	472,129.00
123	0 /2019	7,913.16	1,644.58	6,268.58	465,860.42
124	0 /2019	7,913.16	1,622.75	6,290.41	459,570.01
125	0 /2019	7,913.16	1,600.84	6,312.32	453,257.69
126	0 /2019	7,913.16	1,578.85	6,334.31	446,923.38
2019 Tota		94,957.92	20,380.72	74,577.20	
127	0 /2019	7,913.16	1,556.78	6,356.38	440,567.00
128	0 /2019	7,913.16	1,534.64	6,378.52	434,188.48
129	0 /2020	7,913.16	1,512.42	6,400.74	427,787.74
130	1 /2019	7,913.16	1,490.13	6,423.03	421,364.71
131	1 /2019	7,913.16	1,467.75	6,445.41	414,919.30
132	1 /2019	7,913.16	1,445.30	6,467.86	408,451.44
133	01 /2020	7,913.16	1,422.77	6,490.39	401,961.05
134	0 /2020	7,913.16	1,400.16	6,513.00	395,448.05
135	0 /2020	7,913.16	1,377.48	6,535.68	388,912.37
136	0 /2020	7,913.16	1,354.71	6,558.45	382,353.92
137	0 /2020	7,913.16	1,331.87	6,581.29	375,772.63
138	0 /2020	7,913.16	1,308.94	6,604.22	369,168.41
2020 Tota		94,957.92	17,202.95	77,754.97	
139	0 /2020	7,913.16	1,285.94	6,627.22	362,541.19
140	0 /2020	7,913.16	1,262.85	6,650.31	355,890.88
141	0 /2021	7,913.16	1,239.69	6,673.47	349,217.41
142	1 /2020	7,913.16	1,216.44	6,696.72	342,520.69
143	1 /2020	7,913.16	1,193.11	6,720.05	335,800.64
144	1 /2020	7,913.16	1,169.71	6,743.45	329,057.19
145	0 /2021	7,913.16	1,146.22	6,766.94	322,290.25
146	0 /2021	7,913.16	1,122.64	6,790.52	315,499.73
147	0 /2021	7,913.16	1,098.99	6,814.17	308,685.56
148	0 /2021	7,913.16	1,075.25	6,837.91	301,847.65
149	0 /2021	7,913.16	1,051.44	6,861.72	294,985.93
150	0 /2021	7,913.16	1,027.53	6,885.63	288,100.30
2021 Tota		94,957.92	13,889.81	81,068.11	
151	07 /2021	7,913.16	1,003.55	6,909.61	281,190.69
152	0 /2021	7,913.16	979.48	6,933.68	274,257.01

Town of B We Virginia
Series 20 Wate Revenue Refunding Bond

	D e	Payment	Interest	Principal	Balance
153	0 1/2021	7,913.16	955.33	6,957.83	267,299.18
154	1 /202	7,913.16	931.09	6,982.07	260,317.11
155	1 /202	7,913.16	906.77	7,006.39	253,310.72
156	1 01/2021	7,913.16	882.37	7,030.79	246,279.93
157	0 01/2022	7,913.16	857.88	7,055.28	239,224.65
158	0 1/2022	7,913.16	833.30	7,079.86	232,144.79
159	0 1/2022	7,913.16	808.64	7,104.52	225,040.27
160	0 /202	7,913.16	783.89	7,129.27	217,911.00
161	0 /202	7,913.16	759.06	7,154.10	210,756.90
162	0 /202	7,913.16	734.14	7,179.02	203,577.88
2022 Tota		94,957.92	10,435.50	84,522.42	
163	0 1/202	7,913.16	709.13	7,204.03	196,373.85
164	0 /202	7,913.16	684.04	7,229.12	189,144.73
165	0 /20	7,913.16	658.85	7,254.31	181,890.42
166	1 /20	7,913.16	633.58	7,279.58	174,610.84
167	1 /202	7,913.16	608.23	7,304.93	167,305.91
168	1 /202	7,913.16	582.78	7,330.38	159,975.53
169	0 1/2023	7,913.16	557.25	7,355.91	152,619.62
170	0 /2023	7,913.16	531.63	7,381.53	145,238.09
171	0 /2023	7,913.16	505.91	7,407.25	137,830.84
172	0 /20	7,913.16	480.11	7,433.05	130,397.79
173	0 /20	7,913.16	454.22	7,458.94	122,938.85
174	0 /2023	7,913.16	428.24	7,484.92	115,453.93
2023 Tot		94,957.92	6,833.97	88,123.95	
175	0 1/2023	7,913.16	402.16	7,511.00	107,942.93
176	0 /202	7,913.16	376.00	7,537.16	100,405.77
177	0 /202	7,913.16	349.75	7,563.41	92,842.36
178	1 /202	7,913.16	323.40	7,589.76	85,252.60
179	1 /2023	7,913.16	296.96	7,616.20	77,636.40
180	1 0 /2023	7,913.16	270.43	7,642.73	69,993.67
181	0 /202	7,913.16	243.81	7,669.35	62,324.32
182	0 /2024	7,913.16	217.10	7,696.06	54,628.26
183	0 /202	7,913.16	190.29	7,722.87	46,905.39
184	0 /202	7,913.16	163.39	7,749.77	39,155.62
185	0 /202	7,913.16	136.39	7,776.77	31,378.85
186	0 /2024	7,913.16	109.30	7,803.86	23,574.99
2024 Tot		94,957.92	3,078.98	91,878.94	
187	0 1/202	7,913.16	82.12	7,831.04	15,743.95
188	0 /202	7,913.16	54.84	7,858.32	7,885.63
189	0 /202	7,913.16	27.53	7,885.63	0.00
2025 Tot		23,739.48	164.49	23,574.99	
Grand To		1,495,587.24	404,587.24	1,091,000.00	

[Form of Assignment]

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

Dated: _____, 20___.

_____

In the presence of:

_____

STEPTOE & JOHNSON PLLC
ATTORNEYS AT LAW

Chase Tower, Eighth Floor
P.O. Box 1588
Charleston, WV 25326-1588
(304) 353-8000 (304) 353-8180 Fax
www.steptoe-johnson.com

Writer's Contact Information

Town of Bath
Water Refunding Revenue Bonds, Series 2008 A

Town of Bath
Berkeley Springs, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

Branch Banking and Trust Company
Charleston, West Virginia

Ladies and Gentlemen:

We have served as bond counsel in connection with the issuance by the Town of Bath (the "Issuer") of its $1,091,000 Water Refunding Revenue Bonds, Series 2008 A (the "Bonds"), dated the date hereof.

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 8, Article 19 of the West Virginia Code of 1931, as amended (the "Act"), and a Bond Ordinance duly enacted by the Issuer on November 3, 2008, as supplemented by a Supplemental Resolution duly adopted by the Issuer on November 3, 2008 (collectively, the "Bond Legislation"), and are subject to all the terms and conditions of the Bond Legislation. All capitalized terms used herein and not otherwise defined herein shall have the same meanings set forth in the Bond Legislation when used herein.

The Bonds are originally issued in the form of one bond, numbered AR-1, in fully registered form and bear interest on the principal amount thereof at the rate of 4.18% per annum, payable in monthly installments of principal and interest as set forth therein.

The Bonds are subject to a 1% prepayment premium.

The Bonds are issued for the purposes of (i) refunding the Issuer's Water Revenue Bonds, Series 1997 A; (ii) funding the Series 2008 A Bonds Reserve Account; and (iii) paying costs of issuance and related costs thereof.

The Bonds have been sold to Branch Banking and Trust Company, Charleston, West Virginia (the "Purchaser"), pursuant to a commitment letter dated September 19, 2008.

We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion. As to questions of fact material to our opinion, we have

relied upon representations of the Issuer contained in the Bond Legislation and in the certified proceedings and other certifications of certain public officials furnished to us without undertaking to verify the same by independent investigation.

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

Based upon the foregoing, and assuming compliance with the covenants of the Issuer set forth in the Bond Legislation and in certain certificates delivered in connection with the issuance of the Bonds, we are of the opinion, under existing law, that:

1. The Issuer is a duly created and validly existing municipal corporation under and pursuant to the laws of the State of West Virginia, with full power and authority to enact the Bond Legislation and to issue and sell the Bonds, all under the provisions of the Act and other applicable provisions of law.

2. The Bond Legislation has been duly adopted and enacted by the Issuer, is in full force and effect as of the date hereof and constitutes a valid and binding obligation of the Issuer enforceable in accordance with its terms.

3. The Bonds have been duly authorized, issued, executed and delivered by the Issuer to the Purchaser and are valid, legally enforceable and binding special obligations of the Issuer, payable only from and secured by a lien on the Gross Revenues of the System, on a parity with the Issuer's outstanding Prior Bonds (as defined in the Bond Legislation), with respect to liens, pledge and source of and security for payment.

4. Under existing laws, regulations, rulings and judicial decisions of the United States of America, as presently written and applied, the interest on the Bonds (a) is excludable from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended and the regulations promulgated thereunder (the "Code") and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed upon individuals and corporations under the Code. It should be noted, however, that interest on the Bonds is included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax that may be imposed with respect to corporations. The opinions set forth above are subject to the condition that the Issuer comply, on a continuing basis, with all requirements of the Code that must be satisfied subsequent to issuance of the Bonds for interest thereon to be or continue to be excludable from gross income for federal income tax purposes and all certifications, covenants and representations which may affect the excludability from gross income of the interest on the Bonds set forth in the Bond Legislation, and in certain certificates delivered in connection with

the issuance of the Bonds. Failure to comply with certain of such Code provisions or such certifications, covenants and representations could cause the interest on the Bonds to be includable in gross income retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds except as expressly set forth in paragraphs 6 and 7.

5. Under the Act, the Bonds are exempt from all taxation by the State of West Virginia or any county, municipality, political subdivision or agency thereof and the interest on the Bonds is exempt from personal and corporate income taxes imposed directly thereon by the State of West Virginia.

6. The Issuer has designated the Bonds as "qualified tax-exempt obligations" for purposes of the Code, and has covenanted that it does not reasonably expect to issue more than $10,000,000 of tax-exempt obligations (other than private activity bonds and obligations issued to currently refund any obligation of the Issuer to the extent the amount of the refunding obligation does not exceed the outstanding amount of the refunded obligations) during the calendar year 2008. Therefore, the Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Code.

7. The Issuer is a governmental unit and has general taxing powers; no Bonds are private activity bonds; 95% or more of the net proceeds of the Bonds are to be used for local governmental activities of the Issuer (or of a governmental unit the jurisdiction of which is entirely within the jurisdiction of the Issuer); and the aggregate face amount of all tax-exempt bonds or obligations (other than private activity bonds) issued by the Issuer during the calendar year 2008, the calendar year in which the Bonds are issued, is not reasonably expected to exceed $5,000,000, determined in accordance with Section 148(f)(4)(D) of the Code. For purposes of this paragraph and for purposes of applying such Section 148(f)(4)(D) of the Code, the Issuer and all entities which issue obligations on behalf of the Issuer shall be treated as one issuer; all obligations issued by a governmental unit to make loans to other governmental units with general taxing powers not subordinate to such unit shall, for purposes of applying this paragraph and Section 148(f)(4)(D) of the Code, be treated as not issued by such unit; all obligations issued by a subordinate entity shall, for purposes of applying this paragraph and Section 148(f)(4)(D) of the Code to each other entity to which such entity is subordinate, be treated as issued by such other entity; and an entity formed (or, to the extent provided by the Secretary, as set forth in the Code, availed of) to avoid the purposes of such Section 148(f)(4)(D) of the Code and all other entities benefitting thereby shall be treated as one issuer. Therefore, the Issuer qualifies for the small governmental issuer exception to rebate.

8. The Issuer's Water Revenue Refunding and Improvement Bonds, Series 1997 A, dated July 29, 1997 issued in the aggregate principal amount of $1,430,000 (the "Series 1997 A Bonds") has been paid within the meaning and with the effect expressed in the ordinance authorizing the issuance of the Series 1997 A Bonds, and the covenants, agreements and other obligations of the Issuer to the holders and owners of the Series 1997 A Bonds has been satisfied and discharged. In rendering the opinion set forth in this paragraph, we have relied upon the Receipt and Release of the West Virginia Municipal Bond Commission to the sufficiency of the

monies on deposit to provide for the payment of the principal of, interest on, and premium, if any, of the Series 1997 A Bonds.

It is to be understood that the rights of the holders of the Bonds and the enforceability of liens, pledges, rights or remedies with respect to the Bonds and the Bond Legislation may be subject to and 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 exercise of judicial discretion in appropriate cases.

We have examined the executed and authenticated Bond No. AR-1 of said issue, and in our opinion, said Bond is in proper form and has been duly executed and authenticated.

Very truly yours,

STEPTOE & JOHNSON PLLC

055550.00001

STEPTOE & JOHNSON PLLC
ATTORNEYS AT LAW

Chase Tower, Eighth Floor
P.O. Box 1588
Charleston, WV 25326-1588
(304) 353-8000 (304) 353-8180 Fax
www.steptoe-johnson.com

Writer's Contact Information

November 5, 2008

Town of Bath
Water Refunding Revenue Bonds, Series 2008 A

Town of Bath
Berkeley Springs, West Virginia

Branch Banking and Trust Company
Charleston, West Virginia

Steptoe & Johnson PLLC
Charleston, West Virginia

Ladies and Gentlemen:

We are counsel to the Town of Bath, in Morgan County, West Virginia (the "Issuer"), in connection with the issuance and sale of the above-captioned bonds (the "Bonds"). As such counsel, we have reviewed copies of the commitment letter dated September 19, 2008, from Branch Banking and Trust Company, Charleston, West Virginia (the "Purchaser"), the Bonds Ordinance of the Issuer duly enacted November 3, 2008, as supplemented by the Supplemental Resolution of the Issuer duly adopted November 3, 2008 (collectively, the "Ordinance"), and other documents relating to the Bonds. All capitalized terms used herein and not otherwise defined herein shall have the same meanings set forth in the Ordinance when used herein.

We are of the opinion that:

1. The Issuer has been duly created and is validly existing as a municipal corporation and political subdivision of the State of West Virginia.

2. The Mayor and Recorder, members of the Council of the Issuer and members of the Municipal Utility Commission have been duly, lawfully and properly elected or appointed, as applicable, have taken the requisite oaths, and are authorized to act in their respective capacities on behalf of the Issuer.

3. The Ordinance has been duly adopted and enacted by the Issuer, is in full force and effect as of the date hereof and constitutes a valid and binding obligation of the Issuer enforceable in accordance with its terms.

4. The execution and delivery of the Bonds and the consummation of the transactions contemplated by the Bonds and the Ordinance, and the carrying out of the terms thereof, do not and will not, in any material respect, conflict with or constitute, on the part of the Issuer, a breach of or default under any ordinance, order, resolution, agreement or other instrument to which the Issuer is a party or any existing law, regulation, court order or consent decree to which the Issuer is subject.

5. It is to be understood that the rights of the holders of the Bonds and the enforceability of liens, pledges, rights or remedies with respect to the Bonds and the Ordinance are subject to any applicable bankruptcy, reorganization, insolvency, moratorium or other similar laws heretofore or hereafter enacted affecting creditors' rights or remedies generally, and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

6. The Issuer has received all permits, licenses, approvals, consents, exemptions, orders, certificates and authorizations required by law for the operation of the System.

7. To the best of our knowledge, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by the Bonds and the Ordinance, the operation of the System, the validity of the Bonds or pledge of the funds set forth in the Ordinance.

Very truly yours,

STEPTOE & JOHNSON, PLLC

055550.00001

TOWN OF BATH

Water Refunding Revenue Bonds, Series 2008 A

GENERAL CERTIFICATE OF THE TOWN OF MILTON ON:

1. TERMS
2. NO LITIGATION
3. GOVERNMENTAL APPROVALS
4. PUBLICATION OF NOTICES
5. SALE, DELIVERY AND PAYMENT OF BONDS; SIGNATURES
6. CERTIFICATION OF DOCUMENTS
7. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS
8. MEETINGS, ETC.
9. INCUMBENCY AND OFFICIAL NAME
10. DESIGNATION OF REGISTRAR, DEPOSITORY BANK AND PAYING AGENT
11. SPECIMEN BOND
12. CONFLICT OF INTEREST
13. RATES

We, the undersigned MAYOR and RECORDER of the Town of Bath (the "Issuer"), hereby certify in connection with the Town of Bath Water Refunding Revenue Bonds, Series 2008 A (the "Bonds"), dated the date hereof, as follows:

1. TERMS: All capitalized words and terms used in this General Certificate and not otherwise defined herein shall have the same meanings set forth in the Bonds Ordinance of the Issuer duly enacted on November 3, 2008, as supplemented by a Supplemental Resolution duly adopted on November 3, 2008 (collectively, the "Bond Legislation").

2. NO LITIGATION: No controversy or litigation of any nature is now pending or threatened, restraining, enjoining, or affecting in any manner the issuance, sale and delivery of the Bonds, nor in any way 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 or the Bond Legislation; nor in any manner questioning the valid existence of the Issuer or the authority or titles of the Mayor, Recorder, members of the Council of the Issuer or members of the Municipal Utility Commission to their respective offices; nor in any manner questioning any proceeding, procedure, action or thing followed, taken or done in connection with the Bonds.

3. GOVERNMENTAL APPROVALS: All applicable and necessary approvals, permits, licenses, orders, exemptions, consents, authorizations, registrations and certificates required by law for the issuance of the Bonds and the operation of the System have been duly and timely obtained and remain in full force and effect.

4. PUBLICATION OF NOTICES: Notices of public hearing upon the Bond Ordinance were duly published as required by law. There was no protest to the passage of the Ordinance, and the Ordinance became fully effective on November 3, 2008, and remains in full force and effect.

5. SALE, DELIVERY AND PAYMENT OF BONDS; SIGNATURES: On the date hereof, the Bonds were sold and delivered to Branch Banking and Trust Company, Charleston, West Virginia (the "Purchaser"), pursuant to a commitment letter dated September 19, 2008, at the price of $1,091,000 (100% of par value), there being no interest accrued thereon. On the date hereof, the Bonds were duly signed by the manual signature of the Mayor, 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 Recorder, and the Registrar did officially authenticate, register and deliver the Bonds to the Purchaser. At the time of delivery of the Bonds, the Issuer received $1,091,000 from the Purchaser being the principal amount of the Bonds, of which $976,963.40 was directly transferred to the West Virginia Municipal Bond Commission account number 5270517317 to pay a portion of the principal amount of and interest accrued on the Issuer's Water Revenue Refunding and Improvement Bonds, Series 1997 A, $95,436.60 was directly transferred to the Municipal Bond Commission account number 5270517317 to fund the Series 2008 A Bonds Reserve Account and $18,600 was received by the Issuer to pay the costs of issuance and related costs. The Issuer's Water Revenue Refunding and Improvement Bonds, Series 1997 A will be paid in full upon receipt of the Series 2008 A Bonds transfer in the amount of $976,963.40; a amount of $20,782.73 from the Series 1997 A Bonds Sinking Fund; and a transfer in the amount of $108,562 from the Series 1997 A Bonds Reserve Account for a total payoff in the amount of $1,106,308.13.

6. 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 Ordinance

Supplemental Resolution

Charter

Rules of Procedure

Oaths of Office of Officers and Councilmembers

Affidavit of Publication of Abstract of Bonds Ordinance and Notice of Public Hearing

Minutes on Adoption of Bond Ordinance and Supplemental Resolution

WDA Parity Consent

Water Rate Ordinance

Bank Commitment Letter

Bank Investment Letter

7. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS: There has been no adverse change in the financial condition of the Issuer since the Purchaser offered to purchase the Bonds. The Bonds shall be payable only from and secured by a lien on the Gross Revenues of the System (as defined in the Bond Legislation), on a parity with the Issuer's Prior Bonds (as hereinafter defined). The Issuer has the following outstanding bonds which are secured by the revenues of the System: (i) Water Revenue Bonds, Series 2006 A (West Virginia DWTRF Program), dated August 29, 2006, issued in the original aggregate principal amount of $1,250,000 (the "Series 2006 A Bonds"); (ii) Water Revenue Bonds, Series 2006 B (West Virginia Infrastructure Fund), dated August 29, 2006, issued in the original aggregate principal amount of $1,237,000 (the "Series 2006 B Bonds"); and (iii) Water Revenue Bonds, Series 2002 A (West Virginia DWTRF Program), dated December 9, 2002, issued in the original aggregate principal amount of $1,150,000 (the "Series 2002 A Bonds") (collectively, the "Prior Bonds"). The Series 2008 A Bonds shall be payable with respect to liens, pledge and source of and security for payment from the Gross Revenues of the System on a parity with the Prior Bonds.

The Issuer is current on all Prior Bonds' payments and is in compliance with all covenants and requirements of the Prior Ordinance.

8. MEETINGS, ETC.: All actions, ordinances, resolutions, orders and agreements taken by and entered into by or on behalf of the Issuer in any way connected with the issuance of the Bonds were authorized or adopted at meetings of the Council of the Issuer duly and regularly called and held pursuant to the Town Charter and Town Council Rules and Regulations and all applicable statutes, including Chapter 6, Article 9A of the Official West Virginia Code of 1931, as amended, and a quorum of duly elected or appointed, as applicable, qualified and acting members of the Council was present and acting at all times during all such meetings. All notices required to be posted and/or published were so posted and/or published.

9. INCUMBENCY AND OFFICIAL NAME: The proper corporate title of the Issuer is "Town of Bath" and it is a municipal corporation of the State of West Virginia, in Morgan County of said state. The governing body of the Issuer is its Council consisting of a Mayor and five councilmembers. The names and dates of commencement and termination of current terms of office of the Mayor and councilmembers are as follows:

Name	Date of Commencement of Office	Date of Termination of Office
Susan Webster, Mayor	July 1, 2007	June 30, 2009
Garnet Marsh, Recorder	July 1, 2007	June 30, 2009
Dale Lutman, Council Member	July 1, 2007	June 30, 2009
Nancy Harvey, Council Member	July 1, 2007	June 30, 2009
Kenneth Easton, Council Member	July 1, 2007	June 30, 2009
David Crosby, Council Member	July 1, 2007	June 30, 2009
Scott Merki, Council Member	July 1, 2007	June 30, 2009

The duly appointed and acting Counsel to the Issuer is Steptoe & Johnson, PLLC, Charleston, West Virginia.

10. DESIGNATION OF REGISTRAR, DEPOSITORY BANK AND PAYING AGENT: The Issuer hereby confirms the appointment of Branch Banking and Trust Company,

Charleston, West Virginia, as Registrar and the West Virginia Municipal Bond Commission as Paying Agent.

11. SPECIMEN Bond: Delivered concurrently herewith is a true and accurate specimen of the Bond.

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

13. RATES: The Issuer has, on May 6, 2008, enacted a water rate ordinance, as amended by Recommended Decision of the West Virginia Public Service Commission dated September 22, 2008 in Case No. 08-0940-W-MA, the time for appeal of which has expired without successful appeal, setting forth rates and charges which will be sufficient to provide revenues which will pay all repair, operation and maintenance expenses of the System, all debt service payments on the Prior Bonds and the Bonds and leave a balance each year equal to at least 115% of the maximum amount required in any year for debt service on the Prior Bonds and the Bonds.

[Remainder of Page Intentionally Blank]

WITNESS our signatures and the official corporate seal of the TOWN OF BATH on this 5th day of November, 2008.

[CORPORATE SEAL]

Signature	Official Title
	Mayor
	Recorder

055550.00001

Bennett & Dobbins PLLC
CERTIFIED PUBLIC ACCOUNTANTS

317 Cleveland Avenue
Fairmont, WV 26554-1604
Telephone: (304) 366-4295 Fax: (304) 366-4311

GARY K. BENNETT, MBA-CPA
ZACHARY D. DOBBINS, CPA

November 5, 2008

Town of Bath
Water Refunding Revenue Bonds, Series 2008 A

Town of Bath
Berkeley Springs, West Virginia

West Virginia Water
Development Authority
Charleston, West Virginia

Ladies and Gentlemen:

Based upon the rates and charges set forth in the water rate ordinance of the Town of Bath (the "Issuer"), enacted May 6, 2008 as amended by Recommended Decision dated September 22, 2008 by the Public Service of West Virginia in Case number 08-0940-W-MA, attached hereto and incorporated herein as Exhibit A, and projected operation and maintenance expenses and anticipated customer usage as furnished to us by the Issuer, it is my opinion that such rates and charges will be sufficient to provide revenues which, together with other revenues of the waterworks 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 Water Refunding Revenue Bonds, Series 2008 A (the "Bonds"), and all other obligations secured by or payable from the revenues of the System, on a parity with the Bonds, including the Issuer's (i) Water Revenue Bonds, Series 2006 A (West Virginia DWTRF Program), dated August 29, 2006, issued in the original aggregate principal amount of $1,250,000 (the "Series 2006 A Bonds"); (ii) Water Revenue Bonds, Series 2006 B (West Virginia Infrastructure Fund), dated August 29, 2006, issued in the original aggregate principal amount of $1,237,000 (the "Series 2006 B Bonds"); (iii) Water Revenue Bonds, Series 2002 A (West Virginia DWTRF Program), dated December 9, 2002, issued in the original aggregate principal amount of $1,150,000 (the "Series 2002 A Bonds") (collectively, the "Prior Bonds").

It is further my opinion that based upon the rates and charges set forth in Exhibit A hereto, (i) the Net Revenues for the Fiscal Year following the year in which the Bonds are issued will be at least 115% of the average annual debt service requirements on the Bonds and the Prior Bonds and that (ii) the Net Revenues actually derived from the System during any 12 consecutive months, within the 18 months immediately preceding the date of the actual issuance of the Bonds, plus the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the completion of the improvements to be financed by the Bonds, are not less than 115% of the largest aggregate amount that will mature and become due in any succeeding fiscal year for the principal of and interest on the Bonds and the Prior Bonds.

Very truly yours,

Bennett & Dobbins PLLC

Bennett & Dobbins PLLC

TOWN OF BATH

Water Refunding Revenue Bonds, Series 2008 A

CERTIFICATE AS TO ARBITRAGE

On this 5th day of November, 2008, the undersigned Mayor of the Town of Bath, West Virginia (the "Issuer"), being the official of the Issuer charged with the responsibility for issuing the above-referenced bonds (the "Bonds") of the Issuer, and acting for the Issuer and in its name, hereby certifies as follows with regard to the Bonds and use of the proceeds thereof, all capitalized terms used herein and not otherwise defined herein to have the same meanings set forth in the Bonds Ordinance duly enacted by the Issuer on November 3, 2008, as supplemented by a Supplemental Resolution duly adopted by the Issuer on November 3, 2008 (collectively, the "Bond Legislation"):

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

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

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

4. This certificate is based upon facts, circumstances, estimates and expectations of the Issuer in existence on November 5, 2008, the date on which the Bonds are to be physically delivered in exchange for more than a de minimus amount of the principal of the Bonds, and to the best of my knowledge and belief, the expectations of the Issuer set forth herein are reasonable.

5. In the Bond Legislation pursuant to which the Bonds are issued, the Issuer has covenanted to not take, or permit or suffer to be taken, any action with respect to the gross or other proceeds of the Bonds which would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code. The Issuer has, therefore, covenanted to not intentionally use any portion of the proceeds of the Bonds to acquire higher yielding investments or to replace funds which were used directly or indirectly to acquire higher yielding investments, except as otherwise allowed under Section 148 of the Code. The Issuer, in the Bond Legislation, has further covenanted that it will take all actions that may be required of it so that the interest on the Bonds will be and remain excluded from gross income for federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

6. The Bonds were sold on November 5, 2008, to Branch Banking and Trust Company, Charleston, West Virginia (the "Purchaser"), for a purchase price of $1,091,000, being the par value thereof, there being no interest accrued thereon.

7. The principal of the Bonds in the amount of $1,091,000 will be issued on the Closing Date, for the purposes of (i) refunding the Issuer's Water Revenue Refunding and Improvement Bonds, Series 1997 A; (ii) funding the Series 2008 A Bonds Reserve Account; and (iii) paying costs of issuance and related costs thereof.

8. All proceeds from the sale of the Bonds, together with any investment earnings thereon, if any, will be expended for payment of such refunding the Series 1997 A Bonds and costs of issuance of the Bonds on or before November 5, 2008.

9. Sources and uses of the proceeds of the Bonds are as follows:

SOURCES	
Gross Proceeds of the Bonds	$1,091,000.00
Series 1997 A Reserve Account	108,562.00
Series 1997 A Sinking Fund	22,595.31
Total Sources	$1,222,157.31
USES	
Refunding Series 1997 A Bonds	$1,106,308.13
Fund Series 2008 A Bonds Reserve Account	95,436.60
Costs of Issuance	20,412.58
Total Uses	$1,222,157.31

The costs of refunding the Series 1997 A Bonds, funding the Series 2008 A Bonds Reserve Account and the costs of issuance of the Bonds is estimated to be at least equal to the gross proceeds of the Bonds. Except for the proceeds of the Bonds, no other funds of the Issuer will be available to meet such costs, which would constitute "replacement proceeds" within the meaning of Treas. Reg. § 1.148-1(c), inasmuch as (i) the Issuer does not reasonably expect that the term of the Bonds is longer than is reasonably necessary for the governmental purposes of the Issuer, (ii) the weighted average maturity of the Bonds does not exceed 120% of the average expected economic life of the betterments and improvements for the System, and (iii) there are no amounts that have a sufficiently direct nexus to the Bonds or to the governmental purpose of the Bonds to conclude that the amounts would have been used for that governmental purpose if the proceeds of the Bonds were not used or to be used for that governmental purpose.

10. Pursuant to Article IV of the Bond Ordinance, the following special funds have been created or continued relative to the Series 2008 A Bonds:

(1) Revenue Fund (established by Prior Ordinance);

(2) Renewal and Replacement Fund (established by

Prior Ordinance);

(3) Series 2008 A Bonds Proceeds Fund;

(4) Series 2008 A Bonds Sinking Fund; and

(5) Series 2008 A Bonds Reserve Account.

11. Pursuant to Article III of the Bond Ordinance, the proceeds of the Bonds will be paid by the Issuer to the holder of the Series 1997 A Bonds. The remainder will be disbursed by the Purchaser to pay costs of issuance of the Bonds and related costs.

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

12. Monies held in the Series 2008 A Bonds Sinking Fund and the Series 2008 A Bonds Reserve Account will be used solely to pay the principal of and interest on the Bonds and will not be available to meet costs of operating and other expenses of the System.

13. Except for the Series 2008 A Bonds Sinking Fund and the Series 2008 A Bonds Reserve Account, there are no other funds or accounts established or held by the Issuer which are reasonably expected to be used to pay the principal and interest on the Bonds, or which are pledged as collateral for the Bonds and for which there is a reasonable assurance that amounts therein will be available to pay debt service on the Bonds if the Issuer encounters financial difficulties. None of the monies received from the Bonds will be deposited in any reserve or replacement fund.

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

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

16. All proceeds of the Bonds will be expended on payment of currently refunding the Series 1997 A Bonds and costs of issuance within 3 months from the date of issuance thereof.

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

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

19. No more than 10% of the proceeds of the Bonds will be used (directly or indirectly) in any trade or business carried on by any person who is not a governmental unit. Less than 5% of the proceeds of the Bonds have been or will be used to make or finance loans to any person who is not a governmental unit. The covenants of the Issuer set forth above shall not, in any way, limit or restrict the ability of the Issuer to pay the costs of design and other preliminary costs of the Project, specifically including, but not limited to, engineering fees, from the proceeds of the Bonds.

20. The original proceeds of the Bonds will not exceed the amount necessary for the purposes of the issue.

21. The Issuer shall use the Bonds proceeds solely for currently refunding the Series 1997 A Bonds, funding the Series 2008 A Reserve Account and costs of issuance and the System is and will be operated solely for a public purpose as a local governmental activity of the Issuer.

22. The Issuer shall not permit at any time or times any of the proceeds of the Bonds or any other funds of the Issuer to be used directly or indirectly in a manner which would result in the exclusion of the Bonds from treatment afforded by Section 103(a) of the Code by reason of classification of the Bonds as "private activity bonds" within the meaning of the Code. The Issuer will take all actions and refrain from taking such actions as shall be necessary to comply with the Code in order to ensure the interest on the Bonds is excludable from gross income for federal income tax purposes.

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

24. The Issuer is a governmental unit and has general taxing powers; no Bonds are private activity bonds; 95% or more of the net proceeds of the Bonds are to be used for local governmental activities of the Issuer (or of a governmental unit the jurisdiction of which is entirely within the jurisdiction of the Issuer); and the aggregate face amount of all tax-exempt bonds or obligations (other than private activity bonds) issued by the Issuer during the calendar year 2008, the calendar year in which the Bonds are issued, is not reasonably expected to exceed $5,000,000, determined in accordance with Section 148(f)(4)(D) of the Code. For purposes of this paragraph and for purposes of applying such Section 148(f)(4)(D) of the Code, the Issuer and all entities which issue obligations on behalf of the Issuer shall be treated as one issuer; all obligations issued by a governmental unit to make loans to other governmental units with general taxing powers not subordinate to such unit shall, for purposes of applying this paragraph and Section 148(f)(4)(D) of the Code, be treated as not issued by such unit; all obligations issued by a subordinate entity shall, for purposes of applying this paragraph and Section 148(f)(4)(D) of the Code to each other entity to which such entity is subordinate, be treated as issued by such other entity; and an entity formed (or, to the extent provided by the Secretary, as set forth in the Code, availed of) to avoid the purposes of such Section 148(f)(4)(D) of the Code and all other entities benefitting thereby shall be treated as one issuer. Therefore, the Issuer qualifies for the small governmental issuer exception to rebate.

25. The Issuer has retained the right to amend or supplement its authorizing documents if such amendment or supplement is necessary to preserve the exclusion from gross income for federal income tax purposes of the interest on the Bonds.

26. The Issuer shall comply with the yield restriction on the proceeds of the Bonds as set forth in the Code.

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

28. The transactions contemplated herein do not represent an exploitation of the difference between taxable and tax-exempt interest rates and the execution and delivery of the Bonds is

not occurring sooner than otherwise necessary, nor are the Bonds in principal amounts greater than otherwise necessary or to be outstanding longer than otherwise necessary.

29. The Issuer covenants and agrees to comply with the rebate requirements of the Code if not exempted therefrom, and with all other requirements of the Code necessary, proper or desirable to maintain the tax-exempt status of the Bonds.

30. The Issuer shall file Form 8038-G in a timely fashion with the Internal Revenue Service.

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

32. To the best of my knowledge, information and belief, there are no other facts, estimates and circumstances which would materially change the expectations herein expressed.

33. Steptoe & Johnson PLLC is entitled to rely upon the representations, expectations, covenants, certifications and statements contained herein in rendering its opinions regarding the tax-exempt status of interest on the Bonds.

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

[Remainder of Page Intentionally Blank]

WITNESS my signature, dated as of the day and year first written above.

TOWN OF BATH

By: _____
Its: Mayor

11.03.08
055550.00001

TOWN OF BATH

Water Refunding Revenue Bonds, Series 2008 A

CERTIFICATE OF REGISTRAR

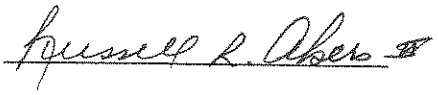
Branch Banking and Trust Company, Charleston, West Virginia (the "Bank"), as Registrar for the above-captioned Bonds (the "Bonds"), hereby certifies as follows, all capitalized terms used herein to have the same meanings set forth in the Bond Ordinance of the Town of Bath (the "Issuer") enacted November 3, 2008, as supplemented by Supplemental Resolution duly adopted by the Issuer on November 3, 2008 (collectively, the "Bond Legislation"):

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 Bond Legislation and to serve in the capacity of Registrar under the Bond Legislation.

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 Bond Legislation, and any and all other documents and agreements as may be required to be executed, delivered and received by the Bank in order to carry out, give effect to, and consummate the transactions contemplated thereby.

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

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

Name	Title	Signature
Russell R. Akers, II	Assistant Vice President	

5. The Bonds have been duly authenticated, registered and delivered to the Purchaser, and the advance of the principal of the Bonds have been deposited as required by the Bond Legislation.

IN WITNESS WHEREOF, BRANCH BANKING AND TRUST COMPANY has caused this Certificate to be executed by its duly authorized officer, this 5th day of November, 2008.

BRANCH BANKING AND TRUST COMPANY

By: _____
Its: Authorized Officer

055550.00001

TOWN OF BATH

Water Refunding Revenue Bonds, Series 2008 A

CERTIFICATE OF PURCHASER

BRANCH BANKING AND TRUST COMPANY, Charleston, West Virginia (the "Purchaser"), as original purchaser from the Town of Bath (the "Issuer") of the above-captioned Bonds (the "Bonds"), hereby certifies that we are purchasing the Bonds for our own portfolio and none of the Bonds have been the subject of an initial offering to the public. We do not intend to divide the Bonds purchased by us nor to resell or otherwise dispose of all or any part of the Bonds purchased by us, except as permitted by law on a basis of full disclosure to any subsequent holder of the Bonds and subject to applicable securities laws and regulations thereunder.

IN WITNESS WHEREOF, BRANCH BANKING AND TRUST COMPANY has caused this Certificate to be executed by its duly authorized officer, this 5th day of November, 2008.

BRANCH BANKING AND TRUST COMPANY

By: _____
Its: Authorized Officer

CHAPTER ONE HUNDRED AND SEVENTY THREE OF THREE ACTS OF THE LEGISLATURE OF 1872

An act to amend the charter of the town of Bath, in the County of Morgan

(Passed February 28, 1872)

Be it enacted by the Legislature of West Virginia:

1. That the town of Bath, in the County of Morgan, as originally laid off into lots, streets and alleys, and as the same may hereafter be further laid off and extended into lots, streets and alleys, shall be and remain a town corporated by the name of the "Town of Bath", and as such shall have perpetual succession, and common seal, and by that name may sue and be sued, plead and be impleaded, contract and be contracted with, and may purchase, take and hold real and personal estate needful for the purposes of the said corporation.

2. There shall be a mayor, recorder, and five councilmen, who together, shall form a common council.

3. All the corporate powers of the said town shall be exercised by the said council, or under their authority, except when otherwise provided.

4. The mayor, recorder, and common council must be resident in said town and entitled to vote for members of the common council. Their term of office shall be for one year, and until their successors shall have been duly elected and qualified.

5. The mayor, recorder, and councilmen shall be elected by the Citizens of the said town, who may be qualified to vote under this act.

6. The first election under this act shall be held on the first Saturday in May, 1872, at the Court House in said town, under the supervision of any Justice of Morgan County, and annually, thereafter, there shall be an election on the same day of each year, at such place, and under such supervision, rules, and regulations as the council may prescribe. The person conducting each elections shall grant a certificate to the person elected, whose terms of office shall commence on the first day of June thereafter. All such elections shall be governed by the laws in force for the time being, so far as applicable, receive an equal number of votes for the same office the person or persons under whose supervision the election was held shall decide by lot, which of them shall be returned elected, and shall make return accordingly. All contested elections shall be heard and determined by the council for the time being.

7. All persons resident in said town for three months next preceding the day of election, and qualified to vote for members of the legislature of this state, and none others, shall be entitled to vote for members of said council.

8. Whenever a vacancy shall occur from any cause, in the office of mayor, recorder, or councilmen, the council for the time shall by a vote of majority of those present fill the vacancy for the unexpired term.

9. There shall be a sergeant, an assessor, and a commissioner of the streets of said town, who shall be appointed by the council thereof, and hold their offices during its pleasure. The sergeant shall be ex-officio treasurer of said town. The offices of the recorder and assessor may be held by the same person, or other wise, as the council may from time to time determine.

10. The mayor, recorder, and councilmen, and other officers provided for by this act, shall each before entering upon the duties of his office take and subscribe an oath that he will support the constitution of the United States, and the constitution of this state, and faithfully and impartially discharge the duties of his office so long as he shall continue therein. Said oath or affirmation may be taken before any person legally authorized to administer oaths, or before the mayor or recorder of said town.

11. The council shall be presided over by the mayor, or in his absence by the recorder or one of the councilmen, selected by the council.

12. The council shall be caused to be kept in a well bound book, an accurate record of all its proceedings, by-laws, acts, orders and resolutions, which shall be fully indexed, and open to the inspection of the citizens of the town.

13. The proceedings of each meeting of the council shall be read and corrected, if erroneous, at the succeeding meeting, and signed by the person presiding for the time being.

14. Upon the call of any member of the council, the yeas and nays shall be called, upon any question, and recorded in the journal. The presiding officer may vote as a member of the council, and in all cases of a tie the person presiding shall give the casting vote.

15. The said council shall have power to re-survey said town, and for this purpose may employ a competent engineer, to open new streets, and extend, widen, and repair old streets; to curb and pave streets , side-walks and gutters, and to alter, improve and light the same, and shall have control of all the avenues for public use in said town, to have the same kept in good order and free from obstructions on or over them; to order and direct the paving and curbing of all sidewalks and foot-ways for public use, in said town, to be done and kept in good order by the owners or occupants of the adjacent property; to establish and regulate markets, to prescribe the time for holding the same, and what articles shall be sold only therein; to prevent injury or annoyance to the public or individuals, from anything dangerous, offensive or unwholesome; to prevent hogs, cattle, horses and other animals, and fowls of every kind from going at large in said town; to protect places of divine worship; to cause be abated anything which in the opinion of a majority, of the whole council shall be a nuisance; to regulate the keeping of gun-powder, and other combustibles; to provide for the burial of the dead, and for this purpose, may acquire and hold the necessary land for a cemetery, near, or convenient, to said town, and provide for its improvement and security; to provide for the regular building of houses and other structures in said town; to provide for shade and ornamental trees; to provide for the making of division fences and the

drainage of lots; to make regulations for guarding against danger and damage from fires; to protect the citizens and property of said town, and to preserve peace and good order therein, and for this purpose to appoint, when necessary, a police force, to assist the sergeant in the discharge of his duties; to prescribe the powers and define the duties of the officers appointed by the council, fix their time of service and compensation, require and take from them bonds, when deemed necessary, payable to the said town by its corporate name, with such sureties, and in such penalty, as the council shall see fit, conditioned for the faithful discharge of their duties, and remove them at pleasure; to erect or authorize, or prohibit, the erection of gas-works or water works in, or near said town; to provide for the purity of the water, and the healthfulness of the town; to regulate and provide for the weighing and measuring of hay, coal, wood and other articles sold, or for sale, in said town, and regulate the transportation thereof through the streets; to provide a revenue for the said town, and appropriate the same to its expenses; to provide for the annual assessment of the taxable persons and property in said town; to adopt rules and regulations for the transaction of business, and for the government and regulation of its own body; and generally, to do all such things as they may deem necessary and proper to promote the interest, prosperity, peace and good order of the people of the said town.

16. To carry into effect these enumerated powers, and all other powers conferred upon the said town, or its council, expressly, or by implication, by this or any future act of the legislature of the state, and the said council shall have power to make and pass all needful order, by-laws, ordinances, resolutions, rules and regulations, not contrary to the constitution and laws of this state, and to prescribe, impose and enforce reasonable fines, penalties and imprisonment to the county jail, or such other place as they may provide, for a term not exceeding thirty days, for violations thereof; such fines, penalties and imprisonment, shall be recovered and enforced under the judgment of the mayor, or the persons lawfully exercising his functions. And the council, with the consent of the proper authorities of the county of Morgan, entered of record, may use the jail of said county for any purposes for which the use of a jail may be needed by them.

17. The council shall cause to be annually made up and entered on its journal, an accurate estimate of all sums which are, or may become lawfully chargeable on said town, and which ought to be paid within one year, and it shall order a levy of so much as may in its opinion be necessary to pay the same.

18. The levy so ordered shall be upon all male persons, resident in said town, over the age of eighteen years, dogs, hogs, and other animals, and all real and personal estate within said town, subject to state or county taxes: Provided, that the tax so levied upon property do not exceed twenty-five cents on every one hundred dollars of the value thereof, upon persons one dollar and fifty cents per head and upon dogs three dollars per head.

19. Whenever anything for which a state license is to be done in said town, the council may require a town license therefor, and may impose a tax thereon for the use of the town; and the council may in any case require from the person licensed a bond with such sureties, and in such penalty and with such conditions as it may deem proper, and may revoke such license at any time, if the conditions of such bond be broken. A no license to sell spirituous liquors, wine, ale, beer, porter, or drinks of like nature within said town, or within one mile thereof shall be granted by the board of supervisors of Morgan County without the consent of the municipal authorities of said town.

20. The sergeant shall collect the town taxes, levies and licenses and after thirty days from the time they are placed in his hands for collection, he may distrain and sell therefor, in like manner as the officers collecting the state taxes may do, and he shall have in all other respects the same power to enforce the payment and collection thereof. He shall do and perform all the other acts pertaining to the office of sergeant of a corporation, and of a police officer within said town. And he shall have all the powers, rights and privileges within the corporate jurisdiction of said town, in regard to the arrest of persons, the collection of claims, and the execution, levying and return of process, that can be legally exercised by a constable , and he shall be entitled to the same compensation therefore; and he and his sureties shall be liable to all the fines, penalties and forfeitures that a constable is legally liable to for any failure or dereliction in his office, to be recovered in the same manner, and in the same courts that such fines, penalties and forfeitures are recovered against a constable.

21. There shall be a lien on real estate for the town taxes assessed thereon, from the commencement of the year from which they are assessed. Such lien shall have priority over all other liens, except the lien for taxes due the state, and may be enforced by the council in the same manner provided for by law for the enforcement of the lien for county taxes, or in such other manner as the council may by ordinance prescribe.

22. The mayor shall be the chief executive officer of the said town. He shall take care that all orders, by-laws, ordinances, acts and resolutions of the council are faithfully executed. He shall be ex-officio, a justice and conservator of the peace within the municipal jurisdiction of the said town, and shall within the same, possess and exercise all the jurisdiction, powers and duties vested by law in justices, and shall in all respects be subject to, and governed by the laws in force, for the time being. In relation to justices. He shall have control of the police of said town, and may appoint special police officers when he deems it necessary, and it shall be his duty especially to see that the peace and good order of the town are preserved, and that persons and property therein are protected, and to this end he may cause the arrest and detention of all riotous and disorderly person, before issuing his warrant therefor. He shall have power to issue executions for all fines, penalties and costs imposed by him, or he may require the immediate payment thereof, and in default of such payment, he may commit the part to prison until the fine and costs are paid, but the term of imprisonment in such case shall not exceed thirty days. He shall receive a compensation for his services, to be fixed by the council, which shall not be increased during the term for which he shall have been elected.

23. The recorder shall keep a journal of the proceedings of the council, and have charge of and preserve the records of the town. In the absence of the mayor, or during any vacancy in the office of mayor, he shall perform the duties of mayor, and be invested with all his powers.

24. The sergeant, as treasurer, shall have charge of all moneys belonging to the said corporation; and no money shall be paid out by him, except as it shall have been appropriated by the council; he shall pay the same upon the certificate or recorder, or, in his absence, upon the certificate of the mayor, and not otherwise. If he fails to collect, account for, and pay over all, or any part of the moneys the shall come into his hands belonging to said town, when thereto required by the council, it shall be lawful for the

council to recover the same by motion in the corporate name of said town, in any court of Morgan County, or where the sum does not exceed one hundred dollars, before the justice of said county having jurisdiction over the said town.

25. It shall be the duty of the assessor to make an assessment of the persons and property within said town, subject to taxation, substantially in the manner and form in which such assessments are made by the assessor of the County, and to return the same to the council, on or before the first day of July in each year.

26. It shall be the duty of the commissioner of streets to superintend the opening and repair of roads, streets, alleys, sidewalks, foot ways, drains and gutters, within said town, and to put and keep the same in good repair, and to carry into execution all the resolutions, orders and ordinances of the council in relation thereto; and for this purpose, he shall have all the powers and perform all the duties, by law conferred upon, and required of, surveyors of roads in a county, and shall be subject to the same pains and penalties, imposed bylaw upon such surveyors, for neglect of duty. And the said town, and taxable persons and property therein, shall be exempt from all expenses and liabilities for the construction of repairs of roads or bridges outside of said town.

27. All acts and resolutions, either of the general assembly of Virginia, of the legislature of West Virginia, in conflict with the provisions of this act are hereby repealed.

TOWN CHARTER

Editor's note: – The legislature, in its 1969 revision and consolidation of chapters 8 and 8A of the Code of West Virginia into a new chapter 8, recognized, in section 8-1-6, "that when the provisions of existing special legislative charters are compared with and are considered in the light of the provisions of this chapter, (i.e., the new chapter 8), there are five basic possibilities as to the relationship between such charter provisions and the provisions of this chapter, namely:

1. As to any particular charter provisions, such charter provisions may be inconsistent or in conflict with the pertinent provisions of this chapter;
2. Although relating to the same subject matter and although not consistent or in conflict with any provisions of this chapter, certain charter provisions may be sufficiently different from pertinent provisions of this chapter as to indicate, as a matter of practical construction, that either the charter provisions or the provisions of this chapter, but may not both, should be applicable;
3. Although varying in certain respects, certain charter provisions may be similar to and in essential harmony with corresponding provisions of this chapter;
4. As to any particular charter provisions, there may be no counterpart charter provisions."

Section 8-1-6, therefore, sets forth certain rules to be applied, in addition to the usual and ordinary rules of statutory construction, with respect to construction and applicability of legislative charters, and it is suggested that users of this town code refer to West Virginia Code 8-1-6, in determining the present construction and applicability of any portion of the town charter to any given situation.

-See WV Code 8-1-6-

ORDINANCE A

Amending and Supplementing certain provisions of the Charter relative to licenses and privilege taxes.

Councilman Jack M. Hunter presented the following Resolution and requested its immediate consideration and adoption as an ordinance of the Town of Bath:

WHEREAS, the Charter for the Town of Bath granted by the West Virginia Legislature in 1872 and known as Chapter 173 of the Acts of the Legislature of 1872, gives rather wide powers to the common council of the Town of Bath in the matter of enacting licenses and privilege taxes, however, Chapter 8 of the official Code of West Virginia (1931) applies to towns of the same classification as the Town of Bath, and Section 10 of Article 4 or said Chapter 8, permits the Town of Bath to adopt certain applicable provision or provisions of said Chapter 8, and it is thought advisable for the common council of the Town of Bath to adopt Section 10 of Article 4 of said chapter 8, as a part of the charter of said Town of Bath and thereby incorporate said Section 10 in and as a part of said Charter; now therefore.

BE IT ORDAINED by the Common Council of the Town of Bath, –

That from and after the effective date of this Ordinance, Section 10 of Article 4 of Chapter 8 of the official Code of West Virginia (1931), shall be adopted as part and parcel of the Charter of the Town of Bath, and thereafter, said Section 10 shall be a part of the general powers of the Council, and together with the general powers enumerated in said Charter, the same shall become a part of the plenary power and authority of this Council to be exercised by ordinance or resolution as the case may require.

(Passed and became effective as of September 17, 1940)

ORDINANCE B

Amending and Supplementing certain provisions of the
Charter relative to elections, eligibility and terms
Of municipal officers.

Councilman Jack M. Hunter, moved the immediate consideration leading to the adoption of the following Ordinance.

WHEREAS, under the Charter for the Town of bath granted by West Virginia Legislature in 1872 and known as Chapter 173 of the Acts of the Legislature of 1872, find the time of the election of the Mayor, Recorder and Councilman as the first Saturday in May of each year (Section 6), with the terms of the officers beginning on the first day of June thereafter (Section 6), and continuing one year and until their successors have been duly elected and qualified (Section 4); and, the said Charter (Section 4) and a subsequent Ordinance further providing for certain qualifications for said Mayor, Recorder and Councilmen; which provisions of said Charter and said prior Ordinances are now antiquated and not in keeping with the fiscal year established by the State or compatible with the (recent) provisions of Article 3 of Chapter 8 of the official Code of West Virginia; and

WHEREAS, in the interest of municipal economy and more in keeping with the town and fiscal policies of the State, it is thought advisable for the Common Council of the Town of Bath to adopt Section 4, 9 and 12 of Article 3 of said Chapter 8, as part and parcel of the said Chapter of the Town of Bath and thereby make applicable the provisions of said Section 4, 9 and 12 of Article 3, Chapter 8 of said Code, the same to operate as amendments to the Charter; now therefore.

BE IT ORDAINED BY the Common Council of the Town of Bath, --

That from and after the effective date of this Ordinance, Sections 4, 9 and 12 of Article 3 of chapter 8 of the official Code of West Virginia (1931) shall be adopted as part and parcel of the Charter of the town of Bath, the provisions of said Sections to operate as amendments to said Charter, providing (hereafter) that the regular elections for officers of the Town of Bath shall be held biennially on the first Tuesday in June (said Section 4), and, that said officers must be residents of said Town of Bath and must be legal voters entitled to vote for members of its Council, and for the year proceeding their elections must have been assessed with and paid taxes upon at least one hundred dollars worth of real or personal property there in (said Section 9) and further providing for the duration of the terms of said officers, the same to begin on the first day of July following election and shall be for two years (said Section 12).

Passed March 18, 1941. Approved by Legislature

RULES OF PROCEDURE
OF THE TOWN OF BATH

RESOLUTION ESTABLISHING RULES BY WHICH THE DATE, TIME, PLACE AND AGENDA OF ALL REGULARLY SCHEDULED MEETINGS AND THE DATE, TIME, PLACE AND PURPOSE OF ALL SPECIAL MEETINGS ARE TO BE MADE AVAILABLE, IN ADVANCE, TO THE PUBLIC AND NEWS MEDIA AND PROVIDING WHEN THIS RESOLUTION AND SUCH RULES SHALL TAKE EFFECT.

Be it Resolved and Ordered by the Council of the Town of Bath, Morgan County, West Virginia:

Section 1. Statutory Mandate for The Rules. The rules established in and by this Resolution are mandated by and promulgated pursuant to Chapter 6, Article 9A of the Code of West Virginia, 1931, as amended (the "Act"), and other applicable provisions of law. The provisions of the Act, as amended from time to time, are incorporated herein as if fully set out herein.

Section 2. Findings and Determinations. It is hereby found, determined and declared as follows:

(A) Section 3 of the Act requires each governing body, as defined in the Act, to promulgate rules by which the date, time, place and agenda of all regularly scheduled meetings and the date, time, place and purpose of all special meetings are made available, in advance, to the public and news media.

(B) The Council of the Town of Bath (the "Council"), Morgan County, West Virginia (the "Town"), is the governing body of the Town within the meaning of the Act.

(C) Accordingly, it is hereby ordered that the rules set out in Section 3 hereof be promulgated and established as the Rules of Procedure of the Council.

Section 3. Rules. The following are hereby promulgated and established as the Rules of Procedure of the Council:

Rule No. 1. Notice of Regularly Scheduled Meetings. Immediately after adoption of this Resolution and in July of each year thereafter, the Council shall instruct the Recorder to, and the Recorder shall, post, and leave posted throughout the year to which it applies, at the regular meeting place of the Council, where notices customarily are posted, a notice setting forth the date, time and place of the Council's regularly scheduled meetings for the ensuing year. In addition, a copy of the agenda for each regularly scheduled meeting shall also be posted at the same location by the Recorder not less than 72 hours before such regular meeting is to be held.

The Council shall also instruct the Recorder to, and the Recorder shall, distribute to each of the newspapers and other news media listed below a notice identical to that posted:

News Media	Address
Morgan Messenger	P.O. Box 567 Berkeley Springs, WV 25411

A notice shall be considered distributed to a news medium when it has been addressed to such news medium at the address listed above, or at such other address as the news medium has in writing requested be used, marked or stamped with first class postage and deposited in the United States mail. In July of each year after the adoption of this Resolution, the Council shall review the above list and shall amend such list as needed, in the opinion of the Council, to reflect properly all the newspapers and other news media that customarily cover news of the area served by the Council. In addition, a copy of the agenda for each regularly scheduled meeting shall also be distributed to the news media by the Recorder not less than 72 hours before such regular meeting is to be held.

In the event of any modification to the date, time, place or agenda of a regularly scheduled meeting of the Council, notice of such modification shall immediately be given to the public and news media by posting at the place and distributing to the news media in the manner set forth above not less than 48 hours before such regular meeting is to be held. A copy of the notice of such modification shall be attached to and made a part of the minutes of the meeting for which such notice was given.

Rule No. 2. Notice of Special Meetings. Not less than 72 hours prior to the date set for any special meeting of the Council, the Council shall instruct the Recorder to, and the Recorder shall, post at the regular meeting place of the Council, where notices customarily are posted, a notice setting forth the date, time, place and purpose or purposes of such special meeting. Business at such special meeting shall be limited to the purpose or purposes specified in said notice.

As soon as practical after the posting of said notice, but not less than 72 hours prior to the date set for such special meeting, the Recorder shall distribute to each of the newspapers and other news media listed in Rule No. 1 hereof, a notice identical to that posted. Amendments made to such news media list, as provided for in said Rule No. 1, shall be incorporated by reference in this Rule No. 2. A notice shall be considered distributed to a news medium when it has been addressed to such news medium at the address listed in said Rule No. 1, or at such other address as the news medium has in writing requested be used, marked or stamped with first class postage and deposited in the United States mail.

A copy of such notice posted and distributed pursuant to this Rule No. 2 shall be attached to and made a part of the minutes of the meeting for which such notice was given.

Rule No. 3. Emergency Meetings. The Council may hold a meeting without providing the notice to the public and news media required by Rule No. 1 and Rule No. 2 hereof only in the event of an emergency requiring immediate official action. The existence for such an emergency requiring immediate official action shall be determined by the Council and shall be attested to in a certificate by the Recorder describing such emergency and setting forth the reason or reasons immediate official action is required, which certificate shall be attached to and made a part of the minutes of such emergency meeting.

Rule No. 4. Executive Sessions. The Council may hold an executive session during a regular, special or emergency meeting in accordance with Section 4 of the Act. During the open portion of the meeting, prior to convening an executive session, the Mayor shall identify the authorization under Section 4 of the Act for holding the executive session and present it to the Council and to the general public, but no decision may be made in the executive session. An executive session may be held only upon a majority affirmative vote of the Council members present. The Council may hold an executive session and exclude the public only when a closed session is required for any of the actions permitted under Section 4 of the Act.

Rule No. 5. Minutes. The Council shall provide for the preparation of written minutes of all of its meetings. Subject to the exceptions set forth in Section 4 of the Act, minutes of all meetings except minutes of executive sessions, if any are taken, shall be available to the public within a reasonable time after the meeting and shall include, at least, the following information:

(1) The date, time and place of the meeting;

(2) The name of each Council member present and absent;

(3) All motions, proposals, resolutions, orders, ordinances and measures proposed, the name of the person proposing the same and their disposition; and

(4) The results of all votes and, upon the request of a Council member, the vote of each Council member, by name.

Rule No. 6. No Actions by Reference. Except as otherwise expressly provided by law, the Council may not deliberate, vote, or otherwise take official action upon any matter by reference to a letter, number or other designation or other secret device or method, which may render it difficult for persons attending a meeting to understand what is being deliberated, voted or acted upon. However, this rule does not prohibit the Council from deliberating, voting or otherwise taking action by reference to an agenda, if copies of the agenda, sufficiently worded to enable the public to understand what is being deliberated, voted or acted upon, are available for public inspection at the meeting. The Council may not vote by secret or written ballot.

Rule No. 7. Broadcasting of Meetings. Except as otherwise provided in this rule, any radio or television station is entitled to broadcast all or any part of a Council meeting required to be open. The Council may regulate the placement and use of equipment necessary for broadcasting, photographing, filming or recording a meeting, so as to prevent undue interference with the meeting. The Council shall allow the equipment to be placed within the meeting room in such a way as to permit its intended use, and the ordinary use of the equipment may not be declared to constitute undue interference; provided, that if the Council, in good faith, determines that the size of the meeting room is such that all the members of the public present and the equipment and personnel necessary for broadcasting, photographing, filming and tape-recording the meeting cannot be accommodated in the meeting room without unduly interfering with the meeting and an adequate alternative meeting room is not readily available, then the Council, acting in good faith and consistent with the purposes of this rule, may require the pooling of the equipment and the personnel operating it.

Rule No. 8. Telephonic Meetings. Council meetings may be held by telephone conference or other electronic means. All Council members participating by telephone or other electronic means must be audible to all those personally present.

Section 4. Committee Meetings. All meetings of any committee of the Council shall be subject to the Rules of Procedure set forth in Section 3 hereof.

Section 5. Conflicting Provisions Repealed. All resolutions, orders and rules, or parts thereof, in conflict with the provisions of this Resolution are, to the extent of such conflicts, hereby repealed.

Section 6. Effective Time. This Resolution and the Rules of Procedure promulgated hereby shall take effect immediately upon the adoption hereof.

Adopted this 15th day of October, 2002.

Susan J. Webster

Mayor

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Council of the Town of Bath on the 15th day of October, 2002.

Dated this 9th day of December, 2002.

[SEAL]

Recorder

11/14/02
000802/00301

Town of Bath

271 Wilkes Street
Berkeley Springs, WV 25411

OATH OF OFFICE

STATE OF WEST VIRGINIA:

I, Susan A. Webster, *do solemnly swear that I will support the Constitution of the United States and the constitution of the State of West Virginia, that I will uphold the ordinances and statutes of the TOWN OF BATH, and that I will honestly and faithfully perform the duties imposed upon me under the provisions of law as* ***MAYOR for the Town of Bath****, to the best of my skill and judgement. So help me God.*

Susan A. Webster
Signature

This Oath of Office administered on 6-21-07
Date

By: Margie McCumbee-Allgyer

Witnessed By: David L Crosby

Town of Bath

271 Wilkes Street
Berkeley Springs, WV 25411

OATH OF OFFICE

STATE OF WEST VIRGINIA:

I, Irene Hedrick *, do solemnly swear that I will support the Constitution of the United States and the constitution of the State of West Virginia, that I will uphold the ordinances and statutes of the TOWN OF BATH, and that I will honestly and faithfully perform the duties imposed upon me under the provisions of law as* ***RECORDER For the Town of Bath****, to the best of my skill and judgement. So help me God.*

Irene Hedrick
Signature

This Oath of Office administered on 2-8-08
Date

By: Susan J Webster

Witnessed By: David A Crosby 2-8-08

Town of Bath

271 Wilkes Street
Berkeley Springs, WV 25411

OATH OF OFFICE

STATE OF WEST VIRGINIA:

I, Ryan Joseph Rebant *, do solemnly swear that I will support the Constitution of the United States and the constitution of the State of West Virginia, that I will uphold the ordinances and statutes of the TOWN OF BATH, and that I will honestly and faithfully perform the duties imposed upon me under the provisions of law as* ***COUNCILPERSON For the Town of Bath****, to the best of my skill and judgement. So help me God.*

Rj J Rebt
Signature

This Oath of Office administered on 2-8-08
Date

By: Susan J. Webster

Witnessed By: Dale Lutman

Town of Bath

271 Wilkes Street
Berkeley Springs, WV 25411

OATH OF OFFICE

STATE OF WEST VIRGINIA:

I, Nancy Russell Harvey, *do solemnly swear that I will support the Constitution of the United States and the constitution of the State of West Virginia, that I will uphold the ordinances and statutes of the TOWN OF BATH, and that I will honestly and faithfully perform the duties imposed upon me under the provisions of law as* ***COUNCILPERSON For the Town of Bath****, to the best of my skill and judgement. So help me God.*

Nancy Russell Harvey
Signature

This Oath of Office administered on 6-21-07
Date

By: Susan Webster

Witnessed By: Marge McCumbee-Aldgen

Town of Bath

271 Wilkes Street
Berkeley Springs, WV 25411

OATH OF OFFICE

STATE OF WEST VIRGINIA:

I, Scott Merki *, do solemnly swear that I will support the Constitution of the United States and the constitution of the State of West Virginia, that I will uphold the ordinances and statutes of the TOWN OF BATH, and that I will honestly and faithfully perform the duties imposed upon me under the provisions of law as* ***COUNCILPERSON For the Town of Bath****, to the best of my skill and judgement. So help me God.*

Scott E. Merki
Signature

This Oath of Office administered on June 25, 2007
Date

By: Sus anf. Weeks Sec

Witnessed By: Margie McCumber-Allgyer

Town of Bath

271 Wilkes Street
Berkeley Springs, WV 25411

OATH OF OFFICE

STATE OF WEST VIRGINIA:

I, Dale Lutman*, do solemnly swear that I will support the Constitution of the United States and the constitution of the State of West Virginia, that I will uphold the ordinances and statutes of the TOWN OF BATH, and that I will honestly and faithfully perform the duties imposed upon me under the provisions of law as* ***COUNCILPERSON For the Town of Bath****, to the best of my skill and judgement. So help me God.*

DALE LUTMAN
Signature

This Oath of Office administered on June 25, 2007
Date

By: Susan Wells Arn

Witnessed By: Marge McCumber - Allgyer

Town of Bath

271 Wilkes Street
Berkeley Springs, WV 25411

OATH OF OFFICE

STATE OF WEST VIRGINIA:

I, David Crosby*, do solemnly swear that I will support the Constitution of the United States and the constitution of the State of West Virginia, that I will uphold the ordinances and statutes of the TOWN OF BATH, and that I will honestly and faithfully perform the duties imposed upon me under the provisions of law as* ***COUNCILPERSON For the Town of Bath****, to the best of my skill and judgement. So help me God.*

David D. Crosby
Signature

This Oath of Office administered on June 25, 2007
Date

By: Susan J. Clubs Stix

Witnessed By: Margie McCumbee-Allayer

CERTIFICATE OF PUBLICATION

THIS IS TO CERTIFY that a legal publication

Notice of Public Hearing on

Town of Bath Bond Ordinance

placed by

Steptoe & Johnson

appeared for 2 consecutive weeks in THE MORGAN MESSENGER, a newspaper published in Berkeley Springs, WV, in its issue beginning

October 22, 2008

and ending

October 29, 2008

Per Rip Honey

THE MORGAN MESSENGER, INC.

Words 435

Charge $ 91.35

NOTICE OF PUBLIC HEARING ON TOWN OF BATH BOND ORDINANCE

A public hearing will be held on the following entitled Ordinance at a regular meeting of the Council of the Town of Bath (the "Town") to be held on Monday, November 3, 2008, at 6:00 p.m. at the Town Hall, 271 Wilkes Street, Suite A, Bath, West Virginia, and at such hearing any person interested may appear before the Town and present protests, and all protests and suggestions shall be heard by the Town and it shall then take such actions as it shall deem proper in the premises upon an Ordinance entitled:

TOWN OF BATH

ORDINANCE AUTHORIZING THE REFUNDING OF THE WATER REVENUE REFUNDING AND IMPROVEMENT BONDS, SERIES 1997, OF THE TOWN OF BATH THROUGH THE ISSUANCE BY THE TOWN OF NOT MORE THAN $1,200,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REFUNDING REVENUE BONDS, SERIES 2008 A; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDER OF SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

The above quoted title of the Ordinance describes generally the contents thereof and the purposes of the Bonds contemplated thereby. The Town contemplates the issuance of the Bonds described in the Ordinance. The proceeds of the Bonds will be used to provide financing of the costs of refunding the Series 1997 Bonds and to pay certain costs of issuance of the Bonds and related costs. The Bonds are payable solely from revenues to be derived from the ownership and operation of the water system of the Town. No taxes may at any time be levied for the payment of the Bonds or the interest thereon.

The above-entitled Ordinance was adopted by the Council of the Town of Bath on October 21, 2008. A certified copy of the above entitled Ordinance is on file with the Town for review by interested parties during regular office hours.

Following the public hearing, the Town intends to enact the Ordinance upon final reading.

/s/ Susan Webster
Mayor
10-22-2tm

TOWN OF BATH

Water Refunding Revenue Bonds, Series 2008 A

EXCERPT OF MINUTES ON ADOPTION OF BOND ORDINANCE AND SUPPLEMENTAL RESOLUTION

The undersigned Recorder of the Town of Bath (the "Town") hereby certifies that the following is a true and correct excerpt of the minutes of a regular meeting of the Council of the Town.

* * * * * * * * *

The Council of the Town met in regular session, pursuant to notice duly given, on the 3rd day of November, 2008, in Bath, West Virginia, at the hour of 6:00 p.m.

PRESENT:	Susan Webster	-	Mayor
	Irene Hedrick	-	Recorder
	Dale Lutman	-	Councilperson
	Nancy Harvey	-	Councilperson
	Kenneth Easton	-	Councilperson
	David Crosby	-	Councilperson
	Scott Merki	-	Councilperson

ABSENT: None.

Susan Webster, Mayor, presided, and Irene Hedrick, acted as Recorder. The Mayor announced that a quorum of members was present and that the meeting was open for any business properly before it.

Thereupon, the Mayor stated that the proposed Bond Ordinance heretofore passed on first and second readings would be subject to protests and suggestions from any interested person at this time in accordance with the publication of an abstract of said Bond Ordinance and a Notice of Hearing, which publication has been duly made, and the Mayor called for protests and suggestions as to said Bond Ordinance and all persons desiring to protest the said Bond Ordinance or to make any suggestions with reference thereto were heard.

There being no protests or suggestions made as to said Bond Ordinance, the Mayor thereupon stated that it would be in order to consider the said Bond Ordinance for final enactment and the Mayor caused the said Bond Ordinance to be read as follows:

ORDINANCE AUTHORIZING THE REFUNDING OF THE WATER REVENUE REFUNDING AND IMPROVEMENT BONDS, SERIES 1997, OF THE TOWN OF BATH THROUGH THE ISSUANCE BY THE TOWN OF NOT MORE THAN $1,200,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REFUNDING REVENUE BONDS, SERIES 2008 A; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDER OF SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

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

The Mayor presented a proposed Supplemental Resolution in writing entitled:

SUPPLEMENTAL RESOLUTION PROVIDING AS TO DATE, MATURITY, INTEREST RATE AND OTHER TERMS OF THE WATER REFUNDING REVENUE BONDS, SERIES 2008 A, OF THE TOWN OF BATH; AUTHORIZING AND APPROVING THE SALE AND DELIVERY OF SUCH BONDS TO THE BRANCH BANKING AND TRUST COMPANY; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

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

* * * * * * * * *

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

WV MUNICIPAL BOND COMMISSION
1207 Quarrier Street
Suite 401
Charleston, WV 25301
(304) 558-3971

NEW ISSUE REPORT FORM

Date of Report: 5-Nov-08

(See Reverse for Instructions)

ISSUE: Town of Bath
Water Refunding Revenue Bonds, Series 2008 A (Branch Banking and Trust Company)

ADDRESS: 271 Wilkes St., Suite A, Berkeley Springs, WV 25411 COUNTY: Morgan

PURPOSE OF ISSUE:
New Money: ____
Refunding: x

REFUNDS ISSUE(S) DATED: 29-Jul-97

ISSUE DATE: 5-Nov-08 CLOSING DATE: 5-Nov-08

ISSUE AMOUNT: $ 1,091,000 RATE: 4.18%

1ST DEBT SERVICE DUE: 1-Jan-09 1ST PRINCIPAL DUE 1-Jan-09

1ST DEBT SERVICE AMOUNT $7,913.16 PAYING AGENT: Municipal Bond Commission

BOND COUNSEL:
Firm: Steptoe & Johnson PLLC
Contact John Stump, Esquire
Phone: (304) 353.8196

UNDERWRITERS COUNSEL
Firm:
Contact:
Phone:

CLOSING BANK:
Bank:
Contact:
Phone:

ESCROW TRUSTEE:
Firm:
Contact:
Phone:

KNOWLEDGEABLE ISSUER CONTACT
Contact: Susan Webster
Position: Mayor
Phone: 304.258.1102

OTHER:
Agency: Branch Banking and Trust Company
Contact: Russell R. Akers, II
Position: AVP
Phone: 304.353.1635

DEPOSITS TO MBC AT CLOSE
By: X Wire ____ Accrued Interest: $ ____
____ Check ____ Capitalized Interest: $ ____
x Reserve Account: $ 95,436.60
____ Other: $ ____

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

NOTES: The Series 2008 A Bonds Reserve Account will be fully funded with bond proceeds

FOR MUNICIPAL BOND COMMISSION USE ONLY:
DOCUMENTS REQUIRED:
TRANSFERS REQUIRED:

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 specificed 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.

Town of Bath Council Meeting

Tuesday, May 6, 2008

1. CALL TO ORDER BY Mayor Susan Webster at 6PM. Invocation by Mayor.

2. ROLL CALL:

Mayor, Susan Webster (P) David Crosby (P) Ryan Rebant (P) Dale Lutman (A)Irene Hedrick (P) Nancy Harvey (By phone) Scott Merki (P)

3. REVIEW OF MINUTES:

(A) April 15, 2008: It was noted that Ryan Rebant had mistakenly been left off the Roll call. Motion to approve as amended by David Crosby, 2nd by Scott Merki.. Motion carried.

(B) April 29, 2008 (Special Meeting):

Motion to approve by David Crosby, 2nd by Scott Merki. Motion carried.

A motion was made by Scott Merki at 6:07 PM to adjourn the regular order of the agenda and bring forward the hearing on the proposed water rate increase and change. 2nd by Ryan Rebant. Motion carried.

1. Mayor Webster spoke briefly about the reasons for changing to the flat rate system which are:

   1. Fairness...for all the customers of the Water Company.
   2. Conservation...(Limited source of water)
   3. The absolute necessity to raise funds for the next water line replacement project.

She said we are experiencing a 56% loss of the water being pumped because of the leaking pipes and that we have been told by the Public Service Commission to proceed with the Project. Most of the increase will be used for debt service on the 4.5 million dollars the project will cost.

2. David Crosby also spoke about the effect of the change on the small and large users of water. He also addressed the lack of justification for discounting the cost of water to the larger users and pointed out that we have customers waiting in line to pay full price and that we cannot supply them with water under current conditions. He said the rate we are proposing is $8.77 per 1,000 gallons for everything above the minimum.

3. Attorney Ken Sayre on behalf of U.S. Silica ask about a Rule 42 schedule showing a comparison of rates which has not been done. He felt that we were singling out large users to pay for the project. He felt that the graduated rate scale should be continued and that a study

should be done on the cost of this change for large users.

David Crosby said that when there is a surplus capacity the graduated rate works but we have no surplus and 400 people are waiting in line to get water as soon as we can supply it. Mayor Webster suggested that Silica search for other sources of water… that perhaps water may be found on their own ground.

OTHER SPEAKERS PRESENT WERE:

1.Sarah Hogbin:

She has several children taking baths, showers, etc. and that we are sucking it up. She said their quarterly bill here is about one-third of what they paid in Baltimore.

2. Stuart Taylor:

Described himself as a customer and a contractor and said he understands the need for the increase and the need to conserve.

3. Chris White:

Owner of the car wash. He said he loves the community and wants to help in any way they can even though his bill will increase by 70 to 80%.

At 7:01 PM David Crosby made a motion to adjourn the water rate hearing and return to the regular agenda: 2nd by Ryan Rebant. Motion Carried.

4. COMMUNICATIONS FROM MAYOR: None

5. PERSONS BEFORE COUNCIL:

1. Sandy Ziegler from the Humane Society has purchased a cat and a dog costume. The Society wants to use them at fund raising events on special days. She wonders if this is permissible on the town streets. This was referred to officer Pearrell to be researched.

COMMITTEE AND BOARD REPORTS

CLERK/RECORDER REPORT: None

FINANCE:

TOWN OF BATH BILLS:

David Crosby made a motion to pay Town of Bath bills as funds become available. 2nd by Scott Merki. Motion carried.

WATER DEPARTMENT BILLS:

Motion by David Crosby to pay Water Department bills. 2nd by Scott Merki. Motion carried.

PUBLIC SAFETY:

A. Building Permits: (Second Reading)

First Readings:

1. Doug Sensel, 95 Union St., Paving parking area. Motion to accept by Ryan Rebant, 2nd by Scott Merki. Motion carried.
2. Andrew Gosline: 151 Independence St., building deck. Motion to accept by Ryan Rebant, 2nd by Dave Crosby. Motion Carried.

FIRST READINGS:

1. Tom and Vera Hall, 267 Martinsburg Rd., Adding carport. Motion to post by Ryan Rebant, 2nd by Dave Crosby. Motion carried.
2. Michael Anderson, 127 Martinsburg Rd., Roofing work. Motion to Post by Ryan Rebant, 2nd by Dave Crosby. Motion carried.
3. Jaqueline Fisher, 250 Johnsons Mill rd., replace roofing shingles. Motion to Post by Ryan Rebant, 2nd by David Crosby. Motion carried.

B. Chief's Report:

Officer Pearrell reported that vandalism has increased. That there are more skateboarders and bicycles on the streets and sidewalks with warmer weather.

Officer Pearrell said Roger Caine from the Governor's Highway Sub Committee for safety has Contacted him about contacting local business owners to encourage them to place fliers in their windows to encourage safety and law enforcement at crosswalks.

He also said the police department does have all the meters back and that he will meet with the Safety Committee soon.

Mayor Webster announced that Cpl. Pearrell is being activated for deployment to Iraq soon and

that the public safety committee has solicited and received applications and resumes to consider. She has also talked with Sheriff Ronnie McIntyre. He has volunteered to take care of paper work while Craig is gone. She said that the K-9 dog will go back to the school he came from while Officer Pearrell is gone.

WATER WORKS:

(A)Mayor Webster announced that Thrasher Engineering has been selected to begin negotiations with as we move toward a contract for Phase II of water line replacement.

(B) David Crosby made a motion to accept the second reading of Town of Bath Ordinance 2008-01 Amending section 11 of the Town Of Bath Code to a flat rate of $8.77 per 1,000 gallons of water over and above the minimum rate, 2nd by Nancy Harvey. Motion carried.

© Jack Sorenson on behalf of the Rural Water Committee reported on the research being done with The Town regarding the aquifer along the 522 corridor as the source of water for the springs. Mayor Webster asked him for copies of the information he has for the Council to read and study. The subject will be put on the agenda for discussion at the June 3rd Council meeting.

(D) The Warm Springs Ridge "Tower Site" Resolution was read by Mayor Webster and a motion was made by David Crosby to accept the resolution authorizing the application for annexation with the County Commission of Morgan County for this property. 2nd by Scott Merki. Motion carried.

PUBLIC WORKS:

1.Scott Merki reported that the "Make it Shine" day had been pretty good and that another clean-up day may be scheduled just before the Apple Butter Festival.

2. Mayor Webster said an effort is underway to have St. Vincent's De Paul Church, The Water Department and the Town work together on taking care of Bath Street.

CEMETERY:

Irene Hedrick reported that The Cemetery Corporation has purchased a new John Deere tractor for the summer mowing season.

GRANT:

Margie has turned in Streetscape invoices for reimbursement.

Ryan continues to work with Nancy Harvey on obtaining grants.

MOTION TO ADJOURN by David Crosby. Second by Scott Merki. Motion carried.

Meeting adjourned at 8:04 PM .

Mayor, Susan J. Webster

Recorder Irene Hedrick

Town of Bath Council Meeting
Tuesday, April 15, 2008

1. CALL TO ORDER BY Mayor Susan Webster at 6PM. Invocation by Mayor.

2. ROLL CALL:

Mayor, Susan Webster (P) David Crosby (P) Irene Hedrick (P)
Dale Lutman (P) Nancy Harvey (P) Scott Merki (P)

Ryan Reffant Present

3. REVIEW OF MINUTES:

1. REVIEW OF MINUTES: Spelling error was corrected. Motion to accept minutes as amended by David Crosby, 2nd by Dale Lutman. Motion was carried.

A motion was made by David Crosby to amend the agenda and bring forward the Water Works Committee Report at this time. Second by Scott Merki. Motion was carried.

4. WATER WORKS.:

A. David Crosby reported that the Water Works Committee had chosen three of the six Engineering companies who had responded to our newspaper ad to be interviewed. The Committee will consider their presentations and qualifications.

Mayor Webster said the firms are Thrasher Engineering of Clarksburg, WV, TRIAD Engineering from Winchester, VA and GD&F from Altoona, PA.

David Crosby made a motion to accept the committee recommendation. 2nd by Dale Lutman. Motion carried.

B. Rate Increase Ordinance:

David Crosby spoke briefly about the events and considerations leading to the proposed Water rate changes for our area and made a motion to pass Ordinance 2008-01 setting Forth those changes. 2nd by Nancy Harvey. Motion carried.

C. New Equipment :

Terry Largent recommended that we purchase two Soft Start Drives to be used on the water Companies pumps. They will reduce the water hammer effect and hopefully will reduce the number of new leaks. The cost will be $7300.00 each. David Crosby made a motion to approve the purchase of this equipment. 2nd by Scott Merki. Motion carried.

D. Mayor Webster reported that we will comply with the order from the PSC regarding water for the hospital during it's anticipated move.

The mayor also said that we are in the process of getting the requested information to the PSC which they will consider when they decide whether or not they should lift the Moratorim.

David Crosby made a motion to bring forth the Persons before council. 2nd by Ryan Rebant. Motion carried.

5. PERSONS BEFORE COUNCIL:

A. Barbara Campbell discussed Arbor Day events taking place between April 18- 20, 2008.

B. Jack Myers announced that the first "Cruise-In" of the season will be held May 5th in the Park. After this they will be scheduled every first Friday at 5 pm through October 2008. He explained that funds collected at these events will go to charity. He also said that he is getting married at the first event at 6:30 and invited everyone to attend.

Motion was made by David Cosby to permit the cruise in as planned. 2nd by Nancy Harvey. Motion was carried.

6. FINANCE:

A. Town of Bath Bills
Motion by David Crosby to pay the Town of Bath Bills as funds become available. 2nd by Dale Lutman. Motion carried.

B. Water Department Bills:

Motion by David Crosby to pay Water Department bills. 2nd by Dale Lutman. Motion carried.

C. STREETSCAPE:

Motion by David Crosby to pay bill for $2955.15 for work that has been done and verified

By Streetscape. 2nd by Scott Merki. Motion carried.

Mayor Webster read Town of bath Resolution 2008-06 authorizing the establishment of a bank account for Streetscape fund and resolving to set aside $100.00 per month to go into that account to be used for matching funds when required by future grants.

A motion to approve made by David Crosby, 2nd by Ryan Rebant. Motion carried.

D. LAY LEVY FOR 2008-2009 BUDGET YEAR:

The levy order and rate sheet was discussed briefly and David Crosby made a motion to pass the levy as presented for fiscal year 2008-2009. 2nd by Ryan Rebant. Motion carried.

E. It was brought to the attention of Council that one of the police cars needs repair work. David Crosby made a motion to authorize up to $3000.00 for the car repair. 2nd by Ryan Rebant. Motion carried.

PUBLIC SAFETY:

A. Building Permits:

First Readings:

1. Andrew Gosline…151 Independence St., Install deck and other repairs. Motion by Dale Lutman to post. 2nd by D.Crosby. Motion carried.
2. Doug Sensel: 95 Union St., Some renovations and pavement of parkng lot. Motion to post by Dale Lutman, 2nd by D. Cosby. Motion carried.

B. Chief's Report:

Officer Pearrell reported that the Governor's highway Safety Office was awarding new equipment to 14 agencies in the state and our police agency has been selected as one of the 14. We will get two new lap top computers and the opportunity to get a third one if we are willing to pay $363.00 for it. David Crosby made a motion to authorize the expenditure of $363.00 for the third laptop. 2nd by Nancy Harvey. Motion carried.

PUBLIC WORKS:

Scott Merki reported that April 26 has been selected for the "make It Shine" day with a rain date of May 3rd. Participants should meet at town hall at 9 AM and get supplies.

ORDINANCE:

Nancy Harvey reported that for personal reasons the Historical Consultant is not able to meet the time frame for the May 17th presentation and that the grant time has been extended until August31.

CEMETERY:

Irene Hedrick reports that cemetery workers will be back on the job April 16th.

GRANT:

Ryan Rebant is working with Nancy Harvey on possible Heritage Education and Comprehensive Planning Grants.

MOTION TO ADJOURN By: Dale Lutman 2nd By:David Crosby. Carried
Meeting Adjourned @ 7:18 PM

Mayor, Susan J. Webster

Recorder Irene Hedrick

NOTICE OF PUBLIC HEARING
TOWN OF BATH
BERKELEY SPRINGS WATER WORKS
NOTICE OF PUBLIC HEARING
FOR PROPOSED 13.3% RATE INCREASE

The public hearing will address Town of Bath Ordinance 2008-01 to Set Rates, Rules and Regulations for Furnishing Water at Town of Bath/Berkeley Springs, and vicinity, Morgan County, West Virginia. Public hearing and Final Vote on adoption of the Ordinance shall be held on Tuesday, May 6, 2008 at 6:00 p.m. at the Town of Bath Municipal Center, 271 Wilkes Street, Berkeley Springs, West Virginia 25411. Interested parties may appear at the above hearing and be heard with respect to the proposed Ordinance.

The proposed Ordinance will be available for public inspection at the office of the Clerk, Town of Bath Municipal Center, 271 Wilkes Street, Berkeley Springs, West Virginia 25411 during normal business hours.

TOWN OF BATH
ORDINANCE 2008-01
AMENDING SECTION 11 OF THE TOWN CODE OF 1981 WATER RATE CHARGES INCREASE

"A SPECIAL ORDINANCE TO SET RATES, RULES AND REGULATIONS FOR FURNISHING WATER AT TOWN OF BATH/BERKELEY SPRINGS AND VICINITY, MORGAN COUNTY, WEST VIRGINIA."

Be is hereby ORDERED that the Rates, Rules and Regulations for furnishing water at Town of Bath/Berkeley Springs, and vicinity, Morgan County, West Virginia amended to include a flat rate structure and a 13.3% water rate increase. This being introduced at the April 15, 2008 regular Town of Bath Council meeting and being the subject of the May 6, 2008 Public Hearing, both having been conducted at the Municipal Center. This rate increase is necessary to pay anticipated debt service on the bonds to be issued to upgrade Phase II the Town's water system and replace antiquated water lines. All required publications and requirements of the State of West Virginia Public Service Commission have been met. The increased rates are attached. This ordinance shall take effect as of July 1, 2008 billing cycle.

First Reading: April 15, 2008

Susan J. Webster, Mayor
Irene Hedrick, Recorder

RULES AND REGULATIONS

I. Rules and Regulations for the Government of Water Utilities, adopted by the Public Service Commission of West Virginia, and now in effect, and all amendments thereto and modifications thereof hereafter made by said commission, shall automatically be a part of any contract between any Consumer and the Berkeley Springs Water Works.

II. The following rules and regulations adopted by the Berkeley Springs Water Works/Town of Bath, a municipal corporation, and all amendments thereto and modifications thereof hereafter made by said Berkeley Springs Water Works/ Town of Bath, a municipal corporation, shall automatically be part of the contract between any consumer and the said Berkeley Springs Water Works/ Town of Bath:

1. A. Wherever the word "Consumer" shall hereafter appear, it shall be taken to mean any person, firm or corporation supplied, or to be supplied, with water by the Berkeley Springs Water Works.

B. Wherever the word "BSWW" shall hereafter appear, it shall be taken to mean the Berkeley Springs Water Works/Town of Bath, Morgan County, West Virginia, a municipal corporation engaged in the business of furnishing, distributing and selling water.

2. A. No service connection shall be made to the distributing mains of the BSWW except upon written application made by the Consumer on a form prepared by the BSWW and the approval thereof endorsed thereon by the BSWW or its duly authorized agent.

RETURNED CHECK CHARGE

If a check received is returned by the bank for any reason, the Berkeley Springs Water Works shall charge the customer for such a fee of $25.00.

NON-REFUNDABLE SET UP FEE

Each Consumer at the time of application for water service will be charged a non-refundable set up fee of $50.00.

SERVICE CONNECTION CHARGE

The general charge for making each service connection 3/4 inch or smaller shall be $650.00 to make an ordinary connection to the water system.

Larger than 3/4 inch shall be the greater of $650.00 or the actual cost of the installation as determined by the Berkeley Springs Water Works.

WATER DISCONNECT-RECONNECT-ADMINISTRATIVE FEES

Whenever water service has been disconnected for non-payment of water bills, a disconnection fee of $25.00 shall be charged. In the event the delinquent water bill is collected by the City in the field, an administrative fee of $25.00 shall be charged. A $25.00 reconnection fee will be assessed for each occurrence where water service to sewer customers is restored after water service has been terminated for non-payment of water bills. Reconnection after hours of an emergency basis only. (Monday-Friday, after 4 p.m., anytime on holidays and weekends) an additional $25.00 fee shall apply.

PUBLIC FIRE PROTECTION

The fee for public fire hydrant is $10.30 per hydrant per quarter.

The Town of Bath shall pay a public fire service fee of $309.00 per quarter which shall cover all of the hydrants and fire facilities existing within the Town of Bath.

All of the public hydrants located outside of the Town of Bath shall be paid for by the users who are located outside the Town of Bath on a pro-rated basis.

PRIVATE FIRE PROTECTION

Where connections, hydrants, sprinklers, etc. on private property are maintained by consumer:

1 inch or less Service Line with hydrants, sprinklers and/or hose connections $37.50 per quarter

2 inch Service Line with hydrants, sprinklers and/or hose connections $50.00 per quarter

3 inch Service Line with hydrants, sprinklers and/or hose connections $77.50 per quarter

4 inch Service Line with hydrants, sprinklers and/or hose connections $105.00 per quarter

6 inch Service Line with hydrants, sprinklers and/or hose connections $135.00 per quarter

8 inch Service Line with hydrants, sprinklers and/or hose connections $165.00 per quarter

LEAK ADJUSTMENT POLICY/INCREMENT

$1.00 per 1,000 Gallons is to be used when the bill reflects unusual consumption which can be attributed to eligible leakage on the customer's side of the meter. This rate shall be applied to all such unusual consumption above the customer's historical average usage.

It is the policy of the Berkeley Springs Water Works to consider an adjustment of a customer's water bill when high usage results from an accidental break in the customer's service line.

The Berkeley Springs Water Works Will Not consider or make adjustments for repeated leaks, leaking fixtures (such as commodes, faucets, etc.) or where poor quality materials are used by the customer.

Before making an adjustment to your bill, the Berkeley Springs Water Works must have completed a leak adjustment application filled out by the customer of record and provide verification that a leak actualy occurred and that the leak was repaired. Evidence of repair, such as a copy of any bills for repair materials or

Mayor
Susan J. Webster

Recorder
Irene Hedrick

Council Members
David Crosby
Nancy Harvey
Ryan Rebant
Scott Merki
Dale Tutman

Town of Bath

271 Wilkes Street, Berkeley Springs, WV 25411
Phone (304) 258-1102 Fax (304) 258-2638

May 10, 2008

Sandra Squire, Executive Secretary
WV Public Service Commission
201 Brooks Street
PO Box 812
Charleston, WV 25323 ORDW Bath 08A

RECEIVED
2008 MAY 14 AM 8 49
W VA PUBLIC SERVICE COMMISSION
SECRETARY'S OFFICE

RE: TOWN OF BATH ORDINANCE 2008-01

Dear Ms. Squire:

Please find enclosed the following:

1. A copy of the new rates and charges
2. A copy of the Ordinance
3. Financial Justification for the increase, including the pro forma income and expense statement.
4. Affidavit of publication indicating that pre-adoption notice of the Ordinance was given.
5. The correct number of customers determined by the last billing cycle before the adoption of the Ordinance.
6. Affidavit of Public Notice mailed 1st class to customers.
7. Affidavit of Posting of Public Notice.

If you have any questions, or I can be of further assistance, please do not hesitate to contact me.

Respectfully,

Margie Allgyer

Margie Allgyer
Clerk / Comptroller

RECEIVED
2008 MAY 14 AM 8 49
W VA PUBLIC SERVICE
COMMISSION
SECRETARY'S OFFICE

Town of Bath
ORDINANCE 2008 – 01

AMENDING SECTION 11 OF THE TOWN CODE OF 1981
WATER RATE CHARGES INCREASE

"A SPECIAL ORDINANCE TO SET RATES, RULES AND REGULATIONS FOR FURNISHING WATER AT TOWN OF BATH / BERKELEY SPRINGS, AND VICINITY, MORGAN COUNTY, WEST VIRGINIA"

Be it hereby ORDERED that the Rates, Rules and Regulations for furnishing water at Town of Bath / Berkeley Springs, and vicinity, Morgan County, West Virginia be amended to include a flat rate structure and a 13.3% water rate increase. This being introduced at the April 15, 2008 regular Town of Bath Council meeting and being the subject of the May 6, 2008 Public Hearing, both having been conducted at the Municipal Center. This rate increase is necessary to pay anticipated debt service on the bonds to be issued to upgrade (Phase II) the Town's water system and replace antiquated water lines. All required publications and requirements of the State of West Virginia Public Service Commission have been met. The increased rates are attached. This ordinance shall take effect as of July 1, 2008 billing cycle.

First Reading April 15, 2008

Second Reading May 6, 2008

Passed on the 6th day of May 2008

Susan J. Webster, Mayor

Irene Hedrick, Recorder

RULES AND REGULATIONS

I. Rules and Regulations for the Government of Water Utilities, adopted by the Public Service Commission of West Virginia, and now in effect, and all amendments thereto and modifications thereof hereafter made by said commission, shall automatically be a part of any contract between any Consumer and the Berkeley Springs Water Works.

II. The following rule and regulations adopted by the Berkeley Springs Water Works / Town of Bath, a municipal corporation, and all amendments thereto and modifications thereof hereafter made by said Berkeley Springs Water Works / Town of Bath, a municipal corporation, shall automatically be part of the contract between any consumer and the said Berkeley Springs Water Works / Town of Bath:

1. A. Wherever the word "Consumer" shall hereafter appear, it shall be taken to mean any person, firm or corporation, supplied, or to be supplied, with water by the Berkeley Springs Water Works.

   B. Wherever the word "BSWW" shall hereafter appear, it shall be taken to mean the Berkeley Springs Water Works / Town of Bath, Morgan County, West Virginia, a municipal corporation engaged in the business of furnishing, distributing and selling water.

2. A. No service connection shall be made to the distributing mains of the BSWW except upon written application made by the Consumer on a form prepared by the BSWW and the approval thereof endorsed thereon by the BSWW or its duly authorized agent.

   B. No such application shall be approved by the BSWW or its duly authorized agent until all arrears and charges due by the Consumer at any premises now or heretofore occupied by him shall have been paid, or satisfactory arrangements have been made in regard thereto.

   C. Accepted application for water to be supplied to any premises shall constitute a license to the Consumer to take and receive a supply of water for said premises for the purpose specified in such application. If the Consumer shall use, or knowingly permit to be taken or used, water from said premises for any persons, or purposes other than these specified in such application, such use shall be deemed wrongful and a violation of the contract, and the BSWW shall have the right to discontinue the supply of water to said premises after due notice to the Consumer unless Consumer shall have first obtained the written permission he BSWW to use the water in such a manner not specified by the application.

BERKELEY SPRINGS WATE WORKS

Proposed 13.3 % Rate Increase

APPLICABILITY

Applicable in entire territory served

AVAILABILITY OF SERVICE

Available for general, domestic, commercial and industrial service

MINIMUM CHARGE PER FIRST 6,000 GALLONS / PER METER SIZE / PER QUARTER

5/8	inch meter	$52.62
5/8 x ¾	inch meter	$52.62
¾	inch meter	$94.83
1	inch meter	$158.05
1 ½	inch meter	$316.11
2	inch meter	$505.77
3	inch meter	$948.32
4	inch meter	$1,580.54
6	inch meter	$3,161.07

FLAT RATE CHARGE FOR USEAGE OVER THE MINIMUM OF 6,000 PER METER SIZE / PER QUARTER

5/8	inch meter	$8.77	Per 1,000 Gallons
5/8 x ¾	inch meter	$8.77	Per 1,000 Gallons
¾	inch meter	$8.77	Per 1,000 Gallons
1	inch meter	$8.77	Per 1,000 Gallons
1 ½	inch meter	$8.77	Per 1,000 Gallons
2	inch meter	$8.77	Per 1,000 Gallons
3	inch meter	$8.77	Per 1,000 Gallons
4	inch meter	$8.77	Per 1,000 Gallons
6	inch meter	$8.77	Per 1,000 Gallons

DELAYED PAYMENT PENALTY

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

RETURNED CHECK CHARGE

If a check received is returned by the bank for any reason, the Berkeley Springs Water Works shall charge the customer for such a fee of $25.00

NON-REFUNDABLE SET UP FEE

Each Consumer at the time of application for water service will be charged a non-refundable set up fee of $50.00.

SERVICE CONNECTION CHARGE

The general charge for making each service connection ¾ inch or smaller shall be $650.00 to make an ordinary connection to the water system.

Larger than ¾ inch shall be the greater of $650.00 or the actual cost of the installation as determined by the Berkeley Springs Water Works.

WATER DISCONNECT-RECONNECT-ADMINISTRATIVE FEES

Whenever water service has been disconnected for non-payment of water bills, a disconnection fee of $25.00 shall be charged; or in the event the delinquent water bill is collected by the City in the field, an administrative fee of $25.00 shall be charged. A $25.00 reconnection fee will be assessed for each occurrence where water service to sewer customers is restored, after water service has been terminated for non-payment of water bills. Reconnection after hours on an emergency basis only (Monday-Friday after 4 pm, anytime on holidays and weekends) an additional $25.00 fee shall apply.

PUBLIC FIRE PROTECTION

The fee for public fire hydrant is $10.30 per hydrant per quarter

The Town of Bath shall pay a public fire service fee of $309.00 per quarter which shall cover all of the hydrants and fire facilities existing within the Town of Bath.

All of the public hydrants located outside of the Town of Bath shall be paid for by the users who are located outside the Town of Bath on a pro-rated basis.

PRIVATE FIRE PROTECTION

Where connections, hydrants, sprinklers, etc. on private property are maintained by consumer:

1 inch or less Service Line with hydrants, sprinklers, and/or hose connections
$ 37.50 per quarter

2 inch Service Line with hydrants, sprinklers, and/or hose connections
$ 50.00 per quarter

3 inch Service Line with hydrants, sprinklers, and/or hose connections
$ 77.50 per quarter

4 inch Service Line with hydrants, sprinklers, and/or hose connections
$105.00 per quarter

6 inch Service Line with hydrants, sprinklers, and/or hose connections
$135.00 per quarter

8 inch Service Line with hydrants, sprinklers, and/or hose connections
$ 165.00 per quarter

LEAK ADJUSTMENT POLICY / INCREMENT

$1.00 per 1,000 Gallons is to be used when the bill reflects unusual consumption which can be attributed to eligible leakage on the customer's side of the meter. This rate shall be applied to all such unusual consumption above the customer's historical average usage.

It is the policy of the Berkeley Springs Water Works to consider an adjustment of a customer's water bill when high usage results from an **accidental break** in the customer's service line.

The Berkeley Springs Water Works **Will Not** consider or make adjustments for repeated leaks, leaking fixtures (such as commodes, faucets, etc.) or where poor quality materials are used by the customer.

Before making an adjustment to your bill, the Berkeley Springs Water Works must have completed a leak adjustment application filled out by the customer of record and provide verification that a leak actually occurred and that the leak was repaired. Evidence of repair, such as a copy of any bills for repair materials or plumber's repair bill, will help expedite the Berkeley Springs Water Works review of the adjustment requested.

Once the Berkeley Springs Water Works has obtained the information stated above, your request will be presented to the Town of Bath Water Committee at the next scheduled meeting for their consideration. You will be notified once a decision has been reached.

Only 1 adjustment will be considered within a twelve (12) month period.

SERVICE CHARGE

There shall be a fee of $25.00 charged to customers of record requesting in writing or verbal, if an emergency situation, their water to be turned off at the meter and a like charge for turning the water back on.

TAX SCHEDULE

The Berkeley Springs Water Works is required to collect a utility tax pursuant to West Virginia code Section 8-13-5a.

Customers receiving water service within the corporate limits of the specified municipality shall pay a surcharge tax at the following rates:

Municipality	Utility Excise Tax
Town of Bath	2% Local Tax Rate

CAPACITY IMPROVEMENT FEE

Meter Size	Type	Factor	System Development Charge
5/8 inch		1	$ 2,000
¾ inch		1.1	$ 2,000
1 inch		1.4	$ 2,272
1-1/2 inch		1.8	$ 2,921
2 inch	Standard	2.9	$ 4,707
	Compound	2.5	$ 4,058
	Turbine	5.0	$ 8,115
3 inch	Standard	11	$ 17,853
	Compound	16	$ 25,968
	Turbine	28	$ 45,444
4 inch	Standard	14	$ 22,722
	Compound	25	$ 40,575
	Turbine	75	$121,725
6 inch	Standard	21	$ 34,083
	Compound	50	$ 81,150
	Turbine	187.5	$304,313
8 inch	Standard	29	$ 47,067
	Compound	80	$129,840
	Turbine	250	$405,750

*Meters in excess of 8 inches will be individually evaluated by the Company

All monies collected by this fee are to be placed in a separate fund to be used for the purposes of increasing the capacity of the Berkeley Springs Water Works Plant.

Town of Bath Water Department
Pro-forma Revenue and Expenses
For Fiscal Year Ending June 30, 2007

	Per Books	Adjustments	Adjusted Books	Going Level Adjustments	Going
Operating Revenues	$804,693	0	804,693	91,207	895,90
Deductions:					
Operations& maintenance	483,262	0	483,262	36,245	519,50
Depreciation					
Taxes					
Total deductions	483,262	0	483,262	36,245	519,50
Net Operating Income	322,431	0	322,431	54,962	376,39
Other Income	21,718	0	21,718	<5430>	16,288
Net Income	344,149	0	344,149	49,532	392,68

RECEIVED
2008 MAY 14 AM 8 49
W VA PUBLIC SERVICE
COMMISSION
SECRETARY'S OFFICE

CERTIFICATE OF PUBLICATION

THIS IS TO CERTIFY that a legal publication
Notice of Public Hearing

Ordinance 2008-01

placed by
Town of Bath

appeared for 1 consecutive weeks in THE MORGAN MESSENGER, a newspaper published in Berkeley Springs, WV, in its issue beginning

April 23, 2008

and ending
April 23, 2008

Per _____
THE MORGAN MESSENGER, INC.

Words 2880

Charge $ 345.60

NOTICE OF PUBLIC HEARING
TOWN OF BATH
BERKELEY SPRINGS WATER WORKS
NOTICE OF PUBLIC HEARING
FOR PROPOSED 13.3% RATE INCREASE

The public hearing will address Town of Bath Ordinance 2008-01 to Set Rates, Rules and Regulations for Furnishing Water at Town of Bath/Berkeley Springs and vicinity, Morgan County, West Virginia. Public hearing and Final Vote on adoption of the Ordinance shall be held on Tuesday, May 6, 2008 at 6:00 p.m. at the Town of Bath Municipal Center, 271 Wilkes Street, Berkeley Springs, West Virginia 25411. Interested parties may appear at the above hearing and be heard with respect to the proposed Ordinance.

The proposed Ordinance will be available for public inspection at the office of the Clerk, Town of Bath Municipal Center, 271 Wilkes Street, Berkeley Springs, West Virginia 25411 during normal business hours.

TOWN OF BATH
ORDINANCE 2008-01
AMENDING SECTION 11 OF THE TOWN CODE OF
1981 WATER RATE CHARGES INCREASE

"A SPECIAL ORDINANCE TO SET RATES, RULES AND REGULATIONS FOR FURNISHING WATER AT TOWN OF BATH/BERKELEY SPRINGS AND VICINITY, MORGAN COUNTY, WEST VIRGINIA."

Be it hereby ORDERED that the Rates, Rules and Regulations for furnishing water at Town of Bath/Berkeley Springs, and vicinity, Morgan County, West Virginia be amended to include a flat rate structure and a 13.3% water rate increase. This being introduced at the April 15, 2008 regular Town of Bath Council meeting and being the subject of the May 6, 2008 Public Hearing, both having been conducted at the Municipal Center. This rate increase is necessary to pay anticipated debt service on the bonds to be issued to upgrade (Phase II) the Town's water system and replace antiquated water lines. All required publications and requirements of the State of West Virginia Public Service Commission have been met. The increased rates are attached. This ordinance shall take effect as of July 1, 2008 billing cycle.

First Reading: April 15, 2008

Susan J. Webster, Mayor
Irene Hedrick, Recorder

RULES AND REGULATIONS

I. Rules and Regulations for the Government of Water Utilities, adopted by the Public Service Commission of West Virginia, and now in effect, and all amendments thereto and modifications thereof hereafter made by said commission, shall automatically be a part of any contract between any Consumer and the Berkeley Springs Water Works.

II. The following rules and regulations adopted by the Berkeley Springs Water Works/Town of Bath, a municipal corporation, and all amendments thereto and modifications thereof hereafter made by said Berkeley Springs Water Works/ Town of Bath, a municipal corporation, shall automatically be part of the contract between any consumer and the said Berkeley Springs Water Works/ Town of Bath:

1. A. Wherever the word "Consumer" shall hereafter appear, it shall be taken to mean any person, firm or corporation supplied, or to be supplied, with water by the Berkeley Springs Water Works.

B. Wherever the word "BSWW" shall hereafter appear, it shall be taken to mean the Berkeley Springs Water Works/Town of Bath, Morgan County, West Virginia, a municipal corporation engaged in the business of furnishing, distributing and selling water.

2. A. No service connection shall be made to the distributing mains of the BSWW except upon written application made by the Consumer on a form prepared by the BSWW and the approval thereof endorsed thereon by the BSWW or its duly authorized agent.

B. No such application shall be approved by the BSWW or its duly authorized agent until all arrears and charges due by the Consumer at any premises now or heretofore occupied by him shall have been paid, or satisfactory arrangements have been made in regard thereto.

C. Accepted application for water to be supplied to any premises shall constitute a license to the Consumer to take and receive a supply of water for said premises for the purpose specified in such application. If the Consumer shall use, or knowingly permit to be taken or used, water from said premises for any persons, or purposes other than those specified in such application, such use shall be deemed wrongful and a violation of the contract, and the BSWW shall have the right to discontinue the supply of water to said premises after due notice to the Consumer, unless Consumer shall have first obtained the written permission of BSWW to use the water in such a manner not specified by the application.

BERKELEY SPRINGS WATER WORKS
Proposed 13.3% Rate Increase

APPLICABILITY
Applicable in entire territory served.

AVAILABILITY OF SERVICE
Available for general, domestic, commercial and industrial service.

MINIMUM CHARGE PER FIRST 6,000 GALLONS/PER METER SIZE/PER QUARTER

5/8 inch meter	$52.62
5/8 x 3/4 inch meter	$52.62
3/4 inch meter	$94.83
1 inch meter	$158.05
1 1/2 inch meter	$316.11
2 inch meter	$505.77
3 inch meter	$948.32
4 inch meter	$1,580.54
6 inch meter	$3,161.07

FLAT RATE CHARGE FOR USEAGE OVER THE MINIMUM OF 6,000 PER METER SIZE/PER QUARTER

5/8 inch meter	$8.77	Per 1,000 Gallons
5/8 x 3/4 inch meter	$8.77	Per 1,000 Gallons
3/4 inch meter	$8.77	Per 1,000 Gallons
1 inch meter	$8.77	Per 1,000 Gallons
1 1/2 inch meter	$8.77	Per 1,000 Gallons
2 inch meter	$8.77	Per 1,000 Gallons
3 inch meter	$8.77	Per 1,000 Gallons
4 inch meter	$8.77	Per 1,000 Gallons
6 inch meter	$8.77	Per 1,000 Gallons

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

RETURNED CHECK CHARGE
If a check received is returned by the bank for any reason, the Berkeley Springs Water Works shall charge the customer for such a fee of $25.00.

NON-REFUNDABLE SET UP FEE
Each Consumer at the time of application for water service will be charged a non-refundable set up fee of $50.00.

SERVICE CONNECTION CHARGE
The general charge for making each service connection 3/4 inch or smaller shall be $650.00 to make an ordinary connection to the water system.

Larger than 3/4 inch shall be the greater of $650.00 or the actual cost of the installation as determined by the Berkeley Springs Water Works.

WATER DISCONNECT-RECONNECT-ADMINISTRATIVE FEES
Whenever water service has been disconnected for non-payment of water bills, a disconnection fee of $25.00 shall be charged, or in the event the delinquent water bill is collected by the City in the field, an administrative fee of $25.00 shall be charged. A $25.00 reconnection fee will be assessed for each occurrence where water service to sewer customers is restored after water service has been terminated for non-payment of water bills. Reconnection after hours of an emergency basis only (Monday-Friday after 4 p.m., anytime on holidays and weekends) an additional $25.00 fee shall apply.

PUBLIC FIRE PROTECTION
The fee for public fire hydrant is $10.00 per hydrant per quarter.

The Town of Bath shall pay a public fire service fee of $300.00 per quarter which shall cover all of the hydrants and fire facilities existing within the Town of Bath.

All of the public hydrants located outside of the Town of Bath shall be paid for by the users who are located outside the Town of Bath on a pro-rated basis.

PRIVATE FIRE PROTECTION
Where connections, hydrants, sprinklers, etc. on private property are maintained by consumer:

1 inch or less Service Line with hydrants, sprinklers and/or hose connections	$37.50 per quarter
2 inch Service Line with hydrants, sprinklers and/or hose connections	$50.00 per quarter
3 inch Service Line with hydrants, sprinklers and/or hose connections	$77.50 per quarter
4 inch Service Line with hydrants, sprinklers and/or hose connections	$105.00 per quarter
6 inch Service Line with hydrants, sprinklers and/or hose connections	$135.00 per quarter
8 inch Service Line with hydrants, sprinklers and/or hose connections	$165.00 per quarter

LEAK ADJUSTMENT POLICY/INCREMENT
$1.00 per 1,000 Gallons is to be used when the bill reflects unusual consumption which can be attributed to eligible leakage on the customer's side of the meter. This rate shall be applied to all such unusual consumption above the customer's historical average usage.

It is the policy of the Berkeley Springs Water Works to consider an adjustment of a customer's water bill when high usage results from an accidental break in the customer's service line.

The Berkeley Springs Water Works Will Not consider or make adjustments for repeated leaks, leaking fixtures (such as commodes, faucets, etc.) or where poor quality materials are used by the customer.

Before making an adjustment to your bill, the Berkeley Springs Water Works must have completed a leak adjustment application filled out by the customer of record and provide verification that a leak actually occurred and that the leak was repaired. Evidence of repair, such as a copy of any bills for repair materials or plumber's repair bill, will help expedite the Berkeley Springs Water Works review of the adjustment requested.

Once the Berkeley Springs Water Works has obtained the information stated above, your request will be presented to the Town of Bath Water Committee at the next scheduled meeting for their consideration. You will be notified once a decision has been reached.

Only 1 adjustment will be considered within a twelve (12) month period.

SERVICE CHARGE
There shall be a fee of $25.00 charged to customers of record requesting in writing or verbal, if an emergency situation, their water to be turned off at the meter and a like charge for turning the water back on.

TAX SCHEDULE
The Berkeley Springs Water Works is required to collect a utility tax pursuant to West Virginia Code Section 8-13-5a.

Customers receiving water service within the corporate limits of the specified municipality shall pay a surcharge tax at the following rates:

Municipality	Utility Excise Tax
Town of Bath	2% Local Tax Rate

CAPACITY IMPROVEMENT FEE

Meter Size	Type	Factor	System Development Charge
5/8 inch		1	$2,000
3/4 inch		1.1	$2,000
1 inch		1.4	$2,272
1 1/2 inch		1.8	$2,921
2 inch	Standard	2.9	$4,707
	Compound	2.5	$4,058
	Turbine	5.0	$8,115
3 inch	Standard	11	$17,853
	Compound	16	$25,968
	Turbine	28	$45,444
4 inch	Standard	14	$22,722
	Compound	25	$40,575
	Turbine	75	$121,725
6 inch	Standard	21	$34,083
	Compound	50	$81,150
	Turbine	187.5	$304,313
8 inch	Standard	29	$47,067
	Compound	80	$129,840
	Turbine	250	$405,750

Meters in excess of 8 inches will be individually evaluated by the Company.

All monies collected by this fee are to be placed in a separate fund to be used for the purpose of increasing the capacity of the Berkeley Springs Water Works Plant.

4-23-1tm

BERKELEY SPRINGS WATER WORKS

Bill ID: 08-3-31 Bill Date: 3/31/2008 Due Date: 4/21/2008

Service	Charge				Rate	Current Charge	Prior Due	Total

Billing Summary By Class

Class	# of Units	# of Accounts	Consumption charges	Fixed charges	Special charges	Unit charges	Taxes	Prior Due
C	386.00	223	$52,105.88	$0.00	$48.96	$501.04	$0.00	$1,222.25
G	52.00	22	$17,260.82	$0.00	$0.00	$254.24	$0.00	$11.12
I	2.00	1	$8,926.67	$0.00	$0.00	$0.00	$0.00	$0.00
R	1,224.00	1,430	$99,174.45	$0.00	($255.26)	$18.33	$0.00	$27,123.54
Grand Totals	1,664.00	1	$177,467.82	$0.00	($206.30)	$773.61	$0.00	$28,356.91

Class	PRIVATE FIRE	PUBLIC FIRE	SPRINKLER	WAT
C	5.00 3 $349.15 0.00	0.00 0 $0.00 0.00	3.00 3 $151.89 0.00	378. $52,105.8 6,405,050.
G	0.00 0 $0.00 0.00	28.00 3 $254.24 0.00	0.00 0 $0.00 0.00	24. $17,260.8 3,699,700.
I	0.00 0 $0.00 0.00	0.00 0 $0.00 0.00	0.00 0 $0.00 0.00	2. $8,926.6 4,072,500.
R	0.00 0 $0.00 0.00	0.00 0 $0.00 0.00	1.00 1 $18.33 0.00	1,223. 1, $99,174.4 10,207,337.
Total	5.00 3 $349.15 0.00	28.00 3 $254.24 0.00	4.00 4 $170.22 0.00	1,627. 1, $177,467.8 24,384,587.

AFFIDAVIT OF PUBLIC NOTICE BY POSTING

State of West Virginia
County of Morgan, to wit:

I, Margie Allgyer, being appointed by Town of Bath Mayor and Council, do depose and say that I am the Clerk / Comptroller for the Town of Bath, and that I have been duly authorized by the Town of Bath Council to execute this affidavit of Public Notice of Posting.

The attached Public Notice, substantially in the format of Tariff Form No. 12 of the Public Service Commission of West Virginia's Rules for the Construction and Filing of Tariff's, 150 C.S.R. 2, and as required by 150 C.S.R. 2.22. 1.c.4., was first posted in a conspicuous place on the premises where the Town of Bath / Berkeley Springs Water Works conducts its utility business with the public on May 7, 2008, and remained posted until June 9th.

Margie Allgyer
Margie Allgyer

Taken, subscribed and sworn to before me in said county this 12 day of May, 2008.

My Commission Expires June 27, 2011

Huberta S Shade
Notary Public

OFFICIAL SEAL
NOTARY PUBLIC
STATE OF WEST VIRGINIA
HUBERTA S. SHADE
CNB BANK, INC
P. O. BOX 130
BERKELEY SPRINGS, WV 25411
My commission expires June 27, 2011

PUBLIC NOTICE OF CHANGE IN RATES BY MUNICIPALITIES

NOTICE is hereby given that **Berkeley Springs Water Works** public utility, has adopted by ordinance on **May 6, 2008** a tariff containing increased rates, tolls and charges for furnishing Water service to 1,676 customers at the Town of Bath / Berkeley Springs and vicinity, in Morgan County, West Virginia.

The proposed increased rates and charges will become effective **July 1, 2008**, unless otherwise ordered by the Public Service Commission and will produce approximately $91,207.00 annually in additional revenue, an increase of 13.3%. The average quarterly bill for the various classes of customers will be changed as follows:

	($) INCREASE / (DECREASE)	(%) INCREASE / (DECREASE)
Residential	$ (1.74)	(2.7 %)
Commercial	$ 57.74	19.24 %
Industrial	$ 28,317.08	317 %
Governmental	$ 439.97 (Based on a 2" inch meter)	29.6 %

The increases / decreases shown are based on averages of all customers in the indicated class, Individual customers may receive increases that are greater or less than average. Furthermore, the requested rates and charges are only a proposal and are subject to change (increases or decreases) by the Public Service Commission in its review of this filing. The Commission shall review and approve or modify the increased rates only upon the filing of a petition within thirty (30) days of the adoption of the ordinance changing said rates or charges, by:

(1) Any customer aggrieved by the changed rates or charges who presents to the Commission a petition signed by not less than twenty-five percent of the customers served by such municipally operated public utility: or

(2) Any customer who is served by a municipally operated public utility and who resides outside the corporate limits and who is affected by the change in said rates or charges and who presents to the Commission a petition alleging discrimination between customers within and without the municipal boundaries. Said petition shall be accompanied by evidence of discrimination: or

(3) Any customer or group of customers who are affected by said change in rates who reside within the municipal boundaries and who present a petition to the Commission alleging discrimination between said customer or group of customers and other customers of the municipal utility. Said petition shall be accompanied by evidence of discrimination.

All petitions should be addressed to the Executive Secretary, Public Service Commission of West Virginia. 201 Brooks Street, P.O. Box 812, Charleston, West Virginia 25323.

A complete copy of the proposed rates, as well as a representative of the utility to provide any information requested concerning it, is available to all customers, prospective customers, or their agents at any of the following offices of the utility.

Berkeley Springs Water Works, 271 Wilkes Street, Berkeley Springs, WV 25411

A copy of the proposed rates is available for public inspection at the office of the Executive Secretary of the Public Service Commission at 201 Brooks Street, P.O. Box 812, Charleston, West Virginia 25323.

AFFIDAVIT OF PUBLIC NOTICE TO CUSTOMERS OF THE BERKELEY SPRINGS WATER WORKS BY FIRST CLASS MAIL

State of West Virginia
County of Morgan, to wit:

I, Margie Allgyer, being appointed by Town of Bath Mayor and Council, do depose and say that I am the Clerk / Comptroller for the Town of Bath, and that I have been duly authorized by the Town of Bath Council to execute this affidavit of Public Notice to Customers by First Class Mail.

The attached Public Notice, substantially in the format of Tariff Form No. 12 of the Public Service Commission of West Virginia's Rules for the Construction and Filing of Tariff's, W. Va. Code § 24-2-4b and Commission Tariff Rule 150-2-22.1.c.1-3, was mailed to customers of the Berkeley Springs Water Works by First Class Mail on Saturday, May 10, 2008 (Berkeley Springs Post Office Receipt Attached).

Margie Allgyer
Margie Allgyer

Taken, subscribed and sworn to before me in said county this 12 day of May, 2008.

My Commission Expires June 27, 2011

Huberta S. Shade
Notary Public

OFFICIAL SEAL
NOTARY PUBLIC
STATE OF WEST VIRGINIA
HUBERTA S. SHADE
CNB BANK, INC
P. O. BOX 130
BERKELEY SPRINGS, WV 25411
My commission expires June 27, 2011

PUBLIC NOTICE OF CHANGE IN RATES BY MUNICIPALITIES

NOTICE is hereby given that **Berkeley Springs Water Works** public utility, has adopted by ordinance on **May 6, 2008** a tariff containing increased rates, tolls and charges for furnishing Water service to 1,676 customers at the Town of Bath / Berkeley Springs and vicinity, in Morgan County, West Virginia.

The proposed increased rates and charges will become effective **July 1, 2008**, unless otherwise ordered by the Public Service Commission and will produce approximately $91,207.00 annually in additional revenue, an increase of 13.3%. The average quarterly bill for the various classes of customers will be changed as follows:

	($) INCREASE / (DECREASE)	(%) INCREASE / (DECREASE)
Residential	$ (1.74)	(2.7 %)
Commercial	$ 57.74	19.24 %
Industrial	$ 28,317.08	317 %
Governmental	$ 439.97 (Based on a 2" inch meter)	29.6 %

The increases / decreases shown are based on averages of all customers in the indicated class, Individual customers may receive increases that are greater or less than average. Furthermore, the requested rates and charges are only a proposal and are subject to change (increases or decreases) by the Public Service Commission in its review of this filing. The Commission shall review and approve or modify the increased rates only upon the filing of a petition within thirty (30) days of the adoption of the ordinance changing said rates or charges, by:

(1) Any customer aggrieved by the changed rates or charges who presents to the Commission a petition signed by not less than twenty-five percent of the customers served by such municipally operated public utility: or

(2) Any customer who is served by a municipally operated public utility and who resides outside the corporate limits and who is affected by the change in said rates or charges and who presents to the Commission a petition alleging discrimination between customers within and without the municipal boundaries. Said petition shall be accompanied by evidence of discrimination: or

(3) Any customer or group of customers who are affected by said change in rates who reside within the municipal boundaries and who present a petition to the Commission alleging discrimination between said customer or group of customers and other customers of the municipal utility. Said petition shall be accompanied by evidence of discrimination.

All petitions should be addressed to the Executive Secretary, Public Service Commission of West Virginia. 201 Brooks Street, P.O. Box 812, Charleston, West Virginia 25323.

A complete copy of the proposed rates, as well as a representative of the utility to provide any information requested concerning it, is available to all customers, prospective customers, or their agents at any of the following offices of the utility.

Berkeley Springs Water Works, 271 Wilkes Street, Berkeley Springs, WV 25411

A copy of the proposed rates is available for public inspection at the office of the Executive Secretary of the Public Service Commission at 201 Brooks Street, P.O. Box 812, Charleston, West Virginia 25323.

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

Entered: September 22, 2008

CASE NO. 08-0940-W-MA

TOWN OF BATH, a municipal utility,
Berkeley Springs, Morgan County.
Municipal Appeal filed by US Silica Company, an industrial customer of the Town of Bath, to proposed increase in water rates and charges alleging discrimination.

RECOMMENDED DECISION

On May 6, 2008, the Town of Bath (Town) adopted an ordinance that increased its water rates for service to its customers to become effective July 1, 2008, unless otherwise ordered by the West Virginia Public Service Commission. On June 5, 2008, the Commission received an objection to the proposed rate increase from U.S. Silica, Inc. (U.S. Silica), asserting that the proposed increase as applied to U.S. Silica was discriminatory. U.S. Silica requested that the proposed water rate increase be suspended, pending Commission review.

On May 14, 2008, the Town filed affidavits and additional documentation reflecting its compliance with the pre and post-enactment notice requirements set forth in Rule 22.1.c.2. and 4. of the Commission's Rules for the Construction and Filing of Tariffs (Tariff Rules).

By Commission Order dated June 6, 2008, the Commission invoked its jurisdiction in this matter under West Virginia Code §24-2-4b[1], made the

[1] West Virginia Code §24-2-4b(c) provides in pertinent part: The Commission shall review and approve or modify such rates upon the filing of a petition within thirty days of the adoption of the ordinance or resolution changing said rates or charges by: (1) Any customer aggrieved by the changed rates or charges who presents to the Commission a petition signed by not less than twenty-five percent (25%) of the customers served by such municipally operated public utility . . . or . . . (2) Any customer who is served by a municipally operated public utility and who resides outside the corporate limits and who is affected by the change in said rates or charges and who presents to the Commission a petition alleging discrimination between customers within and without the municipal boundaries . . . or (3) Any customer or group of customers who

Town respondent in this proceeding and, pending investigation, hearing and decision thereon, suspended and deferred the use of said increased water rates and charges until 12:01 a.m., October 18, 2008, unless otherwise ordered by the Commission. The Order also referred this matter to the Division of Administrative Law Judges for further proceedings with a decision due date of September 2, 2008. Commission Staff was required to file its report in this matter on or before August 4, 2008. The Commission also required that the Executive Secretary of the Commission cause a copy of said Order to be published once, in a newspaper, duly qualified by the Secretary of State published and of general circulation in the Town, within five (5) days of the date of said Order. Any petitions or motions to intervene in this proceeding were to be filed with the Commission within ten (10) days of the date of publication.

On June 10, 2008, Staff Attorney Cassius H. Toon filed an Initial Joint Staff Memorandum stating that Commission Staff was continuing its investigation into the Town's proposed water rate increase and would file its final recommendation herein in a timely manner.

On June 18, 2008, the Commission received an affidavit of publication reflecting publication of the Commission's June 6, 2008 Order on June 11, 2008, in The Morgan Messenger, a newspaper duly qualified by the Secretary of State, published and of general circulation in Morgan County, West Virginia.

On June 23, 2008, Mr. Jim Slough filed a letter of support for the Town's proposed water rate increase and requested that he be granted intervenor status in this proceeding.

On June 25, 2008, Mr. Toon filed a Further Joint Staff Memorandum to which was attached an Initial Internal Memorandum dated June 23, 2008, prepared by Jonathan Fowler, Engineer III, Engineering Division, and Conrad W. Bramlee, Utilities Analyst III, Water and Wastewater Division. Commission Staff reported that it would be performing a class cost of service study (CCSS) of the Town's water operations based on fiscal year 2006-2007 and would file its final substantive report herein in a timely manner.

On July 16, 2008, counsel for the Town filed motions to extend the Administrative Law Judge's decision due date and to toll the statutory deadline.

By Commission Order dated July 17, 2008, the Administrative Law Judge's decision due date of September 2, 2008, was extended until September 22, 2008.

By Commission Order dated July 18, 2008, the Town's motion to toll the statutory due date in this proceeding was granted and the statutory

---

are affected by said change in rates who reside within the municipal boundaries and who present a petition to the Commission alleging discrimination between said customer or group of customers and other customers of the municipal utility . . .

deadline was extended to 12:01 a.m., November 17, 2008, and Commission Staff's report due date was extended to 4:00 p.m., August 24, 2008.

On August 17, 2008, the Morgan County Board of Education filed a letter of protest to the Town's proposed water rate increase.

On August 21, 2008, Chief Administrative Law Judge Melissa K. Marland issued a Procedural Order assigning this matter to the undersigned Administrative Law Judge for further disposition.

By Procedural Order dated August 22, 2008, this matter was scheduled for hearing to commence at 10:00 a.m., on September 3, 2008, in the Morgan County Board of Education Building, 247 Harrison Avenue, Berkeley Springs, West Virginia. Additionally, the petition to intervene filed herein by Mr. Jim Slough was granted.

On August 25, 2008, Mr. Toon filed a Final Joint Staff Memorandum to which was attached a Staff Report dated August 22, 2008, prepared by Mr. Fowler, Mr. Bramlee and Bonnie Boston, Utilities Analyst I, Water and Wastewater Division.

On August 28, 2008, U.S. Silica filed a Motion to Intervene requesting that it be granted intervenor status in this proceeding.

By Procedural Order dated August 29, 2008, the Motion to Intervene filed in this matter on August 28, 2008, by U.S. Silica requesting intervenor status in this proceeding was granted.

On September 2, 2008, the Town filed an affidavit of publication reflecting that the Notice of Hearing had been published on August 27, 2008, in The Morgan Messenger, a newspaper duly qualified by the Secretary of State, published and of general circulation in Morgan County, West Virginia.

The hearing convened on Wednesday, September 3, 2008, as scheduled. Appearing on behalf of the Town was Richard G. Gay, Esquire. Floyd M. Sayre, III, Esquire, appeared on behalf of U.S. Silica. Mr. Toon appeared on behalf of Commission Staff. Mr. Jim Slough appeared pro se. Commission Staff presented the testimony of one witness and introduced two exhibits into evidence. The Town presented the testimony of one witness and introduced into evidence four exhibits. Seven individuals made statements concerning the Town's proposed rate increase. Approximately twenty Town residents were in attendance at the hearing.

On September 17, 2008, counsel for U.S. Silica filed a letter noting that line 9, page 106, of the transcript contained an error. The word "marshall" in that particular line should read "marginal".

EVIDENCE

Of the approximately twenty Town residents who attended the hearing held in this matter, seven gave statements. The issue brought forth by six of the individuals who gave statements, which included two members of the Town's Council and the President of the Morgan County School Board,

concerned the effect of the rate increase on those customers who are retired and on fixed incomes; the ability of some of the Town's residents to pay the increase; and disagreement with Commission Staff's recommended rate structure and rates. The Town's Mayor presented a brief overview of the problems the Town has faced with its water system and the efforts that have been made and are continuing to be made to correct those problems with the least amount of adverse financial impact on the Town's residents. (Tr., pp. 10-28).

The Town stated that it was in agreement with the Staff-recommended rates and recommendations set forth in Staff Exhibit 1 with the exception of Commission Staff's determination that the Town had incorrectly billed customers with a meter size larger than 5/8-inch. U.S. Silica also stated that it was in agreement with the Staff-recommended rates and recommendations set forth in Staff Exhibit 1. (Tr., pp. 29-30).

The Town owns and operates a public water utility, known as the Berkeley Springs Water Works, which serves 1,684 customers, including residential and commercial customers and one industrial customer, U.S. Silica. The system includes a modern water filtration facility with a design capacity of 700 gallons per minute[2], five water storage tanks with a combined storage volume of 1,086,000 gallons, two water booster stations and approximately 158,500 lineal feet of various sizes and types of water distribution lines. Many of the water lines are quite old, some approaching 100 years old, and many, especially those lines 2-inch and smaller in size, are constructed of galvanized steel or antiquated and now unavailable small diameter cast-iron pipe. These old, small-diameter metallic lines, which make up slightly less than one-fifth of the total system footage, are in poor condition and prone to failure due to age and corrosion. (Staff Ex. 1, Letter of Transmittal).

In Case No. 05-0288-W-PC, the Town filed a petition to impose a moratorium on new customers due to the fact that the water system was operating at nearly 100% capacity 24 hours per day. The requested moratorium was granted by Recommended Decision dated September 22, 2005, which became a final Commission Order on October 12, 2005. The Town was directed to establish a list, in chronological order, of all new customers requesting service and further directed the Town to petition to reopen the moratorium case upon achieving substantial completion of an on-going water main replacement project, which was approved in Case No. 05-1801-W-CN. On April 2, 2008, the Commission reopened Case No. 05-0288-W-PC and required the Town to file a detailed report regarding the continuing need for a moratorium. On May 19, 2008, the Town filed a report which provided certain information about its current status. By Procedural Order dated July 7, 2008, the Commission directed Commission Staff to develop a response to the Town's May 19, 2008 filing. On August 29, 2008, Commission Staff filed its report in Case No. 05-0288-W-PC, detailing its review of the Town's current water system operations

---

[2]Although the plant can <u>filter</u> 700 gallons per minute (1,000,000 gallons per day), other equipment restrictions limit the output of the plant to approximately 480 gallons per minute. The average production for the month of May 2008 was 478 gallons per minute and the plant operated an average of 23.9 hours per day.

and recommended, in part, that the existing moratorium on new customer connections be continued subject to annual Commission review. (Staff Ex. 1, Letter of Transmittal).

The Town's water system exhibits a very high level of unaccounted-for water (UFW)[3] losses, with the reported UFW for the year ending June 30, 2007, being 63.5%, which is more than four times the maximum acceptable level of 15%. This level of water loss has been prevalent for many years and no improvement has been seen despite the recent replacement by the Town of approximately 23,000 feet of water mains. The historical level of water loss for the previous ten years, as reported in the Town's Annual Reports, ranged from a high of 63.5% to a low of 47.3% and averaged 52.5% over the ten-year period. The reported level of loss for the most recent three-year period reveals that the level of UFW has not improved in recent times, with the exception of a very short-lived drop occurring in the third and fourth quarter of 2007, following completion of the line replacement project approved by the Commission in Case No. 05-1801-W-CN, when water losses declined just slightly to an average 57%. However, even this short-lived improvement was subsequently erased as losses again climbed to 62% in the first quarter of 2008. This very high level of water loss, coupled with the limitation of the Town's raw water source, constitutes a threat to the safe and continuous operation of the Town's water system. (Staff Ex. 1, Letter of Transmittal).

Commission Engineering Staff reviewed the operation and maintenance expenses (O&M) reported by the Town during the test year and, based upon its review of operations, believed that the system is capable of sustaining an adequate level of operations at the level of O&M expenses recommended by Commission Financial Staff. Consequently, Commission Engineering Staff did not make any adjustments to the level of O&M expenses observed in the test year. (Staff Ex. 1, Letter of Transmittal).

Commission Engineering Staff went on to report that it had also completed a review of the Town's historical level of plant additions and had also completed an evaluation of the future, additional capital needs of the Town's water system in order to arrive at the recommended level of surplus in this case. It was noted that the historical level of plant additions for any given utility, when properly adjusted for inflation costs, can provide guidance for establishing a future level of spending which will maintain the status quo for that utility vis-a vis plant additions. Commission Engineering Staff had to make a reasonable determination of whether or not the Town's historical level of spending actually represented the real needs of the system or if, as is quite often the case, the historical level represented only the expenditure of those funds remaining after the payment of other costs such as O&M, debt payments, etc. Commission Engineering Staff noted that it had found in

---

[3]Rule 1.7.q. of the Commission's Rules and Regulations for the Government of Water Utilities (Water Rules) defines unaccounted-for water as: the volume of water introduced into the distribution system less all metered usage and all known non-metered usage which can be estimated with reasonable accuracy.

many cases that small public utilities typically under-spend on replacement and renovation (R&R) due to either perceived or actual cash flow problems. Further, the managers and governing boards overseeing these small, local utilities often bow to pressures to keep rates artificially low and they do this most often by deferring needed capital spending. Commission Engineering Staff found that, in this particular case, the Town had simply not historically invested enough capital into the replacement and renovation of its water system. (Staff Ex. 1, Letter of Transmittal).

The historical level of the Town's plant additions was analyzed and was determined to be $52,931 per year, after making an adjustment for inflation. As a result of that analysis, Commission Engineering Staff recommended that the historical level of plant additions, adjusted for inflation, be provided for, along with an additional plant replacement adjustment of $140,000 per year. The additional $140,000 in capital expenditures, to be generated from rates, will be used to evaluate and replace the Town's antiquated and poorly performing distribution facilities in accordance with the first phase of a multi-year improvement program. This program, as presently envisioned, would be executed by the Town's in-house work force, as well as by some traditional contracting activities. The Staff-recommended annual surplus of $193,000, including the ongoing R&R reserve requirement will consist of the following: (a) the historical average plant addition amount of $52,931, which includes the R&R requirement of $24,985[4], plus (b) the Staff Engineering estimate of additional capital expenditures of $140,000. At the test year sales level of 104,968.6 M gal. per year, this equates to approximately $1.84 per M gal. (Staff Ex. 1, Letter of Transmittal).

The Town's water system suffers from an extremely high level of water loss and these losses present a very real threat to the safe and continuous operation of this system. This is especially true in light of the fact that the Town has a finite and fixed source of raw water and the fact that there are no supplemental sources of water nearby. Consequently, in recognition of the urgent and continuing need to reduce water losses, and, accordingly, reduce plant operating time, Commission Staff recommended a program which will serve to replace significant portions of the Town's troublesome water lines and thereby allow the Town to obtain meaningful improvement in the level of unaccounted-for water. This approach will make use of the Town's in-house work forces and equipment, supplemented by additional resources as needed, to replace the smaller-diameter mains and services while simultaneously using contracted services procured under the traditional design-bid-build approach and funded with traditional financing to replace the larger or more-difficult-to-construct mains and appurtenances. Specifically, the program includes the following items:

---

[4]In an August 19, 2008 Commission Order entered in Case No. 07-0175-PWD-19A, the Commission noted that Staff's previous method of calculation of annual surplus should be revised so that the amount of any R&R reserves, typically 2.5% of revenue, should be included in the annual surplus rather than being separate from and in addition to the surplus.

(1) The replacement of approximately 30,000 feet of smaller diameter mains and services over a five-year period;

(2) The completion of a detailed water audit;

(3) The implementation of an enhanced leak-detection/loss reduction program; and

(4) The completion of a $4.5 million water main replacement project.

Details of each of the above four items were then provided by Commission Engineering Staff. (Staff Ex. 1, Letter of Transmittal).

Commission Financial Staff conducted a review of the Town's books and records and made per books and going-level adjustments. Per books adjustments were made to further classify expenses and correct account postings. Going-level adjustments were made for known and measurable changes to payroll, power, chemicals, miscellaneous expenses, uncollectible accounts, office supplies, property insurance, employee benefits, regulatory expenses, miscellaneous general expenses and rents. (Staff Ex. 1, Letter of Transmittal and Statement G, Sheets 1 through 12).

Commission Financial Staff reported that, during its review, it had discovered that the Town had incorrectly billed large metered customers who consumed more than 6,000 gallons per billing cycle. The Town's bill software calculated the bill for any customer with a meter size larger than 5/8-inch based on the assumption that the various minimum charges for each of the larger meters, as stated in their tariff, would cover the consumption of only 6,000 gallons per billing cycle. Consumption over 6,000 gallons in a billing cycle was billed at the appropriate block rates. As a result of this process error, approximately 49 large metered customers were over-billed an estimated total of $46,000 during the test period. It appears that the problem began when the Town changed billing software in January 2005. Staff estimated that the over-billing between January 2005 and August 2008 totaled approximately $161,000. Accordingly, Staff recommended that the Town develop a methodology to refund or credit these over-billings to affected customers over a five-year period, which equates to approximately $32,000 per year for five years. The Town had been made aware of this problem and indicated that it would contact its billing software programmer to have the problem corrected. (See, Staff Ex. 1, Letter of Transmittal).

Commission Staff went on to state that a utility's rates and charges are determined on the basis of the cost to operate its system and provide services to its customers. Therefore, a Class Cost of Service Study (CCSS) is utilized to evaluate the revenue requirements for each of the utility's customer classes and develop a rate structure which best recovers the revenue requirements from each class. It was noted that, over time, the demands placed on a utility's system may change so that an initial or existing rate structure may not be adequate to recover the costs associated with each class of customer. In this instance, Commission Staff performed a CCSS to determine the per books adjusted, pro forma and Staff-recommended revenue requirements of each of the

Town's customer classes and developed rates and charges to recover the appropriate revenues from each class. Based on the annual revenue requirements as set forth in Statement CS of Staff's Report, Commission Staff recommended an increase to the Town's residential, commercial and industrial customers' rates sufficient to recover the appropriate level of required revenue for those customers. Under the Staff-recommended rates and charges, the minimum quarterly bill for 6,000 gallons of water usage would be $80.70, with an average quarterly bill, based on 13,500 gallons of water usage (4,500 gallons per month average usage x 3 months), would be $153.60. The Staff-recommended rates will produce a cash surplus of $28,091 and a debt coverage ratio of 196.29%. (Staff Ex. 1, Letter of Transmittal and Statement D, Schedule 3, Statement H and Statement CS).

The Town called as a witness Mr. David S. Crosby, who has been a member of the Town Council of the Town of Bath since October 15, 2003, and, as a member of the Town Council's water committee, has been associated with the operations of the Town's water system since that time. (Tr., pp. 35-36). Mr. Crosby stated that, in January 2005, the Town changed its billing software provider for its water department and, in conjunction with that change, implemented a different interpretation of the application of its tariff rates to encourage the Town's large water users to conserve water consumption. Mr. Crosby stated that, at that time, it was decided that, for all customers, the minimum charges would apply to the first 6,000 gallons of water consumed, with consumption over 6,000 gallons being billed at the appropriate block rates. (Tr., pp. 39-48). Mr. Crosby went on to state that the first actual bills using this interpretation and application of its tariff went out in January 2006, which would be for water consumption in the last quarter of 2005. (Tr., pp. 49-50).

Ms. Bonnie Boston, a Utilities Analyst in the Commission's Water and Wastewater Division, testified as to her participation in the preparation of Staff Exhibit 1. (Tr., pp. 74-75). Ms. Boston testified that the declining block rate and minimum charges for various meter sizes contained in the Town's existing and Staff-proposed new tariff are in the standard format used by the Commission for water utilities for decades. (Tr., pp. 75-76). Ms. Boston, referring to Staff Exhibit 1, Statement D, Schedule 1, stated, for an example, that a 3/4-inch meter customer should have a minimum bill per quarter of $837.00 if they used 0 gallons of water per quarter up to approximately 120,877 gallons of water per quarter. If a 3/4-inch meter customer used 149,000 gallons of water, they would pay $837.00 for the first 120,877 gallons of water used and the gallons consumed over that first 120,877 would be billed at the appropriate block rate of $6.74 per 1,000 gallons. (Tr., pp. 77-78). Ms. Brown stated that she discovered the Town's billing error during her review of the Town's billing records for the test year July 1, 2006, to June 30, 2007. However, in response to her inquiry, the Town supplied her with additional billing information outside the test year which revealed that the billing error began in approximately January 2005, when the Town implemented a new billing system, resulting in a total approximate overbilling of $161,000. (Tr., pp. 81-84; Staff Ex. 1; Staff Ex. 2). Ms. Brown acknowledged that there was no Commission publication setting forth the manner in which a utility's rates should be applied to a customer's water consumption to calculate that customer's bill. (Tr.,

pp. 85-86, 102). Ms. Brown also noted that, prior to January 2004, the Town had been calculating its water bills correctly. (Tr., p. 87; Staff Ex. 2). Ms. Brown also clarified that the billing error was only applicable to those customers who had meters larger than 5/8-inch. (Tr., pp. 92-93). Ms. Boston also acknowledged that an average customer may not know how many gallons can be consumed for each of the minimum charge rates when looking at just the tariff standing alone. (Tr., p. 99).

DISCUSSION

The undersigned realizes that the concerns of the Town's citizens regarding their ability to pay for their water service are of great importance to them. Indeed, as expressed by some of the protestants, there may well come a time when a significant number of the Town's residential customers will no longer be able to pay their water bill, thereby diminishing the Town's revenue. However, when, or if, that will occur, the undersigned cannot predict, nor can the undersigned or Commission Staff provide the protestants with definite answers as to what may or may not occur to the Town or its customers at that time. Unfortunately, any public utility must collect sufficient revenues to pay for the costs to provide adequate water service to all of its customers and there is no doubt in this proceeding that the Town requires a significant increase in its water rates and charges to (1) fairly and equitably pay for its current costs of operation and (2) pay for needed system repairs and upgrades.

The rates recommended by Commission Staff in this case appear to be reasonable and were designed to cover the Town's water utility service O&M expenses, meet all of the Town's debt service requirements and expand its system improvement program and, accordingly, will be approved. In approving the Commission Staff-recommended rates, the undersigned is not unmindful of the objections to the rate structure raised by several members of the Town's Council and the Intervenor.

When considering a municipal appeal proceeding, it must be kept in mind that West Virginia Code §24-2-4b provides, in pertinent part, that the rates to be established by the Commission must be "just, reasonable, applied without unjust discrimination or preference and based primarily on the costs of providing these services." The Commission has established a policy in municipal appeal cases that the best way to ensure that rates are based on the costs of providing these services is to use a Class Cost of Service Study (CCSS) methodology. A utility's rates and charges are determined on the basis of the cost to operate the system. A CCSS evaluates and establishes the revenue or cost requirements of the system and then allocates the cost of the system's operation to the customer classes responsible for those costs being incurred, with the final result being that each class of customer pays its reasonable share of the costs.

The Town has done what it apparently historically has done, i.e., adopt a flat-rate tariff which includes an across-the-board increase, without the benefit of a CCSS to determine whether or not the new rates and flat rate structure are non-discriminatory and based on the costs of providing water services. By statute, when the opportunity arises, the

Commission must examine and approve or modify such rates and rate structure to see that they provide for rates which are "just, reasonable, applied without unjust discrimination or preference and based primarily on the costs of providing these services." The Town's pre-existing rates and proposed flat rate structure were inequitable in that the commercial class was subsidizing the rates of the residential and industrial classes. The resolution proposed by the Town, i.e., a flat rate structure and an across-the-board rate increase, simply perpetuated this inequity. The end result is that the rates and tariff design recommended by Commission Staff simply correct an existing inequity and there exists nothing in the case file to demonstrate that the Staff-recommended rates are incorrect, inequitable or unreliable. Accordingly, the Staff-recommended rates for the Town's water operations will be approved.

The Town has expressed its disagreement with only one of Commission Staff's findings and recommendations. Commission Staff found that the Town had overcharged its customers with meters larger than 5/8-inch beginning in early 2005 and continuing, presumably, to the present. This overcharge was based upon a misapplication of the Town's minimum rate charges. The Town believes it should not be required to refund any monies generated from these overcharges since there are no written Commission documents, pamphlets, rules or regulations that specifically set forth how minimum charges should be applied to a customer's bill and, therefore, it was free to apply those charges in whatever manner it chose. The undersigned notes that the Town's current tariff does not make reference in the minimum charge section to the equivalent gallon usage for each specified minimum charge. However, Tariff Rule 3.7. provides, in part, that "[a]ll water and sewer tariff schedules filed after the effective date of these rules will conform with Tariff Form Nos. 4a and 4b as to format, phrasing and style. Tariff Form No. 4a sets forth that the usage in equivalent gallons for each minimum size meter will be shown on the tariff. Clearly, if the Town had examined Tariff Form No. 4a or had included the equivalent gallons for the minimum charge for each meter size in its ordinance and tariff, the overcharging of customers would not have happened. Accordingly, the Town will be directed to refund or credit the overcharges to the metered customers in question as recommended by Commission Staff.

FINDINGS OF FACT

1. On May 6, 2008, the Town of Bath adopted an ordinance that increased its water rates for service to its customers to become effective July 1, 2008. (See, Ordinance adopted May 6, 2008).

2. The Town filed affidavits and additional documentation reflecting its compliance with the pre and post-enactment notice requirements set forth in Rule 22.1.c.2. and 4. of the Commission's Rules for the Construction and Filing of Tariffs (Tariff Rules). (See affidavits and documents filed May 14, 2008).

3. On June 5, 2008, the Commission received an objection to the proposed rate increase from U.S. Silica, Inc., asserting that the

proposed increase as applied to U.S. Silica was discriminatory. (See, June 5, 2008 filing).

4. By Commission Order dated June 6, 2008, the Commission invoked its jurisdiction in this matter under West Virginia Code §24-2-4b, made the Town respondent in this proceeding and, pending investigation, hearing and decision thereon, suspended and deferred the use of said increased water rates and charges until 12:01 a.m., October 18, 2008, unless otherwise ordered by the Commission. (See, Commission Order entered June 6, 2008).

5. On September 2, 2008, the Town filed an affidavit of publication reflecting that the Notice of Hearing had been published on August 27, 2008, in The Morgan Messenger, a newspaper duly qualified by the Secretary of State, published and of general circulation in Morgan County, West Virginia. (See, affidavit of publication filed September 2, 2008).

6. The Town's going-level rates and charges are producing an annual cash flow deficit of $70,677 and a debt service coverage of 83.67%. (See, Statement H of Staff Ex. 1).

7. The Staff-recommended rates, as contained in Statement D, Schedule 3, of Staff Exhibit 1 will produce, including the establishment of a dedicated escrow account for line replacement, an annual cash flow surplus of $28,091 and a debt service coverage of 196.29%. (See, Statement H of Staff Ex. 1).

8. The Town's water system currently experiences an exceptionally high level of unaccounted-for water losses, with the reported unaccounted-for water for the year ending June 30, 2007, being 63.5%, which is more than four (4) times the maximum acceptable level of 15%. (See, Staff Exhibit 1).

9. The CCSS performed by Commission Staff revealed that the Town's current, and proposed, flat rate structure, results in a cross-subsidization of customer classes and that, if the Town's proposed, flat rate structure is approved, the cross-subsidization of customer classes will continue and the Town's residential and industrial customers will not be generating the correct level of revenues to cover the revenue requirements for those classes. (See, Staff Exhibit 1, Statement CS).

10. Commission Staff recommended that the Town's proposed flat rate structure be replaced with a declining block rate structure to recover the appropriate level of revenue for each class of customer and to eliminate the cross-subsidization which would result from the use of the proposed flat rate structure. (See, Staff Exhibit 1, Statement CS).

11. Beginning some time early in 2005, the Town's billing software has calculated the bill for any customer with a meter size larger than 5/8-inch based on the assumption that the various minimum charges, as stated in the Town's tariff, for each of the larger meters would cover the consumption of only 6,000 gallons of water per billing cycle, with consumption over 6,000 gallons in a billing cycle being billed at the

appropriate block rates. (Staff Exhibit 1; Tr., pp. 39-50, 77-78; 81-84).

12. Commission Staff estimated that the overbilling totaled approximately $161,000 and recommended that the Town develop a methodology to refund or credit the overbillings to the affected customers over a five-year period. (See, Staff Exhibit 1).

CONCLUSIONS OF LAW

1. The laws of this state and the rules and regulations of the Commission require that the rates adopted in the Town's municipal appeal be just and reasonable and based primarily on the costs of providing that service, and also that they be sufficient to cover the Town's O&M expenses, necessary plant additions and its debt service requirements.

2. Under the facts and circumstances of this case and considering the recommendations of Commission Staff, it is reasonable to disapprove the increased water rates and charges and proposed flat rate structure contained in the most recent water rate ordinance adopted by the Town of Bath on May 6, 2008, and to substitute therefor and approve the Staff-recommended rates and charges, attached hereto as Appendix A, for all water services rendered by the Town of Bath on or after 12:01 a.m., October 18, 2008.

3. Under the facts and circumstances of this case and considering the recommendations of Commission Staff, it is reasonable and appropriate to require that, from the rates generated, the Town establish and maintain a separate account to be used solely for the evaluation and replacement of the Town's smaller-diameter mains and service lines, performance of a water audit and continuance and enhancement of the Town's leak detection/loss reduction program, all as recommended by Commission Staff. It is also reasonable and appropriate to require, in conjunction with these programs, that the Town maintain complete and detailed financial and technical records of its line replacement program, performance of the water audit and continuance and enhancement of its leak detection/loss reduction program, to ensure that a full accounting of the costs involved and the results of the work performed can be made in any future proceedings before the Commission.

4. Under the facts and circumstances of this case and considering the recommendations of Commission Staff, it is reasonable to conclude that the Town over-billed customers with a meter size larger than 5/8-inch from approximately January 2005 to the present and that the Town should be required to correct the billing error as quickly as possible and to develop and implement a methodology to determine exactly when said overbillings began and the amount of overbilling for each customer and to refund or credit those overbillings to the affected customers over a five-year period.

ORDER

IT IS, THEREFORE, ORDERED that the municipal rate ordinance adopted by the Town of Bath on May 6, 2008, be, and hereby is, disapproved and the rates and charges contained therein disapproved and stricken from the Town's tariff on file with the Commission.

IT IS FURTHER ORDERED that the Staff-recommended rates and charges, attached hereto as Appendix A, be, and hereby are, approved for all water services rendered by the Town of Bath on and after 12:01 a.m., October 18, 2008, unless otherwise ordered by the Commission.

IT IS FURTHER ORDERED that the Town of Bath establish and maintain a separate escrow account and place therein $140,000 per year for the evaluation and replacement of the Town's smaller-diameter mains and service lines, performance of a water audit and continuance and enhancement of the Town's leak detection/loss reduction program, as recommended by Commission Staff. The Town shall maintain complete and detailed financial and technical records of its line replacement program, water audit and leak detection/loss reduction program to ensure that a full accounting of the costs involved and the results of the work performed can be made in any future proceedings before the Commission.

IT IS FURTHER ORDERED that the Town of Bath correct, if it has not already done so, its billing software to eliminate the overcharges for its customers with water meters larger than 5/8-inch and that it begin to develop and implement a methodology to determine exactly when said overbillings began and the amount of overbilling for each customer and, as soon as is practicable, to refund or credit those overbillings to the affected customers over a five-year period.

IT IS FURTHER ORDERED that the Town of Bath file with the Public Service Commission's Tariff Office an original and at least five (5) copies of a revised tariff containing the rates approved in Appendix A within thirty (30) days of the date that this Order becomes final.

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

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

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

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

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

John P. Carter

John P. Carter
Administrative Law Judge

JPC:mal
080940ac.wpd

TOWN OF BATH - WATER
CASE NO. 08-0940-W-MA
APPROVED RATES

APPLICABILITY

Applicable within the entire territory served.

AVAILABILITY

Available for general domestic, commercial, industrial and sale for resale service.

RATES (customers with metered water supply)

First	6,000 gallons used per quarter	$13.45	per 1,000 gallons
Next	9,000 gallons used per quarter	$ 9.72	per 1,000 gallons
Next	135,000 gallons used per quarter	$ 7.78	per 1,000 gallons
Next	450,000 gallons used per quarter	$ 3.93	per 1,000 gallons
All Over	600,000 gallons used per quarter	$ 2.41	per 1,000 gallons

MINIMUM CHARGE

No bill will be rendered for less than the following amounts, according to the size of the meter installed:

		Equivalent Gallons (Gallons per quarter)
5/8-inch meter	$ 80.70 per quarter	6,000
3/4-inch meter	$ 121.05 per quarter	10,151
1 -inch meter	$ 201.75 per quarter	19,315
1-1/2-inch meter	$ 403.50 per quarter	45,247
2 -inch meter	$ 645.60 per quarter	76,365
3 -inch meter	$1,291.20 per quarter	168,504
4 -inch meter	$2,017.50 per quarter	353,313
6 -inch meter	$4,035.00 per quarter	1,034,863
8 -inch meter	$6,456.00 per quarter	2,039,427

RETURNED CHECK CHARGE

A service charge equal to the actual bank fee assessed to the Utility or a maximum of $25.00 will be imposed upon any customer whose check for payment of charges is returned by their bank due to insufficient funds.

PRIVATE FIRE PROTECTION SERVICE

Where connections, hydrants, sprinklers, etc., on property are maintained by customer:

1-inch Service Line with hydrants, sprinklers, and/or hose connections	$ 37.50 per quarter
2-inch Service Line with hydrants, sprinklers, and/or hose connections	$ 50.00 per quarter
3-inch Service Line with hydrants, sprinklers, and/or hose connections	$ 77.50 per quarter
4-inch Service Line with hydrants, sprinklers, and/or hose connections	$105.00 per quarter
6-inch Service Line with hydrants, sprinklers, and/or hose connections	$135.00 per quarter
8-inch Service Line with hydrants, sprinklers, and/or hose connections	$165.00 per quarter

PUBLIC FIRE PROTECTION SERVICE

The fee for a public fire hydrant is $10.30 per hydrant per quarter.

The Town of Bath shall pay a public fire service charge of $309 per quarter, payable in four equal quarterly installments.

DELAYED PAYMENT PENALTY

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

RECONNECTION - $25.00

To be charged whenever the supply of water is turned off for violations of rules, non-payment of bills or fraudulent use of water.

ADMINISTRATIVE FEE - $25.00

To be charged in the event the Town collects payment in full of a delinquent water bill at the customer's premise in lieu of discontinuance of service for nonpayment of a water bill.

TAP FEE

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

A tap fee of $577.50 will be charged to customers who apply for service outside of a certificate proceeding before the Commission for each new tap to the system.

LEAK ADJUSTMENT

$0.47 per 1,000 gallons is to be used when the bill reflects unusual consumption which can be attributed to eligible leakage on customer's side of the meter. This rate shall be applied to all such consumption above customer's historical average usage.

SECURITY DEPOSITS

$50.00 or 2/12 of the average annual usage of the applicant's specific customer class, whichever is greater.

MUNICIPAL EXCISE TAX SURCHARGE

The municipality listed below having imposed a public utility tax computed on the basis of two percent of the revenues from water sales by the Berkeley Springs Water Works within the corporate limits of such municipality, said tax shall be billed as a "surcharge" to the customers receiving service within said corporate limits.

The water utility is required to collect the utility tax pursuant to West Virginia Code §8-13-5a.

Customers receiving water service within the corporate limits of the specified municipality shall pay a surcharge based on the following surcharge rates:

Municipality	Local Tax Rate	Utility Excise Tax Surcharge Rate
Town of Bath	2%	

Customers receiving water service within the corporate limits of the specified municipality shall pay a surcharge based on the following surcharge rates:

Municipality	Local Tax Rate	Utility Excise Tax Surcharge Rate
Town of Bath	2%	

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

Entered: September 24, 2008

CASE NO. 08-0940-W-MA

TOWN OF BATH, a municipal utility,
Berkeley Springs, Morgan County.
Municipal Appeal filed by US Silica Company, an industrial customer of the Town of Bath, to proposed increase in water rates and charges alleging discrimination.

CORRECTIVE ORDER

On May 6, 2008, the Town of Bath (Town) adopted an ordinance that increased its water rates for service to its customers to become effective July 1, 2008, unless otherwise ordered by the West Virginia Public Service Commission. On June 5, 2008, the Commission received an objection to the proposed rate increase from U.S. Silica, Inc. (U.S. Silica), asserting that the proposed increase as applied to U.S. Silica was discriminatory. U.S. Silica requested that the proposed water rate increase be suspended, pending Commission review.

By Recommended Decision dated September 22, 2008, the municipal rate ordinance adopted by the Town on May 6, 2008, was disapproved and the Staff-recommended rates and charges, attached thereto as Appendix A, were approved for all water services rendered by the Town of Bath on and after 12:01 a.m., October 18, 2008, unless otherwise ordered by the Commission.

It has come to the attention of the undersigned that there were several typographical errors in the summary of the testimony of Ms. Bonnie Boston as set forth on pages 8 and 9 of said Recommended Decision, in that, in several instances, Ms. Boston was referred to as Ms. Brown and the references to a 3/4-inch meter customer should have been to a 3-inch meter customer.

Upon consideration of all of the above, the undersigned is of the opinion that the above-referenced typographical errors on page 8 and 9 of the Recommended Decision entered herein on September 22, 2008, should be corrected and that except as herein revised and corrected said September 22, 2008 Recommended Decision should remain in full force and effect.

ORDER

IT IS, THEREFORE, ORDERED that the summation of the testimony of Ms. Bonnie Boston, as set forth on pages 8 and 9 of the Recommended Decision entered herein on September 22, 2008, be, and hereby is, corrected to read as follows, to-wit:

KKG

Ms. Bonnie Boston, a Utilities Analyst in the Commission's Water and Wastewater Division, testified as to her participation in the preparation of Staff Exhibit 1. (Tr., pp. 74-75). Ms. Boston testified that the declining block rate and minimum charges for various meter sizes contained in the Town's existing and Staff-proposed new tariff are in the standard format used by the Commission for water utilities for decades. (Tr., pp. 75-76). Ms. Boston, referring to Staff Exhibit 1, Statement D, Schedule 1, stated, for an example, that a 3-inch meter customer should have a minimum bill per quarter of $837.00 if they used 0 gallons of water per quarter up to approximately 120,877 gallons of water per quarter. If a 3-inch meter customer used 149,000 gallons of water, they would pay $837.00 for the first 120,877 gallons of water used and the gallons consumed over that first 120,877 would be billed at the appropriate block rate of $6.74 per 1,000 gallons. (Tr., pp. 77-78). Ms. Boston stated that she discovered the Town's billing error during her review of the Town's billing records for the test year July 1, 2006, to June 30, 2007. However, in response to her inquiry, the Town supplied her with additional billing information outside the test year which revealed that the billing error began in approximately January 2005, when the Town implemented a new billing system, resulting in a total approximate overbilling of $161,000. (Tr., pp. 81-84; Staff Ex. 1; Staff Ex. 2). Ms. Boston acknowledged that there was no Commission publication setting forth the manner in which a utility's rates should be applied to a customer's water consumption to calculate that customer's bill. (Tr., pp. 85-86, 102). Ms. Boston also noted that, prior to January 2004, the Town had been calculating its water bills correctly. (Tr., p. 87; Staff Ex. 2). Ms. Boston also clarified that the billing error was only applicable to those customers who had meters larger than 5/8-inch. (Tr., pp. 92-93). Ms. Boston also acknowledged that an average customer may not know how many gallons can be consumed for each of the minimum charge rates when looking at just the tariff standing alone. (Tr., p. 99).

IT IS FURTHER ORDERED that except as revised and corrected herein the Recommended Decision previously entered herein on September 22, 2008, shall remain in full force and effect.

IT IS FURTHER ORDERED that the Commission's Executive Secretary serve a copy of this Order upon all parties to this proceeding by United States Certified Mail, return receipt requested, and upon Commission Staff by hand delivery.

John P. Carter
Administrative Law Judge

JPC:bam
080940ad.wpd

BB&T

Branch Banking & Trust Co.

Governmental Finance
501 Tennessee Avenue
Charleston, WV 25302
(304) 353-1635
Fax (304) 340-4702

September 19, 2008

John C. Stump
Counsel
Steptoe and Johnson PLLC
PO Box 1588
Charleston, WV 25326

Dear Mr. Stump:

Branch Banking and Trust Company ("BB&T") is pleased to offer this proposal for the financing requested by the Town of Bath, West Virginia ("Town").

(1) **Project:** Water Revenue Refunding Bonds, Series 2008

(2) **Amount To Be Financed:** up to $1,200,000.00

(3) **Interest Rates, Financing Terms and Corresponding Payments:**

Maturity	Rate
September 1, 2024	4.18%

Payments shall be monthly in arrears, as requested. See the attached amortization schedule(s) for information on payments.

The interest rates stated above are valid for a closing not later than 30 days after today. Closing of the financing is contingent upon completing documentation acceptable to BB&T and upon the condition of the property being acceptable to BB&T. We have reviewed your most recent financial statements for funding of this transaction.

Remuneration for our legal expenses and other costs associated with this financing transaction shall be $2,950.00. All applicable taxes, surveys, permits, costs of environmental studies, title insurance premiums, costs of lawyers for the Town and any other costs shall be the Town's responsibility and separately payable by the Town. The financing documents shall allow prepayment of the principal balance in whole on a scheduled payment date with a 1% prepayment premium.

The stated interest rates assume that the Town expects to borrow less than $10,000,000 in calendar year 2008 and that the Town shall comply with IRS Code Sections 141, 148 and 149. BB&T reserves the right to terminate its interest in this bid or to negotiate a mutually acceptable rate if the financing is not qualified tax-exempt financing for the purpose of IRS Code Section 265(b)(3).

(4) **Financing Documents:**

It shall be the responsibility of the Town to retain and compensate counsel to appropriately structure the revenue refunding bond according to West Virginia Statutes. BB&T shall also require the Town's Bond Counsel to provide an unqualified legal opinion. BB&T reserves the right to review the bond documentation and it must be mutually accepted by BB&T and the Town.

(5) **Security:**

The financing shall be secured by a first lien on the gross revenues of the water treatment and distribution system on parity with prior bonds issued to the Department of Environmental Protection. A rate covenant shall be in place to provide debt service coverage of 115% for all outstanding water revenue bonds. There shall also be a debt service reserve fund in place, fully funded with one year of debt service held by the West Virginia Municipal Bond Commission.

* * * * * *

BB&T appreciates the opportunity to make this financing proposal and requests to be notified within five days of this proposal should BB&T be the successful proposer.

BB&T shall have the right to cancel this offer by notifying the Town of its election to do so (whether or not this offer has previously been accepted by the Town) if at any time prior to the closing there is a material adverse change in the Town's financial condition, if we discover adverse circumstances of which we are currently unaware, if we are unable to agree on acceptable documentation with the Town or if there is a change in law (or proposed change in law) that changes the economic effect of this financing to BB&T. We reserve the right to negotiate and/or terminate our interest in this transaction should we be the successful proposer.

Please call me at (304) 353-1635 with your questions and comments. We look forward to hearing from you.

Sincerely,

BRANCH BANKING AND TRUST COMPANY

Russell R. Akers, II
Vice President

Enclosure

BB&T

Branch Banking & Trust Co.

Governmental Finance
501 Tennessee Avenue
Charleston, WV 25302
(304) 353-1635
Fax (304) 340-4702

November 5, 2008

Town of Bath
Water Refunding Revenue Bonds, Series 2008 A

Town of Bath
Berkeley Springs, West Virginia

Steptoe & Johnson PLLC
Charleston, West Virginia

Ladies and Gentlemen:

The undersigned Russell R. Akers, II, Assistant Vice President of Branch Banking and Trust Company, Charleston, West Virginia (the "Purchaser"), on behalf of the Purchaser in connection with its purchase of $1,108,595 aggregate principal amount of the Water Refunding Revenue Bonds, Series 2008 A (the "Bonds"), issued by the Town of Bath (the "Issuer") on the date hereof, hereby makes the following representations and warranties to you that:

1. We have sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal revenue obligations, to be able to evaluate the risks and merits of the investment represented by our purchase of the Bonds, and our net worth and available assets are such that we are able to bear the economic risk of our purchase of the Bonds.

2. We understand that the entire principal of and interest on the Bonds are payable by the Issuer solely from the Gross Revenues of the System (as defined in the Ordinance of the Issuer enacted November 3, 2008), on a parity with the Issuer's Prior Bonds; that the Bonds are special and limited obligations of the Issuer and are not general obligations or secured by any obligation or pledge of any monies received or to be received by the Issuer other than the Gross Revenues described above; that the Bonds do not now and shall never constitute an indebtedness of the Issuer with in the meaning of any constitutional or statutory provision or limitation, all as set forth in the Ordinance.

3. We understand that no official statement, prospectus, offering circular or other offering statement containing material information with respect to the Issuer or the Bonds is being issued, that the Bonds are unrated, and that in due diligence, we have made our own inquiry and analysis with respect to the Issuer, the Bonds and the security therefor, and other material factors affecting the security for and payment of the Bonds, and are relying solely on such inquiry and analysis in our purchase of the Bonds.

4. We acknowledge that during the course of the transaction and prior to the sale of the Bonds, we have requested or have had access to information, including financial statements and other financial information, to which a reasonable investor would attach significance in making investment decisions, and we have had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the Issuer, the Bonds and the security therefor, so that as a reasonable investor, we have been able to make our decision to purchase the Bonds. No such information requested by us has been denied to us.

5. Because of our experience in financial and business matters, we believe that we are qualified to make the inquiry and analysis described in paragraph 3 and to understand fully the documents and information described in paragraph 4.

6. We understand that the Bonds (a) are not being registered under the Securities Act of 1933, as amended, and are not being registered or otherwise qualified for sale under the "Blue Sky" laws and regulations of any state, (b) will not be listed on any stock or other securities exchange, (c) will carry no rating from any rating service, and (d) may be resold only to purchasers who meet the criteria set forth herein and who, as a condition to such purchase, deliver an executed letter substantially in the form hereof to Steptoe & Johnson PLLC, Charleston, West Virginia.

7. We have been informed by Steptoe & Johnson PLLC, bond counsel to the Issuer, that the Internal Revenue Code of 1986, as amended (the "Code"), prescribes satisfaction of several requirements in order that interest on the Bonds be and remain excludable from gross income for federal income tax purposes, some of which apply after issuance of the Bonds, and that noncompliance by the Issuer with certain of such requirements could cause interest on the Bonds to be includable in gross income for federal income tax purposes and thus, subject to federal income taxation retroactively to the date hereof. We have also been informed by Steptoe & Johnson that under the Code, interest on obligations, such as the Bonds, which are not "private activity bonds," are not an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations by Section 55 of the Code, but that a provision of the Code which is applicable to corporations (as defined for federal income tax purposes), and which would impose an alternative minimum tax on a portion of the excess of adjusted net book income over pre-book alternative minimum taxable income, could subject part of the interest on the Bonds received by corporations to such corporate alternative minimum tax.

8. We are purchasing the Bonds for investment in our own account and do not intend to divide the Bonds purchased by us nor to resell or otherwise dispose of all or any part of the Bonds purchased by us, except as permitted by law on a basis of full disclosure to any subsequent holder of the Bonds and subject to applicable securities laws and regulations thereunder.

9. The Bonds and the other certificates, opinions and documents delivered in connection with the Bonds contain such terms and are in such form that are acceptable to the Purchaser.

10. We have had the opportunity to consult with and be advised by legal counsel as to the significance of this letter and we have satisfied ourselves that the Bonds are a lawful investment for us under all applicable laws.

Very truly yours,

BRANCH BANKING AND TRUST COMPANY

By: _____
Authorized Officer

055550.00001

STEPTOE & JOHNSON PLLC
ATTORNEYS AT LAW

Chase Tower, Eighth Floor
P.O. Box 1588
Charleston, WV 25326-1588
(304) 353-8000 (304) 353-8180 Fax
www.steptoe-johnson.com

Writer's Contact Information
(304) 353-8196 Phone
(304) 353-8181 Fax
John.Stump@steptoe-johnson.com

December 5, 2008

Town of Bath
Water Refunding Revenue Bonds, Series 2008 A

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Internal Revenue Service
Internal Revenue Service Center
Ogden, Utah 84201

Ladies and Gentlemen:

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

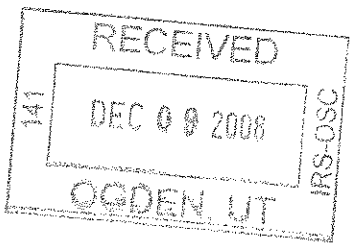
Thank you for your attention to this letter. If you have any questions regarding any of the issues set forth herein, or if I can be of any service, please do not hesitate to call.

My best regards.

Very truly yours,

John C. Stump

JCS/bsl
Enclosure



055550.00001

CH5049535.1

Form **8038-G** (Rev. November 2000)
Department of the Treasury
Internal Revenue Service

Information Return for Tax-Exempt Governmental Obligations

► Under Internal Revenue Code section 149(e)
► See separate Instructions.
Caution: *If the issue price is under $100,000, use Form 8038-GC.*

FILE COPY
OMB No. 1545-0720

Part I Reporting Authority

If Amended Return, check here ► ☐

1 Issuer's name: Town of Bath	2 Issuer's employer identification number: 55 6000861	
3 Number and street (or P.O. box if mail is not delivered to street address): 271 Wilkes Street, Suite A	Room/suite	4 Report number: 3 08-01
5 City, town, or post office, state, and ZIP code: Berkeley Springs, West Virginia		6 Date of issue: November 5, 2008
7 Name of issue: Water Refunding Revenue Bonds, Series 2008 A		8 CUSIP number: N/A
9 Name and title of officer or legal representative whom the IRS may call for more information: Susan Webster, Mayor	10 Telephone number of officer or legal representative: (304) 258.1102	

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

11	☐ Education	11	
12	☐ Health and hospital	12	
13	☐ Transportation	13	
14	☐ Public safety	14	
15	☑ Environment (including sewage bonds)	15	1,091,000
16	☐ Housing	16	
17	☐ Utilities	17	
18	☐ Other. Describe ►	18	
19	If obligations are TANs or RANs, check box ► ☐ If obligations are BANs, check box ► ☐		
20	If obligations are in the form of a lease or installment sale, check box ► ☐		

Part III Description of Obligations. Complete for the entire issue for which this form is being filed.

	(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21	September 1, 2024	$ 1,091,000	$ 1,091,000	5.16193 years	4.18 %

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

22	Proceeds used for accrued interest			22	-0-
23	Issue price of entire issue (enter amount from line 21, column (b))			23	1,091,000
24	Proceeds used for bond issuance costs (including underwriters' discount)	24	18,600.00		
25	Proceeds used for credit enhancement	25	-0-		
26	Proceeds allocated to reasonably required reserve or replacement fund	26	95,436.60		
27	Proceeds used to currently refund prior issues	27	976,963.40		
28	Proceeds used to advance refund prior issues	28	-0-		
29	Total (add lines 24 through 28)			29	1,091,000
30	Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)			30	0

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

31	Enter the remaining weighted average maturity of the bonds to be currently refunded ►	9.5228 years
32	Enter the remaining weighted average maturity of the bonds to be advance refunded ►	N/A years
33	Enter the last date on which the refunded bonds will be called ►	December 1, 2008
34	Enter the date(s) the refunded bonds were issued ►	July 29, 1997

RECEIVED
DEC 08 2008
OGDEN, UT

Part VI Miscellaneous

35	Enter the amount of the state volume cap allocated to the issue under section 141(b)(5)	35	-0-
36a	Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (see instructions)	36a	-0-
b	Enter the final maturity date of the guaranteed investment contract ►		
37	Pooled financings: a Proceeds of this issue that are to be used to make loans to other governmental units	37a	-0-

b If this issue is a loan made from the proceeds of another tax-exempt issue, check box ► ☐ and enter the name of the issuer ► _____ and the date of the issue ► _____

38 If the issuer has designated the issue under section 265(b)(3)(B)(i)(III) (small issuer exception), check box ► ☑
39 If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box ► ☐
40 If the issuer has identified a hedge, check box ► ☐

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

Sign Here

Susan J. Webster — 11-5-08

Signature of issuer's authorized representative — Date

Susan Webster, Mayor
Type or print name and title

TOWN OF BATH
WATER REVENUE BONDS,
SERIES 2006 A (WEST VIRGINIA DWTRF PROGRAM) AND
SERIES 2006 B (WEST VIRGINIA INFRASTRUCTURE FUND)

BOND ORDINANCE

Table of Contents

Subject		Page
	ARTICLE I STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS	
Section 1.01	Authority for this Ordinance	1
Section 1.02	Findings	2
Section 1.03	Bond Legislation Constitutes Contract	4
Section 1.04	Definitions	5
	ARTICLE II AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT	
Section 2.01	Authorization of Acquisition and Construction of the Project	14
	ARTICLE III AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND SALE OF BONDS; AUTHORIZATION AND EXECUTION OF LOAN AGREEMENT	
Section 3.01	Authorization of Bonds	15
Section 3.02	Terms of Bonds	15
Section 3.03	Execution of Bonds	16
Section 3.04	Authentication and Registration	16
Section 3.05	Negotiability, Transfer and Registration	16
Section 3.06	Bonds Mutilated, Destroyed, Stolen or Lost	17
Section 3.07	Bonds not to be Indebtedness of the Issuer	18
Section 3.08	Bonds Secured by Pledge of Gross Revenues; Lien Position with respect to Prior Bonds	18
Section 3.09	Delivery of Bonds	18

Section 3.10	Form of Bonds	18
	FORM OF SERIES 2006 A BOND	19
	FORM OF SERIES 2006 B BOND	27
Section 3.11	Sale of Bonds; Approval and Ratification of Execution of Loan Agreement	35
Section 3.12	Filing of Amended Schedule	35

ARTICLE IV
[RESERVED] 36

ARTICLE V
FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

Section 5.01	Establishment of Funds and Accounts with Depository Bank	37
Section 5.02	Establishment of Funds and Accounts with Commission	37
Section 5.03	System Revenues; Flow of Funds	37

ARTICLE VI
APPLICATION OF BOND PROCEEDS

Section 6.01	Application of Bond Proceeds	43
Section 6.02	Disbursements From Bond Construction Trust Fund	44

ARTICLE VII
ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01	General Covenants of the Issuer	46
Section 7.02	Bonds not to be Indebtedness of the Issuer	46
Section 7.03	Bonds Secured by Pledge of Gross Revenues; Lien Position with respect to Prior Bonds	46
Section 7.04	Rates and Charges	46
Section 7.05	Sale of the System	47
Section 7.06	Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances	48
Section 7.07	Parity Bonds	49
Section 7.08	Books; Records and Audit	51
Section 7.09	Rates	53
Section 7.10	Operating Budget and Monthly Financial Report	53
Section 7.11	Engineering Services and Operating Personnel	54
Section 7.12	No Competing Franchise	55
Section 7.13	Enforcement of Collections	55
Section 7.14	No Free Services	56

Section 7.15	Insurance and Construction Bonds	56
Section 7.16	Connections	57
Section 7.17	Completion of Project; Permits and Orders	58
Section 7.18	Compliance with Loan Agreement and Law	58
Section 7.19	Statutory Mortgage Lien	58
Section 7.20	Securities Laws Compliance	58
Section 7.21	Contracts; Public Releases	58

ARTICLE VIII
INVESTMENTS

Section 8.01	Investments	60
Section 8.02	Certificate as to Use of Proceeds	60

ARTICLE IX
DEFAULT AND REMEDIES

Section 9.01	Events of Default	62
Section 9.02	Remedies	62
Section 9.03	Appointment of Receiver	62

ARTICLE X
PAYMENT OF BONDS

Section 10.01	Payment of Bonds	65

ARTICLE XI
MISCELLANEOUS

Section 11.01	Amendment or Modification of Bond Legislation	66
Section 11.02	Bond Legislation Constitutes Contract	66
Section 11.03	Severability of Invalid Provisions	66
Section 11.04	Headings, Etc.	66
Section 11.05	Conflicting Provisions Repealed	66
Section 11.06	Covenant of Due Procedure, Etc.	67
Section 11.07	Reimbursement	67
Section 11.08	Statutory Notice and Public Hearing	67
Section 11.09	Effective Date	68
	SIGNATURES	68
	EXHIBIT A	69

Ordinance 2006-03

TOWN OF BATH

ORDINANCE AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING PUBLIC WATERWORKS SYSTEM OF THE TOWN OF BATH AND THE FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE BY THE TOWN OF NOT MORE THAN $1,250,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2006 A (WEST VIRGINIA DWTRF PROGRAM) AND NOT MORE THAN $1,350,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2006 B (WEST VIRGINIA INFRASTRUCTURE FUND); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING LOAN AGREEMENTS RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS; STATING THE REASONABLE EXPECTATION OF THE COUNCIL OF THE TOWN OF BATH TO REIMBURSE THE TOWN FOR CAPITAL EXPENDITURES IN CONNECTION WITH THE DESIGN, ACQUISITION, CONSTRUCTION AND EQUIPPING OF SUCH ADDITIONS, BETTERMENTS AND IMPROVEMENTS PRIOR TO THE ISSUANCE OF TAX-EXEMPT REVENUE BONDS; AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT ORDAINED AND ENACTED BY THE COUNCIL OF THE TOWN OF BATH:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01. Authority for this Ordinance. This Ordinance (together with any ordinance, order or resolution supplemental hereto or amendatory hereof, the "Bond Legislation") is enacted pursuant to the provisions of Chapter 8, Article 19, Chapter 16,

TOWN OF BATH

ORDINANCE AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING PUBLIC WATERWORKS SYSTEM OF THE TOWN OF BATH AND THE FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE BY THE TOWN OF NOT MORE THAN $1,250,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2006 A (WEST VIRGINIA DWTRF PROGRAM) AND NOT MORE THAN $1,350,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2006 B (WEST VIRGINIA INFRASTRUCTURE FUND); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING LOAN AGREEMENTS RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS; STATING THE REASONABLE EXPECTATION OF THE COUNCIL OF THE TOWN OF BATH TO REIMBURSE THE TOWN FOR CAPITAL EXPENDITURES IN CONNECTION WITH THE DESIGN, ACQUISITION, CONSTRUCTION AND EQUIPPING OF SUCH ADDITIONS, BETTERMENTS AND IMPROVEMENTS PRIOR TO THE ISSUANCE OF TAX-EXEMPT REVENUE BONDS; AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT ORDAINED AND ENACTED BY THE COUNCIL OF THE TOWN OF BATH:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01. Authority for this Ordinance. This Ordinance (together with any ordinance, order or resolution supplemental hereto or amendatory hereof, the "Bond Legislation") is enacted pursuant to the provisions of Chapter 8, Article 19, Chapter 16, Article 13C and Chapter 31, Article 15A of the Code of West Virginia, 1931, as amended (collectively, the "Act"), and other applicable provisions of law.

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

A. The Town of Bath (the "Issuer") is a municipal corporation and political subdivision of the State of West Virginia in Morgan County of said State.

B. The Issuer presently owns and operates a public waterworks system. However, it is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer that there be acquired and constructed certain additions, betterments and improvements to the existing public waterworks system of the Issuer, consisting of replacement of all existing 4" cast iron water lines new 6-inch and 8-inch PVC water lines, involving the replacement of approximately 1,800 linear feet of 8-inch water lines, 13,500 linear feet of six-inch water lines and 800 linear feet of two-inch water lines, the replacement of approximately 158 meter services, various gate valves and fire hydrants and trench repair items, together with all appurtenant facilities, for the primary purpose of reducing the Issuer's current water loss (collectively, the "Project"), which constitute properties necessary, appropriate, useful, convenient or incidental in connection with or to a water supply system (the existing public waterworks system of the Issuer, the Project and any further additions, betterments and improvements are herein called the "System"), in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications have heretofore been filed with the Recorder of the Issuer.

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

D. It is deemed necessary for the Issuer to issue its Water Revenue Bonds in the total aggregate principal amount of not more than $2,600,000 in two series (collectively, the "Series 2006 Bonds"), being the Water Revenue Bonds, Series 2006 A (West Virginia DWTRF Program), in the aggregate principal amount of not more than $1,250,000 (the "Series 2006 A Bonds"), and the Water Revenue Bonds, Series 2006 B (West Virginia Infrastructure Fund), in the aggregate principal amount of not more than $1,350,000 (the "Series 2006 B Bonds"), to permanently finance a portion of the costs of acquisition and construction of the Project. The remaining costs of the Project shall be funded from the sources set forth in Section 2.01 hereof. Said costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest upon the Series 2006 Bonds prior to and during acquisition or construction of the Project and for a period not exceeding 6 months after completion of acquisition and construction of the Project; amounts which may be deposited in the Reserve

Accounts (as hereinafter defined); engineering and legal expenses; expenses for estimates of costs and revenues, expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise, administrative expense, commitment fees, fees and expenses of the Authority, including the Administrative Fee (as hereinafter defined), discount, initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Series 2006 Bonds and such other expenses as may be necessary or incidental to the financing herein authorized, the acquisition or construction of the Project and the placing of same in operation, and the performance of the things herein required or permitted, in connection with any thereof, provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Series 2006 Bonds or the repayment of indebtedness incurred by the Issuer for such purposes shall be deemed Costs of the Project, as hereinafter defined.

E. The period of usefulness of the System after completion of the Project is not less than 40 years.

F. It is in the best interests of the Issuer that its Series 2006 A Bonds be sold to the Authority pursuant to the terms and provisions of a loan agreement by and between the Issuer and the Authority, on behalf of the West Virginia Bureau for Public Health (the "BPH"), and its Series 2006 B Bonds be sold to the Authority pursuant to the terms and provisions of a loan agreement by and between the Issuer and the Authority, on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Infrastructure Council"), both loan agreements in form satisfactory to the respective parties (collectively, the "Loan Agreement"), approved hereby if not previously approved by resolution of the Issuer.

G. There are outstanding obligations of the Issuer which will rank on a parity with the Series 2006 Bonds as to liens, pledge and source of and security for payment, being the (1) Water Revenue Refunding and Improvement Bonds, Series 1997A, dated July 15, 1997, issued in the original aggregate principal amount of $1,430,000 (the "Series 1997 A Bonds"); and (2) Water Revenue Bonds, Series 2002 A (West Virginia DWTRF Program), dated December 9, 2002, issued in the original principal amount of $1,150,000 (the "Series 2002 A Bonds"). The Series 1997 A Bonds and the Series 2002 A Bonds are hereinafter collectively called the "Prior Bonds."

The Series 2006 Bonds shall be issued on a parity with the Prior Bonds, with respect to liens, pledge and source of and security for payment and in all other respects. Prior to the issuance of the Series 2006 Bonds, the Issuer will obtain (i) a certificate of an Independent Certified Public Accountant stating that the coverage and parity tests of the Prior

Bonds are met; and (ii) the written consent of the Registered Owners of the Series 2002 A Bonds to the issuance of the Series 2006 Bonds on a parity with the Series 2002 A Bonds. No consent is required from the Registered Owners of the Series 1997 Bonds. Other than the Prior Bonds, there are no other outstanding bonds or obligations of the Issuer which are secured by revenues or assets of the System.

H. The estimated revenues to be derived in each year after completion of the Project from the operation of the System will be sufficient to pay all Operating Expenses of the System, the principal of and interest, if any, on the Series 2006 Bonds and all funds and accounts and other payments provided for herein.

I. The Issuer has complied with all requirements of West Virginia law and the Loan Agreement relating to authorization of the acquisition, construction and operation of the Project and the System, and the issuance of the Series 2006 Bonds, or will have so complied prior to issuance of any thereof, including, among other things, the approval of the Project and the financing thereof by the Infrastructure Council and obtaining of a certificate of public convenience and necessity from the Public Service Commission of West Virginia (the "PSC") by final order, the time for rehearing and appeal of which will either have expired prior to the issuance of the Series 2006 Bonds or such final order will not be subject to appeal.

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

K. The Town reasonably expects to reimburse itself for certain capital expenditures made in connection with the design, acquisition, construction and equipping of the Project, such capital expenditures to be undertaken or incurred prior to the execution and delivery of the Bonds, from the proceeds of the Bonds, which are reasonably expected to be executed and delivered within 18 months from the later of (i) the expenditure for payment of said costs or (ii) placing of the Project in service.

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Series 2006 Bonds by the Registered Owners of the same from time to time, this Bond Legislation shall be deemed to be and shall constitute a contract between the Issuer and such Registered Owners, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the Registered Owners of any and all of such Series 2006 Bonds, all of which shall be of equal rank and without preference, priority or distinction between any one Bond and any other

Bonds and by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

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

"Act" means, collectively, Chapter 8, Article 19, Chapter 16, Article 13C and Chapter 31, Article 15A of the Code of West Virginia, 1931, as amended and in effect on the date of enactment hereof.

"Administrative Fee" means any administrative fee required to be paid under the Loan Agreement for the Series 2006 A Bonds.

"Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser and Registered Owner of the Series 2006 Bonds, or any other agency, board or department of the State that succeeds to the functions of the Authority, acting in its administrative capacity and upon authorization from the BPH and the Infrastructure Council under the Act.

"Authorized Officer" means the Mayor of the Issuer, or any other officer of the Issuer specifically designated by resolution of the Governing Body.

"Bond Legislation," "Ordinance," "Bond Ordinance" or "Local Act" means this Bond Ordinance and all ordinances, 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.

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

"Bonds" means, collectively, the Series 2006 Bonds, the Prior Bonds and, where appropriate, any bonds on a parity therewith subsequently authorized to be issued hereunder or by another ordinance of the Issuer.

"BPH" means the West Virginia Bureau for Public Health, a division of the West Virginia Department of Health and Human Resources, or any other agency, board or department of the State that succeeds the function of the BPH.

"Closing Date" means the date upon which there is an exchange of the Series 2006 Bonds for all or a portion of the proceeds of the Series 2006 Bonds from the Authority.

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

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

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

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

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

"DWTRF Regulations" means the regulations for the West Virginia DWTRF Program set forth in Title 64, Part 49 of the West Virginia Code of State Regulations.

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

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

"Governing Body" means the Council of the Issuer, as it may now or hereafter be constituted.

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

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

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

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

"Infrastructure Council" means the West Virginia Infrastructure and Jobs Development Council or any other agency of the State of West Virginia that succeeds to the functions of the Infrastructure Council.

"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 the Town of Bath, a municipal corporation and political subdivision of the State of West Virginia, in Morgan County, West Virginia, and, unless the context clearly indicates otherwise, includes the Governing Body of the Issuer.

"Loan Agreement" means, collectively, the Loan Agreement heretofore entered, or to be entered, into by and between the Issuer and the Authority, on behalf of the BPH, providing for the purchase of the Series 2006 A Bonds from the Issuer by the Authority, and the Loan Agreement heretofore entered, or to be entered, into by and between the Issuer and the Authority, on behalf of the Infrastructure Council, providing for the purchase of the Series 2006 B Bonds from the Issuer by the Authority, the forms of which shall be approved, and the execution and delivery by the Issuer authorized and directed or ratified, by the Supplemental Resolution.

"Mayor" means the Mayor of the Issuer.

"Net Proceeds" means the face amount of the Series 2006 Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds, if any, deposited in the Reserve Accounts. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Series 2006 Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

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

"Nonpurpose Investment" means any Investment Property as defined in Section 148(b) of the Code, that is not a purpose investment.

"Operating Expenses" means the reasonable, proper and necessary costs of repair, maintenance and operation of the System and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses, other than those capitalized as part of the Costs, the Administrative Fee, fees and expenses of the Authority, the BPH, fiscal agents, the Depository Bank, the Registrar and Paying Agent (all as hereinafter defined), other than those capitalized as part of the Costs, payments to pension or retirement funds, taxes and such other reasonable operating costs and

expenses as should normally and regularly be included under generally accepted accounting principles; provided, that "Operating Expenses" does not include payments on account of the principal of or redemption premium, if any, or interest on the Bonds, charges for depreciation, losses from the sale or other disposition of, or from any decrease in the value of, capital assets, amortization of debt discount or such miscellaneous deductions as are applicable to prior accounting periods.

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

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

"Paying Agent" means the Commission or other entity designated as such for the Series 2006 Bonds in the Supplemental Resolution.

"Prior Bonds" means, collectively, the Issuer's (1) Water Revenue Refunding and Improvement Bonds, Series 1997 A, dated July 15, 1997, issued in the original principal amount of $1,430,000; and (2) Water Revenue Bonds, Series 2002 A (West Virginia DWTRF Program), dated December 9, 2002, issued in the original principal amount of $1,150,000.

"Prior Ordinance" means, collectively, the ordinance of the Issuer enacted July 7, 1997, the Supplemental Resolution of the Issuer adopted July 17, 1997, the ordinance of the Issuer enacted October 21, 2002, and the Supplemental Resolution of the Issuer adopted November 19, 2002, 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, all as determined by the Code.

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

"PSC" means the Public Service Commission of West Virginia and any successor to the functions thereof.

"PSC Order" means, collectively, the final order or orders of the PSC, granting the Issuer a certificate of convenience and necessity to construct the Project and approving the financing for the Project.

"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, 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 Code of West Virginia, 1931, as amended; and

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

"Recorder" means the Clerk or the Recorder of the Issuer.

"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.

"Registrar" means the Bond Registrar.

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

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

"Reserve Accounts" means, collectively, the respective Reserve Accounts created for the Series 2006 Bonds and the Prior Bonds.

"Reserve Requirement" means, collectively, the respective amounts required to be on deposit in the Reserve Accounts.

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

"Series 2006 Bonds" means, collectively, the Series 2006 A Bonds and the Series 2006 B Bonds.

"Series 2006 Bonds Construction Trust Fund" means the Series 2006 Bonds Construction Trust Fund created by Section 5.01 hereof.

"Series 2006 A Bonds" means the Water Revenue Bonds, Series 2006 A (West Virginia DWTRF Program), of the Issuer, authorized by this Bond Legislation.

"Series 2006 A Bonds Reserve Account" means the Series 2006 A Bonds Reserve Account created by Section 5.02 hereof.

"Series 2006 A Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 2006 A Bonds in the then current or any succeeding year.

"Series 2006 A Bonds Sinking Fund" means the Series 2006 A Bonds Sinking Fund created by Section 5.02 hereof.

"Series 2006 B Bonds" means the Water Revenue Bonds, Series 2006 B (West Virginia Infrastructure Fund), of the Issuer, authorized by this Bond Legislation.

"Series 2006 B Bonds Reserve Account" means the Series 2006 B Bonds Reserve Account created by Section 5.02 hereof.

"Series 2006 B Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 2006 B Bonds in the then current or any succeeding year.

"Series 2006 B Bonds Sinking Fund" means the Series 2006 B Bonds Sinking Fund created by Section 5.02 hereof.

"Sinking Funds" means, collectively, the respective Sinking Funds created for the Series 2006 Bonds and the Prior Bonds.

"State" means the State of West Virginia.

"Supplemental Resolution" means any resolution, ordinance or order of the Issuer supplementing or amending this Ordinance and, when preceded by the article "the," refers specifically to the supplemental resolution authorizing the sale of the Series 2006 Bonds; provided, that any matter intended by this Ordinance to be included in the Supplemental Resolution with respect to the Series 2006 Bonds, and not so included may be included in another Supplemental Resolution.

"Surplus Revenues" means the Net Revenues not required by the Bond Legislation to be set aside and held for the payment of or security for the Series 2006 Bonds or any other obligations of the Issuer, including, without limitation, the Renewal and Replacement Fund, the Sinking Funds and the Reserve Accounts.

"System" means, collectively, the complete existing municipal waterworks system of the Issuer, as presently existing in its entirety or any integral part thereof, including mains, hydrants, meters, valves, standpipes, storage tanks, pump tanks, pumping stations, intakes, wells, impounding reservoirs, pumps, machinery, purification plants, softening apparatus and all other facilities necessary, appropriate, useful, convenient or incidental in connection with or to a water supply system and shall also include the Project and any additions, betterments and improvements thereto hereafter acquired or constructed for the System from any sources whatsoever, both within and without the Issuer.

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

"West Virginia DWTRF Program" means the West Virginia Drinking Water Treatment Revolving Fund program established by the State, administered by the BPH and funded by capitalization grants awarded to the State pursuant to the federal Safe Drinking Water Act, as amended, for the purpose of establishing and maintaining a permanent perpetual fund for the acquisition, construction and improvement of drinking water projects.

"West Virginia Infrastructure Fund" means the West Virginia Infrastructure Fund established in accordance with Chapter 31, Article 15A, Section 9 of the Code of West Virginia, 1931, as amended and in effect on the date of enactment hereof.

Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations; and words importing the masculine, feminine or neutral gender shall include any other gender.

ARTICLE II

AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT

Section 2.01. Authorization of Acquisition and Construction of the Project. There is hereby authorized and ordered the acquisition and construction of the Project, at an estimated cost of $2,487,000, in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed in the office of the Governing Body. The proceeds of the Series 2006 Bonds shall be applied as provided in Article VI hereof. The Issuer has received bids and will enter into contracts for the acquisition and construction of the Project, in an amount and otherwise compatible with the financing plan submitted to the BPH, the Infrastructure Council and the Authority.

The cost of the Project is estimated not to exceed $2,600,000, of which approximately $1,250,000 will be obtained from proceeds of the Series 2006 A Bonds and not to exceed $1,350,000 will be obtained from proceeds of the Series 2006 B Bonds.

ARTICLE III

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

Section 3.01. Authorization of Bonds. For the purposes of capitalizing interest on the Series 2006 Bonds, funding the respective Reserve Accounts for the Series 2006 Bonds, paying Costs of the Project not otherwise provided for and paying certain costs of issuance of the Series 2006 Bonds and related costs, or any or all of such purposes, as determined by the Supplemental Resolution, there shall be and hereby are authorized to be issued the negotiable Series 2006 Bonds of the Issuer. The Series 2006 Bonds shall be issued in two series, each as a single bond, designated respectively as "Water Revenue Bonds, Series 2006 A (West Virginia DWTRF Program)," in the principal amount of not more than $1,250,000, and "Water Revenue Bonds, Series 2006 B (West Virginia Infrastructure Fund)," in the principal amount of not more than $1,350,000, and both shall have such terms as set forth hereinafter and in the Supplemental Resolution. The proceeds of the Series 2006 Bonds remaining after funding of the Reserve Accounts (if funded from Bond proceeds) and capitalization of interest, if any, shall be deposited in or credited to the Series 2006 Bonds Construction Trust Fund established by Section 5.01 hereof and applied as set forth in Article VI hereof.

Section 3.02. Terms of Bonds. The Series 2006 Bonds shall be issued in such principal amounts; shall bear interest, if any, at such rate or rates, not exceeding the then legal maximum rate, payable quarterly on such dates; shall mature on such dates and in such amounts; and shall be redeemable, in whole or in part, all as the Issuer shall prescribe in a Supplemental Resolution or as specifically provided in the Loan Agreement. The Series 2006 Bonds shall be payable as to principal at the office of the Paying Agent, in any coin or currency which, on the dates of payment of principal is legal tender for the payment of public or private debts under the laws of the United States of America. Interest on the Series 2006 Bonds, if any, shall be paid by check or draft of the Paying Agent or its agent, mailed to the Registered Owner thereof at the address as it appears on the books of the Bond Registrar, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner thereof.

Unless otherwise provided by the Supplemental Resolution, the Series 2006 Bonds shall initially be issued in the form of a single bond for each series, fully registered to the Authority, with a record of advances and a debt service schedule attached, representing the aggregate principal amount of each series of the Series 2006 Bonds. The Series 2006 Bonds shall be exchangeable at the option and expense of the Registered Owner for another fully registered Bond or Bonds of the same series in aggregate principal amount

equal to the amount of said Bonds then Outstanding and being exchanged, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of said Bonds; provided, that the Authority shall not be obligated to pay any expenses of such exchange.

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

Section 3.03. Execution of Bonds. The Series 2006 Bonds shall be executed in the name of the Issuer by the Mayor, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the Recorder. In case any one or more of the officers who shall have signed or sealed the Series 2006 Bonds shall cease to be such officer of the Issuer before the Series 2006 Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Series 2006 Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.04. Authentication and Registration. No Series 2006 Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Bond Legislation unless and until the Certificate of Authentication and Registration on such Bond, substantially in the form set forth in Section 3.10 hereof, shall have been manually executed by the Bond Registrar. Any such executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Bond Legislation. The Certificate of Authentication and Registration on any Series 2006 Bond shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

Section 3.05. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Series 2006 Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Registered Owner, in accepting the Series 2006 Bonds shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Registered

Owner shall further be conclusively deemed to have agreed that said Bonds shall be incontestable in the hands of a bona fide registered owner for value.

So long as the Series 2006 Bonds remain outstanding, the Issuer, through the Bond Registrar or its agent, shall keep and maintain books for the registration and transfer of such Bonds.

The registered Series 2006 Bonds shall be transferable only upon the books of the Bond Registrar, by the Registered Owner thereof in person or by his attorney duly authorized in writing, upon surrender thereto, together with a written instrument of transfer satisfactory to the Bond Registrar, duly executed by the Registered Owner or his duly authorized attorney.

In all cases in which the privilege of exchanging Series 2006 Bonds or transferring the registered Series 2006 Bonds are exercised, all Series 2006 Bonds shall be delivered in accordance with the provisions of this Bond Legislation. All Series 2006 Bonds surrendered in any such exchanges or transfers shall forthwith be canceled by the Bond Registrar. For every such exchange or transfer of Series 2006 Bonds, the Bond Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer and the cost of preparing each new Bond upon each exchange or transfer, and any other expenses of the Bond Registrar incurred in connection therewith, which sum or sums shall be paid by the Issuer. The Bond Registrar shall not be obliged to make any such exchange or transfer of Series 2006 Bonds during the period commencing on the 15th day of the month next preceding an interest payment date on the Series 2006 Bonds or, in the case of any proposed redemption of Series 2006 Bonds, next preceding the date of the selection of Bonds to be redeemed, and ending on such interest payment date or redemption date.

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Series 2006 Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Bond Registrar shall, if so advised by the Issuer, authenticate, register and deliver, a new Bond of the same series and of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Registered Owner's furnishing satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer and the Bond Registrar may incur. All Bonds so surrendered shall be canceled by the Bond Registrar and held for the account of the Issuer. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Section 3.07. Bonds not to be Indebtedness of the Issuer. The Series 2006 Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Gross Revenues derived from the System as herein provided. No Registered Owner of the Series 2006 Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Series 2006 Bonds or the interest, if any, thereon.

Section 3.08. Bonds Secured by Pledge of Gross Revenues; Lien Position with respect to Prior Bonds. The payment of debt service of the Series 2006 A Bonds and the Series 2006 B Bonds shall be secured equally and ratably with each other by a first lien on the Gross Revenues derived from the System on a parity with the lien on the Gross Revenues in favor of the Registered Owners of the Prior Bonds. Such Gross Revenues in an amount sufficient to pay the principal of and interest, if any, on the Series 2006 Bonds and the Prior Bonds and to make all other payments provided for in the Bond Legislation are hereby irrevocably pledged to such payments as they become due.

Section 3.09. Delivery of Bonds. The Issuer shall execute and deliver the Series 2006 Bonds to the Registrar, and the Registrar shall authenticate, register and deliver the Series 2006 Bonds to the original purchasers upon receipt of a request and authorization to the Bond Registrar on behalf of the Issuer, signed by an Authorized Officer, to authenticate, register and deliver the Series 2006 Bonds to the original purchasers.

Section 3.10. Form of Bonds. The text of the Series 2006 Bonds shall be in substantially the following forms, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted hereby, or by any Supplemental Resolution adopted prior to the issuance thereof:

(FORM OF SERIES 2006 A BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
TOWN OF BATH
WATER REVENUE BOND, SERIES 2006 A
(WEST VIRGINIA DWTRF PROGRAM)

No. AR-____ $_____

KNOW ALL MEN BY THESE PRESENTS: That on this __ day of _____, 2006, the TOWN OF BATH, a municipal corporation and political subdivision of the State of West Virginia in Morgan County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY (the "Authority") or registered assigns, the sum of _____ DOLLARS ($_____), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the Record of Advances attached as EXHIBIT A hereto and incorporated herein by reference, in quarterly installments on March 1, June 1, September 1 and December 1 of each year, commencing _____1, ____, as set forth on the Debt Service Schedule attached as EXHIBIT B hereto and incorporated herein by reference. The Administrative Fee (as defined in the hereinafter described Bond Legislation) on this Bond shall be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing _____1, ___, as set forth on EXHIBIT B attached hereto.

This Bond shall bear interest at the rate of ___ percent (__%) per annum. Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent").

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and the West Virginia Bureau for Public Health (the "BPH"), and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement by and between the Issuer and the Authority, on behalf of the BPH, dated _____, 200__.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain additions, betterments and improvements to the existing public waterworks system of the Issuer (the "Project"); and (ii) to pay certain costs of issuance of this Bond and related costs. The existing public waterworks system of the Issuer, the Project and any further additions, betterments or improvements thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 8, Article 19 and Chapter 16, Article 13C of the Code of West Virginia, 1931, as amended (collectively, the "Act"), a Bond Ordinance duly enacted by the Issuer on _____, 200_, and a Supplemental Resolution duly adopted by the Issuer on _____, 200_ (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE ISSUER'S (1)WATER REVENUE REFUNDING AND IMPROVEMENT BONDS, SERIES 1997 A, DATED JULY 15, 1997, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,430,000 (THE "SERIES 1997 A BONDS"); (2) WATER REVENUE BONDS, SERIES 2002 A (WEST VIRGINIA DWTRF PROGRAM), DATED DECEMBER 9, 2002, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,150,000 (THE "SERIES 2002 A BONDS"); AND (3) WATER REVENUE BONDS, SERIES 2006 B (WEST VIRGINIA INFRASTRUCTURE FUND), DATED _____, 2006, ISSUED CONCURRENTLY HEREWITH IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $_____ (THE "SERIES 2006 B BONDS"). THE SERIES 1997 A BONDS, THE SERIES 2002 A BONDS AND THE SERIES 2006 B BONDS ARE COLLECTIVELY CALLED THE "FIRST LIEN BONDS."

This Bond is payable only from and secured by a pledge of the Gross Revenues (as defined in the Bond Legislation) to be derived from the System, on a parity with the pledge of Gross Revenues in favor of the registered owners of the First Lien Bonds and from moneys in the reserve account created under the Bond Legislation for this Bond (the "Series 2006 A Bonds Reserve Account"), and unexpended proceeds of this Bond. Such Gross Revenues shall be sufficient to pay all operating expenses of the System and the principal of and interest, if any, on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, nor shall the Issuer be obligated to pay the same or the interest, if any, hereon, except from said special fund provided from the Gross Revenues, the moneys in the

Series 2006 A Bonds Reserve Account and unexpended proceeds of this Bond. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to comply with the rate coverage required by the ordinance authorizing the Series 1997 A Bonds, so long as the Series 1997 A Bonds are outstanding, and thereafter, sufficient to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount of principal of and interest, if any, on this Bond, payable in any year and all other obligations secured by a lien on or payable from such revenues on a parity with this Bond; provided however, that so long as there exists in the Series 2006 A Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest, if any, which will become due on this Bond in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with this Bond, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of this Bond for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of this Bond are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

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

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

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

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and at the issuance of this Bond do exist, have happened, and have been performed in due time, form

and manner as required by law, and that the amount of this Bond, together with all other obligations of the Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the Gross Revenues of the System has been pledged to and will be set aside into said special fund by the Issuer for the prompt payment of the principal of this Bond.

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

IN WITNESS WHEREOF, the TOWN OF BATH has caused this Bond to be signed by its Mayor and its corporate seal to be hereunto affixed and attested by its Clerk, and has caused this Bond to be dated as of the date first written above.

[SEAL]

_____

Mayor

ATTEST:

_____

Clerk

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 2006 A Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: _____, 200__.

_____, as Registrar

_____
Authorized Officer

EXHIBIT A

RECORD OF ADVANCES

	AMOUNT	DATE		AMOUNT	DATE
(1)	$		(19)	$	
(2)	$		(20)	$	
(3)	$		(21)	$	
(4)	$		(22)	$	
(5)	$		(23)	$	
(6)	$		(24)	$	
(7)	$		(25)	$	
(8)	$		(26)	$	
(9)	$		(27)	$	
(10)	$		(28)	$	
(11)	$		(29)	$	
(12)	$		(30)	$	
(13)	$		(31)	$	
(14)	$		(32)	$	
(15)	$		(33)	$	
(16)	$		(34)	$	
(17)	$		(35)	$	
(18)	$		(36)	$	

TOTAL $_____

EXHIBIT B

DEBT SERVICE SCHEDULE

(Form of)

ASSIGNMENT

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

_____

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

Dated: _____, _____.

_____

In the presence of:

_____

(FORM OF SERIES 2006 B BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
TOWN OF BATH
WATER REVENUE BOND, SERIES 2006 B
(WEST VIRGINIA INFRASTRUCTURE FUND)

No. BR-____ $_____

KNOW ALL MEN BY THESE PRESENTS: That on this ____ day of _____, 2006, the TOWN OF BATH, a municipal corporation and political subdivision of the State of West Virginia in Morgan County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY (the "Authority") or registered assigns, the sum of _____ DOLLARS ($_____), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the Record of Advances attached as EXHIBIT A hereto and incorporated herein by reference, in quarterly installments on March 1, June 1, September 1 and December 1 of each year, commencing _____ 1, ____, as set forth on the Debt Service Schedule attached as EXHIBIT B hereto and incorporated herein by reference.

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

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and the West Virginia Infrastructure and Jobs Development Council (the "Infrastructure Council"), and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement by and between the Issuer and the Authority, on behalf of the Infrastructure Council, dated _____, 200__.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain additions, betterments and improvements to the existing public waterworks system of the Issuer (the "Project"); and (ii) to pay certain costs of issuance of this Bond and related costs. The existing public waterworks system of the Issuer, the Project and any further additions, betterments or improvements thereto are herein called the

"System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 8, Article 19 and Chapter 31, Article 15A of the Code of West Virginia, 1931, as amended (collectively, the "Act"), a Bond Ordinance duly enacted by the Issuer on _____, 200_, and a Supplemental Resolution duly adopted by the Issuer on _____, 200___ (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE ISSUER'S (1)WATER REVENUE REFUNDING AND IMPROVEMENT BONDS, SERIES 1997 A, DATED JULY 15, 1997, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,430,000 (THE "SERIES 1997 A BONDS"); (2) WATER REVENUE BONDS, SERIES 2002 A (WEST VIRGINIA DWTRF PROGRAM), DATED DECEMBER 9, 2002, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,150,000 (THE "SERIES 2002 A BONDS"); AND (3) WATER REVENUE BONDS, SERIES 2006 A (WEST VIRGINIA DWTRF PROGRAM), DATED _____, 200_, ISSUED CONCURRENTLY HEREWITH IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $_____ (THE "SERIES 2006 A BONDS"). THE SERIES 1997 A BONDS, THE SERIES 2002 A BONDS AND THE SERIES 2006 A BONDS ARE COLLECTIVELY CALLED THE "FIRST LIEN BONDS."

This Bond is payable only from and secured by a pledge of the Gross Revenues (as defined in the Bond Legislation) to be derived from the System, on a parity with the pledge of Gross Revenues in favor of the registered owners of the First Lien Bonds and from moneys in the reserve account created under the Bond Legislation for this Bond (the "Series 2006 B Bonds Reserve Account"), and unexpended proceeds of this Bond. Such Gross Revenues shall be sufficient to pay all operating expenses of the System and the principal of and interest, if any, on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, nor shall the Issuer be obligated to pay the same or the interest, if any, hereon, except from said special fund provided from the Gross Revenues, the moneys in the Series 2006 B Bonds Reserve Account and unexpended proceeds of this Bond. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to comply with the rate coverage required by the ordinance authorizing the Series 1997A Bonds, so long as the

Series 1997 A Bonds are outstanding, and thereafter, sufficient to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount of principal of and interest, if any, on this Bond, payable in any year and all other obligations secured by a lien on or payable from such revenues on a parity with this Bond; provided however, that so long as there exists in the Series 2006 B Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest, if any, which will become due on this Bond in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with this Bond, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of this Bond for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of this Bond are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

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

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

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

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

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

IN WITNESS WHEREOF, the TOWN OF BATH has caused this Bond to be signed by its Mayor, and its corporate seal to be hereunto affixed and attested by its Clerk, and has caused this Bond to be dated as of the date first written above.

[SEAL]

_____
Mayor

ATTEST:

_____
Clerk

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 2006 B Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: _____, 200__.

_____, as
Registrar

_____
Authorized Officer

EXHIBIT A

RECORD OF ADVANCES

	AMOUNT	DATE		AMOUNT	DATE
(1)	$		(19)	$	
(2)	$		(20)	$	
(3)	$		(21)	$	
(4)	$		(22)	$	
(5)	$		(23)	$	
(6)	$		(24)	$	
(7)	$		(25)	$	
(8)	$		(26)	$	
(9)	$		(27)	$	
(10)	$		(28)	$	
(11)	$		(29)	$	
(12)	$		(30)	$	
(13)	$		(31)	$	
(14)	$		(32)	$	
(15)	$		(33)	$	
(16)	$		(34)	$	
(17)	$		(35)	$	
(18)	$		(36)	$	

TOTAL $_____

EXHIBIT B

DEBT SERVICE SCHEDULE

(Form of)

ASSIGNMENT

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

Dated: _____, _____.

_____

In the presence of:

_____

Section 3.11. Sale of Bonds; Approval and Ratification of Execution of Loan Agreement. The Loan Agreement, including all schedules and exhibits attached thereto, are hereby approved and incorporated into this Bond Legislation. The Series 2006 Bonds shall be sold to the Authority, pursuant to the terms and conditions of the Loan Agreement. If not so authorized by previous ordinance or resolution, the Mayor is specifically authorized and directed to execute the Loan Agreement and the Recorder is directed to affix the seal of the Issuer, attest the same and deliver the Loan Agreement to the Authority, and any such prior execution and delivery is hereby authorized, approved, ratified and confirmed.

Section 3.12. Filing of Amended Schedule. Upon completion of the acquisition and construction of the Project, the Issuer will file with the Authority, the BPH and the Infrastructure Council, the respective schedules, the forms of which will be provided by the BPH and the Infrastructure Council, setting forth the actual costs of the Project and sources of funds therefor.

ARTICLE IV

[RESERVED]

ARTICLE V

FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

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

(1) Revenue Fund (created by the Prior Ordinance);

(2) Renewal and Replacement Fund (created by the Prior Ordinance); and

(3) Series 2006 Bonds Construction Trust Fund.

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

(1) Series 2006 A Bonds Sinking Fund;

(2) Series 2006 A Bonds Reserve Account;

(3) Series 2006 B Bonds Sinking Fund; and

(4) Series 2006 B Bonds Reserve Account.

Section 5.03. System Revenues; Flow of Funds. A. The entire Gross Revenues derived from the operation of the System and all parts thereof shall be deposited upon receipt by the Issuer in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in this 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 provided in the Prior Ordinance and this Bond Legislation. All moneys in the Revenue Fund shall be disposed of only in the following manner and order of priority:

(1) The Issuer shall first, on the first day of each month, transfer from the Revenue Fund and remit to the Commission for deposit in the Series 1997 A Bonds Sinking Fund, the amount required by the Prior Ordinance for payment of interest on the Series 1997 Bonds.

(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 Sinking Funds for the Prior Bonds, the amounts required by the Prior Ordinance for payment of principal of the Prior Bonds; (ii) commencing 3 months prior to the first date of payment of principal of the Series 2006 A Bonds, for deposit in the Series 2006 A Bonds Sinking Fund, an amount equal to 1/3rd of the amount of principal which will mature and become due on the Series 2006 A Bonds on the next ensuing quarterly principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 2006 A Bonds Sinking Fund and the next quarterly principal payment date is less than 3 months, then such monthly payment shall be increased proportionately to provide, 1 month prior to the next quarterly principal payment date, the required amount of principal coming due on such date; and (iii) commencing 3 months prior to the first date of payment of principal of the Series 2006 B Bonds, for deposit in the Series 2006 B Bonds Sinking Fund, an amount equal to 1/3rd of the amount of principal which will mature and become due on the Series 2006 B Bonds on the next ensuing quarterly principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 2006 B Bonds Sinking Fund and the next quarterly principal payment date is less than 3 months, then such monthly payment shall be increased proportionately to provide, 1 month prior to the next quarterly principal payment date, the required amount of principal coming due on such date.

(3) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Commission, (i) for deposit in the Reserve Accounts for the Prior Bonds, the amounts required by the Prior Ordinance; (ii) commencing 3 months prior to the first date of payment of principal of the Series 2006 A Bonds, if not fully funded upon issuance of the Series 2006 A Bonds, for deposit in the Series 2006 A Bonds Reserve Account, an amount equal to 1/120th of the Series 2006 A Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2006 A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2006 A Bonds Reserve Requirement; and (iii) commencing 3 months prior to the first date of payment of principal of the Series 2006 B Bonds, if not fully funded upon issuance of the Series 2006 B Bonds, for deposit in the Series 2006 B Bonds Reserve Account, an amount equal to 1/120th of the Series 2006 B Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2006 B Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2006 B Bonds Reserve Requirement.

(4) The Issuer shall next, each month, pay from the Revenue Fund the current Operating Expenses of the System.

(5) The Issuer shall next, each month, transfer from the Revenue Fund and remit to the Depository Bank for deposit in the Renewal and Replacement Fund, an amount equal to 2 1/2% of the Gross Revenues each month (as required in the Prior Ordinance and not in addition thereto), exclusive of any payments for account of any Reserve Account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII hereof. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, repairs, improvements or extensions to the System; provided that, any deficiencies in any Reserve Account, except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof, shall be promptly eliminated with moneys from the Renewal and Replacement Fund.

Moneys in the Series 2006 A Bonds Sinking Fund and the Series 2006 B Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest, if any, on the Series 2006 A Bonds and the Series 2006 B Bonds, respectively, as the same shall become due. Moneys in the Series 2006 A Bonds Reserve Account and the Series 2006 B Bonds Reserve Account shall be used only for the purposes of paying principal of and interest, if any, on the Series 2006 A Bonds and the Series 2006 B Bonds, respectively, as the same shall come due, when other moneys in the Series 2006 A Bonds Sinking Fund and the Series 2006 B Bonds Sinking Fund are insufficient therefor, and for no other purpose.

All investment earnings on moneys in the Series 2006 A Bonds Sinking Fund, the Series 2006 A Bonds Reserve Account, the Series 2006 B Bonds Sinking Fund and the Series 2006 B Bonds Reserve Account shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall, during construction of the Project, be deposited in the Series 2006 Bonds Construction Trust Fund, and, following completion of construction of the Project, shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payment, if any, due on the Series 2006 A Bonds and the Series 2006 B Bonds, respectively, and then to the next ensuing principal payment due thereon, all on a pro rata basis.

Any withdrawals from the Series 2006 A Bonds Reserve Account or the Series 2006 B Bonds Reserve Account which result in a reduction in the balance therein to below the respective Reserve Requirements shall be subsequently restored from the first Gross 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 2006 Bonds are issued, provision shall be made for additional payments into the respective sinking funds sufficient to pay the interest on such additional parity Bonds and accomplish retirement thereof at maturity and to accumulate a balance in the respective reserve accounts in an amount equal to the requirement therefor.

The Issuer shall not be required to make any further payments into the Series 2006 A Bonds Sinking Fund, the Series 2006 A Bonds Reserve Account, the Series 2006 B Bonds Sinking Fund or the Series 2006 B Bonds Reserve Account when the aggregate amount of funds therein are at least equal to the respective aggregate principal amount of the Series 2006 A Bonds and the Series 2006 B Bonds issued pursuant to this Bond Legislation then Outstanding and all interest, if any, to accrue until the maturity thereof.

Interest, principal or reserve payments, whether made for a deficiency or otherwise, shall be made on a parity and pro rata, with respect to the Series 2006 A Bonds and the Series 2006 B Bonds, in accordance with the respective principal amounts then Outstanding.

The Commission is hereby designated as the fiscal agent for the administration of the Series 2006 A Bonds Sinking Fund, the Series 2006 A Bonds Reserve Account, the Series 2006 B Bonds Sinking Fund and the Series 2006 B Bonds Reserve Account created hereunder, and all amounts required for said accounts shall be remitted to the Commission from the Revenue Fund by the Issuer at the times provided herein. If required by the Authority at anytime, the Issuer shall make the necessary arrangements whereby required payments into said accounts shall be automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates required hereunder.

Moneys in the Series 2006 A Bonds Sinking Fund, the Series 2006 A Bonds Reserve Account, the Series 2006 B Bonds Sinking Fund and the Series 2006 B Bonds Reserve Account shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The Series 2006 A Bonds Sinking Fund, the Series 2006 A Bonds Reserve Account, the Series 2006 B Bonds Sinking Fund and the Series 2006 B Bonds Reserve Account shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 2006 A Bonds and the Series 2006 B Bonds, respectively, under the conditions and restrictions set forth herein.

B. Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinabove 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 the Act, such excess shall be considered as surplus revenues (the "Surplus Revenues"). Surplus Revenues may be used for any lawful purpose of the System.

C. The Issuer shall on the first day of each month (if the first day is not a business day, then the first business day of each month) deposit with the Commission the required interest, principal and reserve account payments and all such payments shall be remitted to the Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Bond Legislation. All remittances made by the Issuer to the Commission shall clearly identify the fund or account into which each amount is to be deposited. The Issuer shall also on the first day of each month (if the first day is not a business day, then the first business day of each month), deposit with the Commission the Administrative Fee as set forth in the Schedule Y attached to the Loan Agreement for the Series 2006 A Bonds.

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

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

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

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

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

ARTICLE VI

BOND PROCEEDS; CONSTRUCTION DISBURSEMENTS

Section 6.01. Application of Bond Proceeds. From the moneys received from the sale of the Series 2006 Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Series 2006 A Bonds, there shall first be deposited with the Commission in the Series 2006 A Bonds Sinking Fund, the amount, if any, set forth in the Supplemental Resolution as capitalized interest.

B. From the proceeds of the Series 2006 B Bonds, there shall first be deposited with the Commission in the Series 2006 B Bonds Sinking Fund, the amount, if any, set forth in the Supplemental Resolution as capitalized interest.

C. Next, from the proceeds of the Series 2006 A Bonds, there shall be deposited with the Commission in the Series 2006 A Bonds Reserve Account, the amount, if any, set forth in the Supplemental Resolution for funding of the Series 2006 A Bonds Reserve Account.

D. Next, from the proceeds of the Series 2006 B Bonds, there shall be deposited with the Commission in the Series 2006 B Bonds Reserve Account, the amount, if any, set forth in the Supplemental Resolution for funding of the Series 2006 B Bonds Reserve Account.

E. Next, from the proceeds of the Series 2006 B Bonds, there shall be deposited with the Commission, together with other funds of, or available to, the Issuer, the amount set forth in the Supplemental Resolution for paying in full the entire outstanding principal of and all interest and administrative fees on the Prior Bonds.

F. As the Issuer receives advances of the remaining moneys derived from the sale of the Series 2006 A Bonds, such moneys shall be deposited with the Depository Bank in the Series 2006 Bonds Construction Trust Fund and applied solely to payment of the costs of the Project in the manner set forth in Section 6.02 hereof and until so expended, are hereby pledged as additional security for the Series 2006 A Bonds.

G. As the Issuer receives advances of the remaining moneys derived from the sale of the Series 2006 B Bonds, such moneys shall be deposited with the Depository Bank in the Series 2006 Bonds Construction Trust Fund and applied solely to payment of the

costs of the Project in the manner set forth in Section 6.02 hereof and until so expended are hereby pledged as additional security for the Series 2006 B Bonds.

H. After completion of construction of the Project, as certified by the Consulting Engineers, and all costs have been paid, any remaining proceeds of the Series 2006 A Bonds shall be expended as approved by the BPH and any remaining proceeds of the Series 2006 B Bonds shall be expended as approved by the Infrastructure Council.

Section 6.02. Disbursements From Bond Construction Trust Fund. A. On or before the Closing Date, the Issuer shall have delivered to the BPH and the Authority a report listing the specific purposes for which the proceeds of the Series 2006 A Bonds will be expended and the disbursement procedures for such proceeds, including an estimated monthly draw schedule. Payments for the costs of the Project shall be made monthly.

Except as provided in Section 6.01 hereof, disbursements of the proceeds of the Series 2006 A Bonds from the Series 2006 Bonds Construction Trust Fund shall be made only after submission to and approval from the BPH of the following:

(1) a completed and signed "Payment Requisition Form," a form of which is attached to the Loan Agreement for the Series 2006 A Bonds, in compliance with the Issuer's construction schedule, and

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

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

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

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

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

B. The Issuer shall each month provide the Infrastructure Council with a requisition for the costs incurred for the Project, together with such documentation as the Infrastructure Council shall require. Payments of all Costs of the Project shall be made monthly.

Except as provided in Section 6.01 hereof, disbursements of the proceeds of the Series 2006 B Bonds from the Series 2006 Bonds Construction Trust Fund shall be made only after submission to and approval from the Council of a certificate, signed by an Authorized Officer and the Consulting Engineers, stating that:

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

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

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

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

The Issuer shall expend all proceeds of the Series 2006 B Bonds within 3 years of the date of issuance of the Council's bonds, the proceeds of which were used to make the loan to the Issuer.

Pending such application, moneys in the Series 2006 Bonds Construction Trust Fund shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01. General Covenants of the Issuer. All the covenants, agreements and provisions of this Bond Legislation shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Registered Owner of the Series 2006 Bonds. In addition to the other covenants, agreements and provisions of this Bond Legislation, the Issuer hereby covenants and agrees with the Registered Owner of the Series 2006 Bonds as hereinafter provided in this Article VII. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of the Series 2006 Bonds or the interest, if any, thereon is Outstanding and unpaid.

Section 7.02. Bonds not to be Indebtedness of the Issuer. The Series 2006 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 Registered Owner of the Series 2006 Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Series 2006 Bonds or the interest, if any, thereon.

Section 7.03. Bonds Secured by Pledge of Gross Revenues; Lien Position with respect to Prior Bonds. The payment of the debt service of the Series 2006 A Bonds and the Series 2006 B Bonds shall be secured equally and ratably with each other by a first lien on the Gross Revenues derived from the System on a parity with the lien on the Gross Revenues in favor of the Registered Owners of the Prior Bonds. The Gross Revenues in an amount sufficient to pay the principal of and interest, if any, on the Series 2006 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. Rates and Charges. The Issuer has obtained any and all approvals of rates and charges required by State law and has taken any other action required to establish and impose such rates and charges, with all requisite appeal periods having expired without successful appeal. Such rates and charges shall be sufficient to comply with the requirements of the Loan Agreement. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth in the water rate ordinance of the Issuer duly enacted on June 27, 2005.

So long as the Series 2006 Bonds are outstanding, the Issuer covenants and agrees to fix and collect rates, fees and other charges for the use of the System and to take all such actions necessary to provide funds sufficient to produce the required sums set forth in the Bond Legislation and in compliance with the Loan Agreement. In the event the schedule of rates, fees and charges initially established for the System in connection with the Series 2006 Bonds shall prove to be insufficient to produce the required sums set forth in this Bond Legislation and the Loan Agreement, the Issuer hereby covenants and agrees that it will, to the extent or in the manner authorized by law, immediately adjust and increase such schedule of rates, fees and charges and take all such actions necessary to provide funds sufficient to produce the required sums set forth in this Bond Legislation and the Loan Agreement.

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, except as provided in the Prior Ordinance. So long as the Series 2006 Bonds are outstanding and except as otherwise required by law or with the written consent of the BPH, the Infrastructure Council and the Authority, the System may not be sold, mortgaged, leased or otherwise disposed of, except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to fully pay all the Bonds then Outstanding, in accordance with Article X hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Series 2006 Bonds, immediately be remitted to the Commission for deposit in the Sinking Funds, and, with the written permission of the BPH, the Infrastructure Council and the Authority, or in the event the Authority is no longer a Registered Owner, the Issuer shall direct the Commission to apply such proceeds to the payment of principal of and interest, if any, on the Series 2006 Bonds. Any balance remaining after the payment of the Series 2006 Bonds and interest, if any, thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

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

dispositions of such properties, shall be in excess of $10,000 but not in excess of $50,000, the Issuer shall first, determine, upon consultation with a professional engineer, that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then, if it be so advised, by resolution duly adopted, authorize such sale, lease or other disposition of such property in accordance with the laws of the State. The proceeds of any such sale shall be remitted by the Issuer to the Commission for deposit in the appropriate Sinking Funds and shall be applied to the redemption of Bonds of the last maturities then outstanding at prices not greater than the redemption price of such Bonds. The payment of such proceeds into the Renewal and Replacement Fund and the Sinking Funds shall not reduce the amounts required to be paid into such 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 Registered Owners, or their duly authorized representatives, of the Bonds then Outstanding. The Issuer shall prepare the form of such approval and consent for execution by the then Registered Owners 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 for in Section 7.06 and Section 7.07 hereof, the Issuer shall not issue any other obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Series 2006 Bonds. All obligations issued by the Issuer after the issuance of the Series 2006 Bonds and payable from the revenues of the System, except such additional parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on, pledge and source of and security for payment from such revenues and in all other respects, to the Series 2006 Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into all funds and accounts established by this Bond Legislation have been made and are current at the time of the issuance of such subordinate obligations.

Except as provided above, the Issuer shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or being on a parity with the lien of the Series 2006 Bonds, and the interest, if any, thereon, upon any of the income and revenues of the System pledged for payment of the Series 2006 Bonds and the interest, if any, thereon in this Bond Legislation, or upon the System or any part thereof.

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

Section 7.07. Parity Bonds. So long as the Prior Bonds are outstanding, the limitations on the issuance of parity obligations set forth in the Prior Ordinance shall be applicable. In addition, no Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of the Series 2006 Bonds pursuant to this Bond Legislation, without the prior written consent of the Authority, the BPH and the Infrastructure Council and without complying with the conditions and requirements herein provided.

All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 2006 Bonds.

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

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

(1) The Bonds then Outstanding;

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

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

The "estimated average increased annual Net Revenues to be received in each of the 3 succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from the improvements to be financed by such Parity Bonds and any increase in rates enacted by the

Issuer, the time for appeal of which shall have expired (without successful appeal) prior to the date of issuance of such Parity Bonds, and shall not exceed the amount to be stated in a certificate of the Independent Certified Public Accountants, which shall be filed in the office of the Recorder prior to the issuance of such Parity Bonds.

The Net Revenues actually derived from the System during the 12 consecutive month period hereinabove referred to may be adjusted by adding to such Net Revenues such additional Net Revenues which would have been received, in the opinion of the Independent Certified Public Accountants, as stated in a certificate, on account of increased rates, rentals, fees and charges for the System enacted by the Issuer, the time for appeal of which shall have expired (without successful appeal) prior to issuance of such Parity Bonds.

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

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on the revenues of the System is subject to the prior and superior lien of the Series 2006 Bonds on such revenues. The Issuer shall not issue any obligations whatsoever payable from revenues of the System, or any part thereof, which rank prior to or, except in the manner and under the conditions provided in this section, equally, as to lien on and source of and security for payment from such revenues, with the Series 2006 Bonds.

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

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

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

The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and any Registered Owner of the Series 2006 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 PSC. 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 Issuer. The Issuer shall prescribe and institute the manner by which subsidiary records of the accounting system which may be installed remote from the direct supervision of the Issuer shall be reported to such agent of the Issuer as the Issuer shall direct.

The Issuer shall file with the Authority, the BPH and the Infrastructure Council, or any Registered Owner of the Series 2006 Bonds, 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 the Independent Certified Public Accountant in compliance with the applicable OMB Circular, or any successor thereof, and the Single Audit Act, or any successor thereof, to the extent legally required, and shall mail upon request, and make available generally, the report of the Independent Certified Public Accountant, or a summary thereof, to any Registered Owner of the Series 2006 Bonds and shall submit said report to the Authority, the BPH and the Infrastructure Council, or any Registered Owner of the Series 2006 Bonds. Such audit report submitted to the Authority, the BPH and the Infrastructure Council shall include a statement that notes whether the results of tests disclosed instances of noncompliance that are required to be reported under government auditing standards and, if they are, describes the instances of noncompliance and the audited financial statements shall include a statement that notes whether the Gross Revenues of the System are adequate to meet the Issuer's Operating Expenses and debt service and reserve requirements.

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

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

The Issuer shall provide the BPH with all appropriate documentation to comply with any special conditions established by federal and/or state regulations as set forth in Exhibit E of the Loan Agreement for the Series 2006 A Bonds or as promulgated from time to time.

Section 7.09. Rates. Prior to the issuance of the Series 2006 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 Recorder, 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 to comply with the rate coverage required by the ordinance authorizing the Series 1997 A Bonds, so long as the Series 1997 A Bonds are outstanding, and thereafter, sufficient (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each Fiscal Year equal to at least 115% of the maximum amount required in any succeeding Fiscal Year for payment of principal of and interest, if any, on the Series 2006 Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2006 Bonds; provided that, in the event that amounts equal to or in excess of the Reserve Requirements are on deposit respectively in the Series 2006 A Bonds Reserve Account, the Series 2006 B Bonds Reserve Account and the Reserve Accounts for obligations on a parity with the Series 2006 Bonds are funded at least at the requirement therefor, such balance each Fiscal Year need only equal at least 110% of the maximum amount required in any Fiscal Year for payment of principal of and interest, if any, on the Series 2006 Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2006 Bonds. In any event, the Issuer shall not reduce the rates or charges for services set forth in the rate ordinance described in Section 7.04.

Section 7.10. Operating Budget and Monthly Financial Report. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year and shall submit a copy of such budget to the Authority, the BPH and the Infrastructure Council within 30 days of adoption thereof. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by a professional engineer, which

finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of 10% of the amount of such budget shall be made except upon the further certificate of a professional engineer that such increased expenditures are necessary for the continued operation of the System. The Issuer shall within 30 days of adoption thereof mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Authority, the BPH, the Infrastructure Council and any Registered Owner of the Series 2006 Bonds and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to the Authority, the BPH, the Infrastructure Council and any Registered Owner of the Series 2006 Bonds or anyone acting for and on behalf of such Registered Owner.

Commencing on the date contracts are executed for the acquisition and construction of the Project and for 2 years following the completion of the Project, the Issuer shall each month complete a "Monthly Financial Report," a form of which is attached to the Loan Agreement, and forward a copy of such report to the Authority, the BPH and the Infrastructure Council by the 10th day of each month.

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

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

The Issuer shall require the Consulting Engineers to submit Recipient As-Built Plans, as defined in the DWTRF Regulations, to the Issuer within 60 days of the completion of the Project. The Issuer shall notify the BPH in writing of such receipt.

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

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

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

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

Whenever any fees, rates, rentals or other charges for the services and facilities of the System shall remain unpaid for a period of 20 days after the same shall become due and payable, the 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 PSC, 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 PSC, discontinue and shut off the services of the System 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 the 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.

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

Section 7.15. Insurance and Construction Bonds. A. The Issuer hereby covenants and agrees that so long as the Series 2006 Bonds remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance with a reputable insurance carrier or carriers as is customarily covered with respect to works and properties similar to the System. Such insurance shall initially cover the following risks and be in the following amounts:

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

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

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

(4) FIDELITY BONDS will be provided as to every officer and employee of the Issuer 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.

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

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

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

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

Section 7.16. Connections. To the extent permitted by the laws of the State and rules and regulations of the PSC, the Issuer shall require every owner, tenant or occupant of any house, dwelling or building intended to be served by the System to connect thereto.

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

The Issuer has obtained all permits required by State and federal laws for the acquisition and construction of the Project, all orders and approvals from the PSC and the Infrastructure Council necessary for the acquisition and construction of the Project and the operation of the System and all approvals for issuance of the Series 2006 Bonds required by State law, with all requisite appeal periods having expired without successful appeal.

Section 7.18. Compliance with Loan Agreement and Law. The Issuer shall perform, satisfy and comply with all the terms and conditions of the Loan Agreement and the Act. Notwithstanding anything herein to the contrary, the Issuer shall provide the BPH and the Infrastructure Council with copies of all documents submitted to the Authority.

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

Section 7.19. Statutory Mortgage Lien. For the further protection of the Registered Owner of the Series 2006 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 and shall take effect immediately upon delivery of the Series 2006 Bonds and shall be on a parity with the statutory mortgage lien in favor of the Registered Owners of the Prior Bonds.

Section 7.20. Securities Laws Compliance. The Issuer shall provide the Authority, in a timely manner, with any and all information that may be requested of it (including its annual audit report, financial statements, related information and notices of changes in usage and customer base) so that the Authority may comply with the provisions of SEC Rule 15c2-12 (17 CFR Part 240).

Section 7.21. Contracts; Public Releases. A. The Issuer shall, simultaneously with the delivery of the Series 2006 Bonds or immediately thereafter, enter into written contracts for the immediate acquisition or construction of the Project.

B. The Issuer shall submit all proposed change orders to the BPH and the Infrastructure Council for written approval. The Issuer shall obtain the written approval of the BPH and the Infrastructure Council before expending any proceeds of the

Series 2006 Bonds held in "contingency" as set forth in the schedule attached to the certificate of the Consulting Engineer. The Issuer shall also obtain the written approval of the BPH and the Infrastructure Council before expending any proceeds of the Series 2006 Bonds made available due to bid or construction or project underruns.

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

ARTICLE VIII

INVESTMENTS

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

Any investment shall be held in and at all times deemed a part of the fund or account in which such moneys were originally held, and the interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. The investments held for any fund or account shall be valued at the lower of cost or then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including the value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held in the "Consolidated Fund." The Commission shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in any fund or account is insufficient to make the payments required from such fund or account, regardless of the loss on such liquidation. The Depository Bank may make any and all investments permitted by this section through its own investment or trust 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 if reasonably requested by the Issuer), a summary of such funds, accounts and investment earnings. The Issuer shall retain all such records and any additional records with respect to such funds, accounts and investment earnings so long as any of the Series 2006 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 2006 Bonds from gross income for federal income tax purposes.

Section 8.02. Certificate as to Use of Proceeds. The Issuer shall deliver a certificate as to use of proceeds or other similar certificate to be prepared by nationally recognized bond counsel relating to restrictions on the use of proceeds of the Series 2006 Bonds as a condition to issuance of the Series 2006 Bonds. In addition, the Issuer covenants (i) to comply with the Code and all Regulations from time to time in effect and applicable to the Series 2006 Bonds as may be necessary in order to maintain the status of the Series

2006 Bonds as governmental bonds; (ii) that it shall not take, or permit or suffer to be taken, any action with respect to the Issuer's use of the proceeds of the Series 2006 Bonds which would cause any bonds, the interest on which is exempt from federal income taxation under Section 103(a) of the Code, issued by the Authority, the Infrastructure Council or the BPH, as the case may be, from which the proceeds of the Series 2006 Bonds are derived, to lose their status as tax-exempt bonds; and (iii) to take such action, or refrain from taking such action, as shall be deemed necessary by the Issuer, or requested by the Authority, the Infrastructure Council or the BPH, to ensure compliance with the covenants and agreements set forth in this Section 8.02, regardless of whether such actions may be contrary to any of the provisions of this Bond Legislation.

The Issuer shall annually furnish to the Authority information with respect to the Issuer's use of the proceeds of the Series 2006 Bonds and any additional information requested by the Authority.

ARTICLE IX

DEFAULT AND REMEDIES

Section 9.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Series 2006 Bonds:

(1) If default occurs in the due and punctual payment of the principal of or interest, if any, on any Series 2006 Bonds; or

(2) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on their respective parts relating to the Series 2006 Bonds set forth in this Bond Legislation, any supplemental resolution or in the Series 2006 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 Authority, the Depository Bank, the Registrar, the Paying Agent or the Registered Owner of the Series 2006 Bonds; 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 Ordinance.

Section 9.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of the Series 2006 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 proceeding enforce all rights of such Registered Owners, including the right to require the Issuer to perform its duties under the Act, the Loan Agreement 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 Series 2006 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 Series 2006 Bonds, and (v) by action or bill in equity, enjoin any acts in violation of the Bond Legislation with respect to the Series 2006 Bonds, or the rights of such Registered Owners; provided that, all rights and remedies of the Registered Owners of the Series 2006 Bonds shall be on a parity with the Registered Owners of the Prior Bonds.

Section 9.03. Appointment of Receiver. Any Registered Owner of the Series 2006 Bonds 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, 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, any Registered Owner 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 the System and shall hold, operate and maintain, manage and control the System, 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 the System as the Issuer itself might do.

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

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

Any receiver appointed as provided herein shall hold and operate the System in the name of the Issuer and for the joint protection and benefit of the Issuer and Registered Owners of the Bonds. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the 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 the Registered Owners and the curing and making good of

any Event of Default with respect thereto under the provisions of this Bond Legislation, and the title to and ownership of the System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, assign, mortgage or otherwise dispose of any assets of the System.

ARTICLE X

PAYMENT OF BONDS

Section 10.01. Payment of Bonds. If the Issuer shall pay or there shall otherwise be paid to the Registered Owners of the Series 2006 Bonds, the principal of and interest, if any, due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then the pledge of Gross Revenues and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 2006 Bonds shall thereupon cease, terminate and become void and be discharged and satisfied, except as may otherwise be necessary to assure the exclusion of interest, if any, on the Series 2006 Bonds from gross income for federal income tax purposes.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Amendment or Modification of Bond Legislation. Prior to the issuance of the Series 2006 Bonds, this Ordinance may be amended or supplemented in any way by the Supplemental Resolution. Following issuance of the Series 2006 Bonds, no material modification or amendment of this Ordinance, or of any ordinance, resolution or order amendatory or supplemental hereto, that would materially and adversely affect the rights of Registered Owners of the Series 2006 Bonds shall be made without the consent in writing of the Registered Owners of the Series 2006 Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of the Series 2006 Bonds or the rate of interest, if any, thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest, if any, out of the funds herein pledged therefor without the consent of the Registered Owners thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of the Series 2006 Bonds required for consent to the above-permitted amendments or modifications. Notwithstanding the foregoing, this Bond Legislation may be amended without the consent of any Registered Owner as may be necessary to assure compliance with Section 148(f) of the Code relating to rebate requirements or otherwise as may be necessary to assure the excludability of interest, if any, on the Series 2006 Bonds from gross income of the Registered Owners thereof.

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

Section 11.03. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Ordinance should be held invalid by any court of competent jurisdiction, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Ordinance, the Supplemental Resolution or the Series 2006 Bonds.

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

Section 11.05. Conflicting Provisions Repealed. Except for the Prior Ordinance, all ordinances, orders or resolutions and or parts thereof in conflict with the provisions of this Ordinance are, to the extent of such conflict, hereby repealed; provided

that, in the event of any conflict between this Ordinance and the Prior Ordinance, the Prior Ordinance shall control (unless less restrictive), so long as the Prior Bonds are outstanding.

Section 11.06. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the final enactment and passage of this Ordinance 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 Mayor, the Recorder and members of the Governing Body were at all times when any actions in connection with this Ordinance occurred and are duly in office and duly qualified for such office.

Section 11.07. Reimbursement. (A) This Bond Ordinance is intended to constitute a "declaration of official intent" pursuant to Section 1.150-2 of the Treasury Regulations promulgated under the Internal Revenue Code of 1986, as amended (the "Reimbursement Regulations").

(B) The source of payment for such capital expenditures will be the temporary line of credit for the Project and upon issuance of the Bonds, proceeds thereof not to exceed the amount of such capital expenditures will be applied to reimbursement and repayment of such temporary line of credit.

(C) The maximum amount of such reimbursement is $400,000 and the maximum principal amount of the Bonds to be issued for design, acquisition, construction and equipping of the Project is $2,000,000.

(D) The Town shall provide written evidence of all reimbursement allocations within 30 days following the issuance of the Series 2006 Bonds.

Section 11.08. Statutory Notice and Public Hearing. Upon adoption hereof, an abstract of this Ordinance in the form set forth in Exhibit A attached hereto and incorporated herein by reference, shall be published once a week for 2 successive weeks within a period of fourteen consecutive days, with at least 6 full days intervening between each publication, in the Morgan Messenger, a newspaper published and of general circulation in the Town of Bath, together with a notice stating that this Ordinance has been adopted and that the Issuer contemplates the issuance of the Series 2006 Bonds, and that any person interested may appear before the Governing Body upon a date certain, not less than 10 days subsequent to the date of the first publication of such abstract of this Ordinance and notice, and present protests, and that a certified copy of this Ordinance is on file with the Governing Body for review by interested persons during office hours of the Governing Body. The Governing Body hereby determines that the abstract of this Ordinance as set forth in Exhibit

The Governing Body hereby determines that the abstract of this Ordinance as set forth in Exhibit A contains sufficient information as to give notice of the contents hereof. At such hearing, all objections and suggestions shall be heard and the Governing Body shall take such action as it shall deem proper in the premises.

Section 11.09. Effective Date. This Ordinance shall take effect immediately following public hearing and final reading hereof.

Passed on First Reading: 8-7, 2006

Passed on Second Reading: 8-14, 2006

Passed on Final Reading Following Public Hearing: 8-28, 2006

Mayor

A contains sufficient information as to give notice of the contents hereof. At such hearing, all objections and suggestions shall be heard and the Governing Body shall take such action as it shall deem proper in the premises.

Section 11.09. Effective Date. This Ordinance shall take effect immediately following public hearing and final reading hereof.

Passed on First Reading: _____, 2006

Passed on Second Reading: _____, 2006

Passed on Final Reading
Following Public
Hearing: _____, 2006

_____
Mayor

EXHIBIT A

TOWN OF BATH

NOTICE OF PUBLIC HEARING AND ABSTRACT OF BOND ORDINANCE

Notice is hereby given to any person interested that on _____, 2006, the Council of the Town of Bath (the "Issuer"), adopted an ordinance which, among other things:

1. Authorized the acquisition and construction of certain additions, betterments and improvements (the "Project") to the Issuer's existing waterworks system (the "System") and the financing of the cost, not otherwise provided, thereof through the issuance of not more than $1,250,000 in aggregate principal amount of Water Revenue Bonds, Series 2006 A (West Virginia DWTRF Program) and not more than $1,350,000 in aggregate principal amount of Water Revenue Bonds, Series 2006 B (West Virginia Infrastructure Fund) (collectively, the "Bonds").

2. Directed that the Bonds be issued in such principal amounts, bear interest, if any, at such rate or rates, not exceeding the then legal maximum rate, payable quarterly on such dates, mature on such dates and in such amounts and redeemable, in whole or in part, as prescribed in a supplemental resolution or in the respective Loan Agreements for the Bonds; authorized the execution and delivery of the Loan Agreements.

3. Directed the continuation of a revenue fund and the disposition of the revenues of the System; provided for the payment of operating expenses of the System and debt service on the Bonds; directed the creation of the respective sinking funds, reserve accounts, a renewal and replacement fund and a bond construction trust fund and the disbursement of Bond proceeds.

4. Provided that the Bonds shall not be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Gross Revenues of the System; pledged the Gross Revenues of the System to payment of the Bonds and established the rights of the registered owners of the Bonds to the Gross Revenues of the System; provided certain conditions for the issuance of additional bonds.

5. Provided for insurance coverage on the Project and the System, enforcement of collection of rates and other charges for the System, and other covenants of the Issuer in favor of the registered owners of the Bonds.

6. Established the events of default and the remedies of the registered owners of the Bonds; provided for the modification or amendment of the Ordinance upon the terms and conditions set forth in the Ordinance.

The Issuer contemplates the issuance of the Bonds described in and under the conditions set forth in the Ordinance abstracted above. Any person interested may appear before the Council of the Town of Bath at a _____ meeting on _____, 2006, at ___:00 p.m., in the Council Chambers, Town Hall, 103 Wilkes Street, Berkeley Springs, West Virginia, and present protests and be heard as to whether the above-described Ordinance shall be put into effect.

A certified copy of the Ordinance as adopted by the Council is on file with the Recorder for review by interested persons during the office hours of the Town Hall.

Clerk

TOWN OF BATH
WATER REVENUE BONDS,
SERIES 2006 A (WEST VIRGINIA DWTRF PROGRAM) AND
SERIES 2006 B (WEST VIRGINIA INFRASTRUCTURE FUND)

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO THE PRINCIPAL AMOUNTS, DATES, MATURITY DATES, INTEREST RATES, PAYMENT SCHEDULES, SALE PRICES AND OTHER TERMS OF THE TOWN OF BATH WATER REVENUE BONDS, SERIES 2006 A (WEST VIRGINIA DWTRF PROGRAM) AND SERIES 2006 B (WEST VIRGINIA INFRASTRUCTURE FUND); AUTHORIZING AND APPROVING THE LOAN AGREEMENTS RELATING TO SUCH BONDS AND THE SALE AND DELIVERY OF SUCH BONDS TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; DESIGNATING A REGISTRAR, PAYING AGENT AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the Council (the "Governing Body") of the Town of Bath (the "Issuer") has duly and officially passed a Bond Ordinance on August 14, 2006, effective August 28, 2006 (the "Bond Ordinance"), entitled:

ORDINANCE AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING PUBLIC WATERWORKS SYSTEM OF THE TOWN OF BATH AND THE FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE BY THE TOWN OF NOT MORE THAN $1,250,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2006 A (WEST VIRGINIA DWTRF PROGRAM) AND NOT MORE THAN $1,350,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2006 B (WEST VIRGINIA

INFRASTRUCTURE FUND); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING LOAN AGREEMENTS RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS; STATING THE REASONABLE EXPECTATION OF THE COUNCIL OF THE TOWN OF BATH TO REIMBURSE THE TOWN FOR CAPITAL EXPENDITURES IN CONNECTION WITH THE DESIGN, ACQUISITION, CONSTRUCTION AND EQUIPPING OF SUCH ADDITIONS, BETTERMENTS AND IMPROVEMENTS PRIOR TO THE ISSUANCE OF TAX-EXEMPT REVENUE BONDS; AND ADOPTING OTHER PROVISIONS RELATING THERETO.

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

WHEREAS, the Bond Ordinance provides for the issuance of the Water Revenue Bonds, Series 2006 A (West Virginia DWTRF Program) and Series 2006 B (West Virginia Infrastructure Fund), of the Issuer, in the respective aggregate principal amounts not to exceed $1,250,000 and $1,350,000 (collectively, the "Bonds" and individually, the "Series 2006 A Bonds" and "Series 2006 B Bonds"), and has authorized the execution and delivery of a loan agreement relating to the Series 2006 A Bonds, including all schedules and exhibits attached thereto, by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Bureau for Public Health (the "BPH"), and a loan agreement relating to the Series 2006 B Bonds, including all schedules and exhibits attached thereto, by and between the Issuer and the Authority, on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Infrastructure Council") (collectively, the "Loan Agreement"), all in accordance with Chapter 8, Article 19 and Chapter 16, Article 13C and Chapter 31, Article 15A of the Code of West Virginia, 1931, as amended (collectively, the "Act"); and in the Bond Ordinance it is provided that the exact principal amounts, dates, maturity dates, interest rates, payment schedules, sale prices and other terms of the Bonds should be established by a supplemental resolution, and that other matters relating to the Bonds be herein provided for;

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

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

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

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF THE TOWN OF BATH, WEST VIRGINIA, AS FOLLOWS:

Section 1. It is hereby found and determined that:

(A) The Notice of Public Hearing and Abstract of Bond Ordinance (the "Notice") was duly published in the Morgan Messenger, a qualified newspaper published and of general circulation in the Issuer, with the first publication thereof being not less than 10 days before the day set by the Bond Ordinance and the Notice for the public hearing at which interested persons may appear before the Council and present protests and suggestions and with the last publication thereof being prior to said date set by the Bond Ordinance and the Notice for the public hearing, and a copy of the Affidavit of Publication reflecting such publications is incorporated herein by reference;

(B) In accordance with the Bond Ordinance and the Notice, the Recorder has maintained in her office a certified copy of the Bond Ordinance for review by interested persons during the regular office hours of such office;

(C) In Council chambers, Town Hall, 271 Wilkes Street, Berkeley Springs, West Virginia, on August 28, 2006, at 5:30 p.m., prevailing time, in accordance with the Bond Ordinance and the Notice, the Council met for the purpose of hearing protests and suggestions regarding whether the Bond Ordinance should be put into effect and heard all protests and suggestions with regard thereto;

(D) At the public hearing, no significant reasons were presented

that would require modification or amendment of the Bond Ordinance and no written protest with regard thereto was filed by 30 percent or more of the freeholders of the Issuer; and

(E) The Bond Ordinance shall be put into effect as of the date hereof and the Bonds contemplated thereby shall be issued, all as provided in the Bond Ordinance and this Supplemental Resolution.

Section 2. Pursuant to the Bond Ordinance and the Act, this Supplemental Resolution is adopted and there are hereby authorized and ordered to be issued the following bonds of the Issuer:

(A) Water Revenue Bonds, Series 2006 A (West Virginia DWTRF Program), of the Issuer, originally represented by a single Bond, numbered AR-1, in the original principal amount of $1,250,000. The Series 2006 A Bonds shall be dated the date of delivery, shall finally mature June 1, 2037, and shall bear no interest. The principal of the Series 2006 A Bonds shall be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing September 1, 2007, in the amounts as set forth in the Schedule Y attached to the Loan Agreement and incorporated in and made a part of the Series 2006 A Bonds. The Issuer hereby approves and shall pay the Administrative Fee equal to 1% of the principal amount of the Series 2006 A Bonds set forth in the Schedule Y attached to the Loan Agreement. The Series 2006 A Bonds shall be subject to redemption upon the written consent of the Authority and the BPH, and upon payment of the redemption premium, if any, and otherwise in compliance with the Loan Agreement, so long as the Authority shall be the Registered Owner of the Series 2006 A Bonds.

(B) Water Revenue Bonds, Series 2006 B (West Virginia Infrastructure Fund), of the Issuer, originally represented by a single Bond, numbered BR-1, in the original principal amount of $1,237,000. The Series 2006 B Bonds shall be dated the date of delivery, shall finally mature June 1, 2046, and shall bear no interest. The principal of the Series 2006 B Bonds shall be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing June 1, 2008, in the amounts as set forth in the Schedule Y attached to the Loan Agreement and incorporated in and made a part of the Series 2006 B Bonds. The Series 2006 B Bonds shall be subject to redemption upon the written consent of the Authority and the Infrastructure Council, and upon payment of the redemption premium, if any, and otherwise in compliance with the

Loan Agreement, so long as the Authority shall be the Registered Owner of the Series 2006 B Bonds.

Section 3. All other provisions relating to the Bonds and the text of the Bonds shall be in substantially the forms provided in the Bond Ordinance.

Section 4. The Issuer hereby ratifies, approves and accepts the Loan Agreement, including all schedules and exhibits attached thereto, a copy of which is incorporated herein by reference, and the execution and delivery of the Loan Agreement by the Mayor, and the performance of the obligations contained therein, on behalf of the Issuer, are hereby authorized, directed, ratified and approved. The Issuer hereby affirms all covenants and representations made in the Loan Agreement and in the application to the BPH, the Infrastructure Council and the Authority. The price of the Bonds shall be 100% of par value, there being no interest accrued thereon, provided that the proceeds of the Bonds shall be advanced from time to time as requisitioned by the Issuer.

Section 5. The Issuer hereby appoints and designates Citizens National Bank of Berkeley Springs, Berkeley Springs, West Virginia, to serve as Registrar (the "Registrar") for the Bonds under the Bond Ordinance and approves and accepts the Registrar's Agreement to be dated the date of delivery of the Bonds, by and between the Issuer and the Registrar, and the execution and delivery of the Registrar's Agreement by the Mayor, and the performance of the obligations contained therein, on behalf of the Issuer, are hereby authorized, directed and approved.

Section 6. The Issuer hereby appoints and designates the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Commission"), to serve as Paying Agent for the Bonds under the Bond Ordinance.

Section 7. The Issuer hereby appoints and designates Citizens National Bank of Berkeley Springs, Berkeley Springs, West Virginia, to serve as Depository Bank under the Bond Ordinance.

Section 8. Series 2006 A Bonds proceeds in the amount of $-0- shall be deposited in the Series 2006 A Bonds Sinking Fund as capitalized interest.

Section 9. Series 2006 A Bonds proceeds in the amount of $-0- shall be deposited in the Series 2006 A Bonds Reserve Account.

Section 10. Series 2006 B Bonds proceeds in the amount of $-0- shall be deposited in the Series 2006 B Bonds Sinking Fund as capitalized interest.

Section 11. Series 2006 B Bonds proceeds in the amount of $-0- shall be deposited in the Series 2006 B Bonds Reserve Account.

Section 12. The remaining proceeds of the Bonds, as advanced from time to time, shall be deposited in or credited to the Series 2006 Bonds Construction Trust Fund, as received from time to time for payment of costs of the Project, including costs of issuance of the Bonds.

Section 13. The Mayor and Recorder are hereby authorized and directed to execute and deliver such other documents and certificates required or desirable in connection with the Bonds hereby and by the Bond Ordinance approved and provided for, to the end that the Bonds may be delivered to the Authority pursuant to the Loan Agreement on or

about August 29, 2006.

Section 14. The acquisition and construction of the Project and the financing thereof with proceeds of the Bonds are in the public interest, serve a public purpose of the Issuer and will promote the health, welfare and safety of the residents of the Issuer.

Section 15. The Issuer hereby determines to invest all moneys in the funds and accounts established by the Bond Ordinance held by the Depository Bank until expended, in money market accounts secured by a pledge of Government Obligations, and therefore, the Issuer hereby directs the Depository Bank to invest all moneys in such money market accounts until further directed in writing by the Issuer. Moneys in the Series 2006 A Bonds Sinking Fund, the Series 2006 B Bonds Sinking Fund, the Series 2006 A Bonds Reserve Account and the Series 2006 B Bonds Reserve Account shall be invested by the Commission in the West Virginia Consolidated Fund.

Section 16. The Issuer hereby approves and accepts all contracts relating to the financing, acquisition and construction of the Project.

Section 17. The Issuer hereby approves the costs of issuance and authorizes the payment of the same.

Section 18. This Supplemental Resolution shall be effective immediately following adoption hereof.

Adopted this 28th day of August, 2006.

Mayor

CERTIFICATION

Certified a true copy of a Supplemental Resolution duly adopted by the Council of the Town of Bath on the 28th day of August, 2006.

Dated this 29th day of August, 2006.

[SEAL]

Recorder

8/17/06
000802/00303

AR-1

SPECIMEN

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
TOWN OF BATH
WATER REVENUE BOND, SERIES 2006 A
(WEST VIRGINIA DWTRF PROGRAM)

No. AR-1 $1,250,000

KNOW ALL MEN BY THESE PRESENTS: That on this 29th day of August, 2006, the TOWN OF BATH, a municipal corporation and political subdivision of the State of West Virginia in Morgan County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY (the "Authority") or registered assigns, the sum of One Million Two Hundred-Fifty Thousand DOLLARS ($1,250,000), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the Record of Advances attached as EXHIBIT A hereto and incorporated herein by reference, in quarterly installments on March 1, June 1, September 1 and December 1 of each year, commencing September 1 2007, as set forth on the Debt Service Schedule attached as EXHIBIT B hereto and incorporated herein by reference. The Administrative Fee (as defined in the hereinafter described Bond Legislation) on this Bond shall be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing September 1, 2007, as set forth on EXHIBIT B attached hereto.

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

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and the West Virginia Bureau for Public Health (the "BPH"), and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement by and between the Issuer and the Authority, on behalf of the BPH, dated August 29, 2006.

SPECIMEN

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain additions, betterments and improvements to the existing public waterworks system of the Issuer (the "Project"); and (ii) to pay certain costs of issuance of this Bond and related costs. The existing public waterworks system of the Issuer, the Project and any further additions, betterments or improvements thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 8, Article 19 and Chapter 16, Article 13C of the Code of West Virginia, 1931, as amended (collectively, the "Act"), a Bond Ordinance duly enacted by the Issuer on August 14, 2006, effective August 28, 2006 and a Supplemental Resolution duly adopted by the Issuer on August 28, 2006 (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE ISSUER'S (1)WATER REVENUE REFUNDING AND IMPROVEMENT BONDS, SERIES 1997 A, DATED JULY 15, 1997, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,430,000 (THE "SERIES 1997 A BONDS"); (2) WATER REVENUE BONDS, SERIES 2002 A (WEST VIRGINIA DWTRF PROGRAM), DATED DECEMBER 9, 2002, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,150,000 (THE "SERIES 2002 A BONDS"); AND (3) WATER REVENUE BONDS, SERIES 2006 B (WEST VIRGINIA INFRASTRUCTURE FUND), DATED AUGUST 29, 2006, ISSUED CONCURRENTLY HEREWITH IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,237,000 (THE "SERIES 2006 B BONDS"). THE SERIES 1997 A BONDS, THE SERIES 2002 A BONDS AND THE SERIES 2006 B BONDS ARE COLLECTIVELY CALLED THE "FIRST LIEN BONDS."

This Bond is payable only from and secured by a pledge of the Gross Revenues (as defined in the Bond Legislation) to be derived from the System, on a parity with the pledge of Gross Revenues in favor of the registered owners of the First Lien Bonds and from moneys in the reserve account created under the Bond Legislation for this Bond (the "Series 2006 A Bonds Reserve Account"), and unexpended proceeds of this Bond. Such Gross Revenues shall be sufficient to pay all operating expenses of the System and the principal of and interest, if any, on all bonds which may be issued

SPECIMEN

pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, nor shall the Issuer be obligated to pay the same or the interest, if any, hereon, except from said special fund provided from the Gross Revenues, the moneys in the Series 2006 A Bonds Reserve Account and unexpended proceeds of this Bond. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to comply with the rate coverage required by the ordinance authorizing the Series 1997 A Bonds, so long as the Series 1997 A Bonds are outstanding, and thereafter, sufficient to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount of principal of and interest, if any, on this Bond, payable in any year and all other obligations secured by a lien on or payable from such revenues on a parity with this Bond; provided however, that so long as there exists in the Series 2006 A Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest, if any, which will become due on this Bond in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with this Bond, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of this Bond for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of this Bond are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

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

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

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law and the Bond Legislation, shall be applied solely to payment of the costs of the Project and the costs of issuance hereof as described in the Bond Legislation, and there shall be and

hereby is created and granted a lien upon such moneys, until so applied, in favor of the registered owner of this Bond.

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

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

IN WITNESS WHEREOF, the TOWN OF BATH has caused this Bond to be signed by its Mayor and its corporate seal to be hereunto affixed and attested by its Recorder, and has caused this Bond to be dated as of the date first written above.

[SEAL]

SPECIMEN

Mayor

ATTEST:

SPECIMEN

Recorder

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 2006 A Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner
set forth above, as of the date set forth below.

Date: August 29, 2006.

CITIZENS NATIONAL BANK OF
BERKELEY SPRINGS, as Registrar

SPECIMEN

Authorized Officer

AR-1

EXHIBIT A

SPECIMEN

RECORD OF ADVANCES

	AMOUNT	DATE		AMOUNT	DATE
(1)	$31,250	8/29/06	(19)	$	
(2)	$		(20)	$	
(3)	$		(21)	$	
(4)	$		(22)	$	
(5)	$		(23)	$	
(6)	$		(24)	$	
(7)	$		(25)	$	
(8)	$		(26)	$	
(9)	$		(27)	$	
(10)	$		(28)	$	
(11)	$		(29)	$	
(12)	$		(30)	$	
(13)	$		(31)	$	
(14)	$		(32)	$	
(15)	$		(33)	$	
(16)	$		(34)	$	
(17)	$		(35)	$	
(18)	$		(36)	$	

TOTAL $_____

EXHIBIT B

DEBT SERVICE SCHEDULE

SPECIMEN

$1,250,000

Town of Bath
0% Interest Rate, 1% Administrative Fee, 30 Years
Closing Date: August 29, 2006

Debt Service Schedule

Date	Principal	Coupon	Total P+I
09/01/2006	-	-	-
12/01/2006	-	-	-
03/01/2007	-	-	-
06/01/2007	-	-	-
09/01/2007	10,417.00	-	10,417.00
12/01/2007	10,417.00	-	10,417.00
03/01/2008	10,417.00	-	10,417.00
06/01/2008	10,417.00	-	10,417.00
09/01/2008	10,417.00	-	10,417.00
12/01/2008	10,417.00	-	10,417.00
03/01/2009	10,417.00	-	10,417.00
06/01/2009	10,417.00	-	10,417.00
09/01/2009	10,417.00	-	10,417.00
12/01/2009	10,417.00	-	10,417.00
03/01/2010	10,417.00	-	10,417.00
06/01/2010	10,417.00	-	10,417.00
09/01/2010	10,417.00	-	10,417.00
12/01/2010	10,417.00	-	10,417.00
03/01/2011	10,417.00	-	10,417.00
06/01/2011	10,417.00	-	10,417.00
09/01/2011	10,417.00	-	10,417.00
12/01/2011	10,417.00	-	10,417.00
03/01/2012	10,417.00	-	10,417.00
06/01/2012	10,417.00	-	10,417.00
09/01/2012	10,417.00	-	10,417.00
12/01/2012	10,417.00	-	10,417.00
03/01/2013	10,417.00	-	10,417.00
06/01/2013	10,417.00	-	10,417.00
09/01/2013	10,417.00	-	10,417.00
12/01/2013	10,417.00	-	10,417.00
03/01/2014	10,417.00	-	10,417.00
06/01/2014	10,417.00	-	10,417.00
09/01/2014	10,417.00	-	10,417.00
12/01/2014	10,417.00	-	10,417.00
03/01/2015	10,417.00	-	10,417.00
06/01/2015	10,417.00	-	10,417.00
09/01/2015	10,417.00	-	10,417.00
12/01/2015	10,417.00	-	10,417.00
03/01/2016	10,417.00	-	10,417.00
06/01/2016	10,417.00	-	10,417.00
09/01/2016	10,417.00	-	10,417.00
12/01/2016	10,417.00	-	10,417.00
03/01/2017	10,417.00	-	10,417.00
06/01/2017	10,417.00	-	10,417.00

AR-1

SPECIMEN

$1,250,000

Town of Bath

0% Interest Rate, 1% Administrative Fee, 30 Years

Closing Date: August 29, 2006

Debt Service Schedule

Date	Principal	Coupon	Total P+I
09/01/2017	10,417.00	-	10,417.00
12/01/2017	10,417.00	-	10,417.00
03/01/2018	10,417.00	-	10,417.00
06/01/2018	10,417.00	-	10,417.00
09/01/2018	10,417.00	-	10,417.00
12/01/2018	10,417.00	-	10,417.00
03/01/2019	10,417.00	-	10,417.00
06/01/2019	10,417.00	-	10,417.00
09/01/2019	10,417.00	-	10,417.00
12/01/2019	10,417.00	-	10,417.00
03/01/2020	10,417.00	-	10,417.00
06/01/2020	10,417.00	-	10,417.00
09/01/2020	10,417.00	-	10,417.00
12/01/2020	10,417.00	-	10,417.00
03/01/2021	10,417.00	-	10,417.00
06/01/2021	10,417.00	-	10,417.00
09/01/2021	10,417.00	-	10,417.00
12/01/2021	10,417.00	-	10,417.00
03/01/2022	10,417.00	-	10,417.00
06/01/2022	10,417.00	-	10,417.00
09/01/2022	10,417.00	-	10,417.00
12/01/2022	10,417.00	-	10,417.00
03/01/2023	10,417.00	-	10,417.00
06/01/2023	10,417.00	-	10,417.00
09/01/2023	10,417.00	-	10,417.00
12/01/2023	10,417.00	-	10,417.00
03/01/2024	10,417.00	-	10,417.00
06/01/2024	10,417.00	-	10,417.00
09/01/2024	10,417.00	-	10,417.00
12/01/2024	10,417.00	-	10,417.00
03/01/2025	10,417.00	-	10,417.00
06/01/2025	10,417.00	-	10,417.00
09/01/2025	10,417.00	-	10,417.00
12/01/2025	10,417.00	-	10,417.00
03/01/2026	10,417.00	-	10,417.00
06/01/2026	10,417.00	-	10,417.00
09/01/2026	10,417.00	-	10,417.00
12/01/2026	10,417.00	-	10,417.00
03/01/2027	10,417.00	-	10,417.00
06/01/2027	10,417.00	-	10,416.00
09/01/2027	10,416.00	-	10,416.00
12/01/2027	10,416.00	-	10,416.00
03/01/2028	10,416.00	-	10,416.00
06/01/2028	10,416.00	-	10,416.00

AR-1

SPECIMEN

$1,250,000

Town of Bath

0% Interest Rate, 1% Administrative Fee, 30 Years

Closing Date: August 29, 2006

Debt Service Schedule

Date	Principal	Coupon	Total P+I
09/01/2028	10,416.00	-	10,416.00
12/01/2028	10,416.00	-	10,416.00
03/01/2029	10,416.00	-	10,416.00
06/01/2029	10,416.00	-	10,416.00
09/01/2029	10,416.00	-	10,416.00
12/01/2029	10,416.00	-	10,416.00
03/01/2030	10,416.00	-	10,416.00
06/01/2030	10,416.00	-	10,416.00
09/01/2030	10,416.00	-	10,416.00
12/01/2030	10,416.00	-	10,416.00
03/01/2031	10,416.00	-	10,416.00
06/01/2031	10,416.00	-	10,416.00
09/01/2031	10,416.00	-	10,416.00
12/01/2031	10,416.00	-	10,416.00
03/01/2032	10,416.00	-	10,416.00
06/01/2032	10,416.00	-	10,416.00
09/01/2032	10,416.00	-	10,416.00
12/01/2032	10,416.00	-	10,416.00
03/01/2033	10,416.00	-	10,416.00
06/01/2033	10,416.00	-	10,416.00
09/01/2033	10,416.00	-	10,416.00
12/01/2033	10,416.00	-	10,416.00
03/01/2034	10,416.00	-	10,416.00
06/01/2034	10,416.00	-	10,416.00
09/01/2034	10,416.00	-	10,416.00
12/01/2034	10,416.00	-	10,416.00
03/01/2035	10,416.00	-	10,416.00
06/01/2035	10,416.00	-	10,416.00
09/01/2035	10,416.00	-	10,416.00
12/01/2035	10,416.00	-	10,416.00
03/01/2036	10,416.00	-	10,416.00
06/01/2036	10,416.00	-	10,416.00
09/01/2036	10,416.00	-	10,416.00
12/01/2036	10,416.00	-	10,416.00
03/01/2037	10,416.00	-	10,416.00
06/01/2037	10,416.00	-	10,416.00
Total	$1,250,000.00	-	$1,250,000.00 *

*Plus $1,575.49 one-percent administrative fee paid quarterly. Total fee over life of loan is $189,058.80.

(Form of)

ASSIGNMENT

SPECIMEN

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

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

Dated: _____, _____.

_____

In the presence of:

_____

BR-1

SPECIMEN

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
TOWN OF BATH
WATER REVENUE BOND, SERIES 2006 B
(WEST VIRGINIA INFRASTRUCTURE FUND)

No. BR-1

$1,237,000

KNOW ALL MEN BY THESE PRESENTS: That on this 29th day of August, 2006, the TOWN OF BATH, a municipal corporation and political subdivision of the State of West Virginia in Morgan County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY (the "Authority") or registered assigns, the sum of One Million Two Hundred Thirty-Seven Thousand DOLLARS ($1,237,000), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the Record of Advances attached as EXHIBIT A hereto and incorporated herein by reference, in quarterly installments on March 1, June 1, September 1 and December 1 of each year, commencing June 1, 2008, as set forth on the Debt Service Schedule attached as EXHIBIT B hereto and incorporated herein by reference.

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

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and the West Virginia Infrastructure and Jobs Development Council (the "Infrastructure Council"), and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement by and between the Issuer and the Authority, on behalf of the Infrastructure Council, dated August 29, 2006.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain additions, betterments and improvements to the existing public waterworks system of the Issuer (the "Project"); and (ii) to pay certain costs of issuance of this Bond and related costs. The existing public waterworks system of the Issuer, the Project and any further additions, betterments or improvements thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the

SPECIMEN

Constitution and statutes of the State of West Virginia, including particularly Chapter 8, Article 19 and Chapter 31, Article 15A of the Code of West Virginia, 1931, as amended (collectively, the "Act"), a Bond Ordinance duly enacted by the Issuer on August 14, 2006, effective August 28, 2006 and a Supplemental Resolution duly adopted by the Issuer on August 28, 2006 (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE ISSUER'S (1)WATER REVENUE REFUNDING AND IMPROVEMENT BONDS, SERIES 1997 A, DATED JULY 15, 1997, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,430,000 (THE "SERIES 1997 A BONDS"); (2) WATER REVENUE BONDS, SERIES 2002 A (WEST VIRGINIA DWTRF PROGRAM), DATED DECEMBER 9, 2002, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,150,000 (THE "SERIES 2002 A BONDS"); AND (3) WATER REVENUE BONDS, SERIES 2006 A (WEST VIRGINIA DWTRF PROGRAM), DATED AUGUST 29, 2006, ISSUED CONCURRENTLY HEREWITH IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,250,000 (THE "SERIES 2006 A BONDS"). THE SERIES 1997 A BONDS, THE SERIES 2002 A BONDS AND THE SERIES 2006 A BONDS ARE COLLECTIVELY CALLED THE "FIRST LIEN BONDS."

This Bond is payable only from and secured by a pledge of the Gross Revenues (as defined in the Bond Legislation) to be derived from the System, on a parity with the pledge of Gross Revenues in favor of the registered owners of the First Lien Bonds and from moneys in the reserve account created under the Bond Legislation for this Bond (the "Series 2006 B Bonds Reserve Account"), and unexpended proceeds of this Bond. Such Gross Revenues shall be sufficient to pay all operating expenses of the System and the principal of and interest, if any, on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, nor shall the Issuer be obligated to pay the same or the interest, if any, hereon, except from said special fund provided from the Gross Revenues, the moneys in the Series 2006 B Bonds Reserve Account and unexpended proceeds of this Bond. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to comply with the rate coverage required by

SPECIMEN

the ordinance authorizing the Series 1997A Bonds, so long as the Series 1997 A Bonds are outstanding, and thereafter, sufficient to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount of principal of and interest, if any, on this Bond, payable in any year and all other obligations secured by a lien on or payable from such revenues on a parity with this Bond; provided however, that so long as there exists in the Series 2006 B Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest, if any, which will become due on this Bond in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with this Bond, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of this Bond for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of this Bond are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

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

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

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

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

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

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

IN WITNESS WHEREOF, the TOWN OF BATH has caused this Bond to be signed by its Mayor, and its corporate seal to be hereunto affixed and attested by its Recorder, and has caused this Bond to be dated as of the date first written above.

[SEAL]

SPECIMEN

Mayor

ATTEST:

SPECIMEN

Recorder

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 2006 B Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: August 29, 2006.

CITIZENS NATIONAL BANK OF
BERKELEY SPRINGS, as Registrar

Authorized Officer

BR-1
EXHIBIT A

SPECIMEN

RECORD OF ADVANCES

	AMOUNT	DATE		AMOUNT	DATE
(1)	$103,000	8/29/06	(19)	$	
(2)	$		(20)	$	
(3)	$		(21)	$	
(4)	$		(22)	$	
(5)	$		(23)	$	
(6)	$		(24)	$	
(7)	$		(25)	$	
(8)	$		(26)	$	
(9)	$		(27)	$	
(10)	$		(28)	$	
(11)	$		(29)	$	
(12)	$		(30)	$	
(13)	$		(31)	$	
(14)	$		(32)	$	
(15)	$		(33)	$	
(16)	$		(34)	$	
(17)	$		(35)	$	
(18)	$		(36)	$	

TOTAL $

BR-1

EXHIBIT B

SPECIMEN

DEBT SERVICE SCHEDULE

$1,237,000

Town of Bath (West Virginia)
0% Interest Rate, 40 Years from Closing Date
Closing Date: August 29, 2006

Debt Service Schedule

Part 1 of 4

Date	Principal	Coupon	Total P+I
09/01/2006	-	-	-
12/01/2006	-	-	-
03/01/2007	-	-	-
06/01/2007	-	-	-
09/01/2007	-	-	-
12/01/2007	-	-	-
03/01/2008	-	-	-
06/01/2008	8,085.00	-	8,085.00
09/01/2008	8,085.00	-	8,085.00
12/01/2008	8,085.00	-	8,085.00
03/01/2009	8,085.00	-	8,085.00
06/01/2009	8,085.00	-	8,085.00
09/01/2009	8,085.00	-	8,085.00
12/01/2009	8,085.00	-	8,085.00
03/01/2010	8,085.00	-	8,085.00
06/01/2010	8,085.00	-	8,085.00
09/01/2010	8,085.00	-	8,085.00
12/01/2010	8,085.00	-	8,085.00
03/01/2011	8,085.00	-	8,085.00
06/01/2011	8,085.00	-	8,085.00
09/01/2011	8,085.00	-	8,085.00
12/01/2011	8,085.00	-	8,085.00
03/01/2012	8,085.00	-	8,085.00
06/01/2012	8,085.00	-	8,085.00
09/01/2012	8,085.00	-	8,085.00
12/01/2012	8,085.00	-	8,085.00
03/01/2013	8,085.00	-	8,085.00
06/01/2013	8,085.00	-	8,085.00
09/01/2013	8,085.00	-	8,085.00
12/01/2013	8,085.00	-	8,085.00
03/01/2014	8,085.00	-	8,085.00
06/01/2014	8,085.00	-	8,085.00
09/01/2014	8,085.00	-	8,085.00
12/01/2014	8,085.00	-	8,085.00
03/01/2015	8,085.00	-	8,085.00
06/01/2015	8,085.00	-	8,085.00
09/01/2015	8,085.00	-	8,085.00
12/01/2015	8,085.00	-	8,085.00
03/01/2016	8,085.00	-	8,085.00
06/01/2016	8,085.00	-	8,085.00
09/01/2016	8,085.00	-	8,085.00
12/01/2016	8,085.00	-	8,085.00
03/01/2017	8,085.00	-	8,085.00
06/01/2017	8,085.00	-	8,085.00

SPECIMEN

$1,237,000

Town of Bath (West Virginia)
0% Interest Rate, 40 Years from Closing Date
Closing Date: August 29, 2006

Debt Service Schedule

Part 2 of 4

Date	Principal	Coupon	Total P+I
09/01/2017	8,085.00	-	8,085.00
12/01/2017	8,085.00	-	8,085.00
03/01/2018	8,085.00	-	8,085.00
06/01/2018	8,085.00	-	8,085.00
09/01/2018	8,085.00	-	8,085.00
12/01/2018	8,085.00	-	8,085.00
03/01/2019	8,085.00	-	8,085.00
06/01/2019	8,085.00	-	8,085.00
09/01/2019	8,085.00	-	8,085.00
12/01/2019	8,085.00	-	8,085.00
03/01/2020	8,085.00	-	8,085.00
06/01/2020	8,085.00	-	8,085.00
09/01/2020	8,085.00	-	8,085.00
12/01/2020	8,085.00	-	8,085.00
03/01/2021	8,085.00	-	8,085.00
06/01/2021	8,085.00	-	8,085.00
09/01/2021	8,085.00	-	8,085.00
12/01/2021	8,085.00	-	8,085.00
03/01/2022	8,085.00	-	8,085.00
06/01/2022	8,085.00	-	8,085.00
09/01/2022	8,085.00	-	8,085.00
12/01/2022	8,085.00	-	8,085.00
03/01/2023	8,085.00	-	8,085.00
06/01/2023	8,085.00	-	8,085.00
09/01/2023	8,085.00	-	8,085.00
12/01/2023	8,085.00	-	8,085.00
03/01/2024	8,085.00	-	8,085.00
06/01/2024	8,085.00	-	8,085.00
09/01/2024	8,085.00	-	8,085.00
12/01/2024	8,085.00	-	8,085.00
03/01/2025	8,085.00	-	8,085.00
06/01/2025	8,085.00	-	8,085.00
09/01/2025	8,085.00	-	8,085.00
12/01/2025	8,085.00	-	8,085.00
03/01/2026	8,085.00	-	8,085.00
06/01/2026	8,085.00	-	8,085.00
09/01/2026	8,085.00	-	8,085.00
12/01/2026	8,085.00	-	8,085.00
03/01/2027	8,085.00	-	8,085.00
06/01/2027	8,085.00	-	8,085.00
09/01/2027	8,085.00	-	8,085.00
12/01/2027	8,085.00	-	8,085.00
03/01/2028	8,085.00	-	8,085.00
06/01/2028	8,085.00	-	8,085.00

BR-1

SPECIMEN

$1,237,000

Town of Bath (West Virginia)
0% Interest Rate, 40 Years from Closing Date
Closing Date: August 29, 2006

Debt Service Schedule

Part 3 of 4

Date	Principal	Coupon	Total P+I
09/01/2028	8,085.00	-	8,085.00
12/01/2028	8,085.00	-	8,085.00
03/01/2029	8,085.00	-	8,085.00
06/01/2029	8,085.00	-	8,085.00
09/01/2029	8,085.00	-	8,085.00
12/01/2029	8,085.00	-	8,085.00
03/01/2030	8,085.00	-	8,085.00
06/01/2030	8,085.00	-	8,085.00
09/01/2030	8,085.00	-	8,085.00
12/01/2030	8,085.00	-	8,085.00
03/01/2031	8,085.00	-	8,085.00
06/01/2031	8,085.00	-	8,085.00
09/01/2031	8,085.00	-	8,085.00
12/01/2031	8,085.00	-	8,085.00
03/01/2032	8,085.00	-	8,085.00
06/01/2032	8,085.00	-	8,085.00
09/01/2032	8,085.00	-	8,085.00
12/01/2032	8,085.00	-	8,085.00
03/01/2033	8,085.00	-	8,085.00
06/01/2033	8,085.00	-	8,085.00
09/01/2033	8,085.00	-	8,085.00
12/01/2033	8,085.00	-	8,085.00
03/01/2034	8,085.00	-	8,085.00
06/01/2034	8,085.00	-	8,085.00
09/01/2034	8,085.00	-	8,085.00
12/01/2034	8,085.00	-	8,085.00
03/01/2035	8,085.00	-	8,085.00
06/01/2035	8,085.00	-	8,085.00
09/01/2035	8,085.00	-	8,085.00
12/01/2035	8,085.00	-	8,085.00
03/01/2036	8,085.00	-	8,085.00
06/01/2036	8,085.00	-	8,085.00
09/01/2036	8,085.00	-	8,085.00
12/01/2036	8,085.00	-	8,085.00
03/01/2037	8,085.00	-	8,085.00
06/01/2037	8,085.00	-	8,085.00
09/01/2037	8,085.00	-	8,085.00
12/01/2037	8,085.00	-	8,085.00
03/01/2038	8,085.00	-	8,085.00
06/01/2038	8,085.00	-	8,085.00
09/01/2038	8,085.00	-	8,085.00
12/01/2038	8,085.00	-	8,085.00
03/01/2039	8,085.00	-	8,085.00
06/01/2039	8,085.00	-	8,085.00

SPECIMEN

$1,237,000

Town of Bath (West Virginia)
0% Interest Rate, 40 Years from Closing Date
Closing Date: August 29, 2006

Debt Service Schedule

Part 4 of 4

Date	Principal	Coupon	Total P+I
09/01/2039	8,085.00	-	8,085.00
12/01/2039	8,085.00	-	8,085.00
03/01/2040	8,085.00	-	8,085.00
06/01/2040	8,085.00	-	8,085.00
09/01/2040	8,085.00	-	8,085.00
12/01/2040	8,085.00	-	8,085.00
03/01/2041	8,085.00	-	8,085.00
06/01/2041	8,085.00	-	8,085.00
09/01/2041	8,085.00	-	8,085.00
12/01/2041	8,085.00	-	8,085.00
03/01/2042	8,085.00	-	8,085.00
06/01/2042	8,085.00	-	8,085.00
09/01/2042	8,085.00	-	8,085.00
12/01/2042	8,085.00	-	8,085.00
03/01/2043	8,085.00	-	8,085.00
06/01/2043	8,085.00	-	8,085.00
09/01/2043	8,085.00	-	8,085.00
12/01/2043	8,085.00	-	8,085.00
03/01/2044	8,085.00	-	8,085.00
06/01/2044	8,085.00	-	8,085.00
09/01/2044	8,085.00	-	8,085.00
12/01/2044	8,085.00	-	8,085.00
03/01/2045	8,085.00	-	8,085.00
06/01/2045	8,084.00	-	8,084.00
09/01/2045	8,084.00	-	8,084.00
12/01/2045	8,084.00	-	8,084.00
03/01/2046	8,084.00	-	8,084.00
06/01/2046	8,084.00	-	8,084.00
Total	**$1,237,000.00**	-	**$1,237,000.00**

Yield Statistics

Bond Year Dollars	$25,674.53
Average Life	20.755 Years
Average Coupon	-
Net Interest Cost (NIC)	-
True Interest Cost (TIC)	7.27E-11
Bond Yield for Arbitrage Purposes	7.27E-11
All Inclusive Cost (AIC)	7.27E-11

IRS Form 8038

Net Interest Cost	-
Weighted Average Maturity	20.755 Years

(Form of)

SPECIMEN

ASSIGNMENT

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

Dated: _____, _____.

_____

In the presence of:

_____

TOWN OF BATH
WATER REVENUE BONDS, SERIES 2002 A
(WEST VIRGINIA DWTRF PROGRAM)

BOND ORDINANCE

TABLE OF CONTENTS

PAGE

ARTICLE I
STATUTORY AUTHORITY, DEFINITIONS AND FINDINGS
Section 1.01. Authority of this Bond Legislation 1
Section 1.02. Definitions 2
Section 1.03. Bond Legislation Constitutes Contract 9
Section 1.04. Findings 9

ARTICLE II
AUTHORIZATION OF ACQUISITION AND
CONSTRUCTION OF THE PROJECT
Section 2.01. Authorization of Acquisition and Construction of the Project 12

ARTICLE III
AUTHORIZATION, TERMS, EXECUTION,
REGISTRATION AND SALE OF BONDS; AUTHORIZATION
AND EXECUTION OF LOAN AGREEMENT
Section 3.01. Authorization of Bonds 13
Section 3.02. Terms of Bonds 13
Section 3.03. Execution of Bonds 14
Section 3.04. Authentication and Registration 14
Section 3.05. Negotiability, Transfer and Registration 14
Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost 15
Section 3.07. Bonds not to be Indebtedness of the Issuer 15
Section 3.08. Bonds Secured by Pledge of Gross Revenues; Lien Position with respect to Prior Bonds 15
Section 3.09. Delivery of Bonds 16
Section 3.10. Form of Bonds 16
Section 3.11. Sale of Bonds; Authorization and Execution of Loan Agreement 25
Section 3.12. Filing of Amended Schedule 25

ARTICLE IV
[Reserved] 26

ARTICLE V
SYSTEM REVENUES AND APPLICATION THEREOF
Section 5.01. Establishment of Funds and Accounts with Depository Bank 27
Section 5.02. Establishment of Funds and Accounts with Commission 27
Section 5.03. System Revenues; Flow of Funds 27

ARTICLE VI
APPLICATION OF BOND PROCEEDS;
CONSTRUCTION DISBURSEMENTS
Section 6.01. Application of Bond Proceeds;
Pledge of Unexpended Bond Proceeds 32
Section 6.02. Disbursements from Bond Construction Trust Fund 32

ARTICLE VII
ADDITIONAL COVENANTS OF THE ISSUER
Section 7.01. General Covenants of the Issuer 34
Section 7.02. Bonds not to be Indebtedness of the Issuer 34
Section 7.03. Bonds Secured by Pledge of Gross Revenues; Lien Position
with respect to Prior Bonds 34
Section 7.04. Initial Schedule of Rates and Charges 34
Section 7.05. Sale of the System 35
Section 7.06. Issuance of Other Obligations Payable out of
Revenues and General Covenant Against Encumbrances 36
Section 7.07. Parity Bonds 37
Section 7.08. Books, Records and Audit 38
Section 7.09. Rates 40
Section 7.10. Operating Budget and Monthly Financial Report 41
Section 7.11. Engineering Services and Operating Personnel 41
Section 7.12. No Competing Franchise 42
Section 7.13. Enforcement of Collections 42
Section 7.14. No Free Services 42
Section 7.15. Insurance and Construction Bonds 43
Section 7.16. Connections 44
Section 7.17. Completion and Operation of Project; Permits and Orders 44
Section 7.18. Compliance With Loan Agreement and Law 45
Section 7.19. Statutory Mortgage Lien 45
Section 7.20. Securities Laws Compliance 45
Section 7.21. Contracts; Public Releases 45

ARTICLE VIII
INVESTMENT OF FUNDS
Section 8.01. Investments 46
Section 8.02. Certificate as to Use of Proceeds 46

ARTICLE IX
DEFAULT AND REMEDIES
Section 9.01. Events of Default 48
Section 9.02. Remedies 48
Section 9.03. Appointment of Receiver 48

ARTICLE X
PAYMENT OF BONDS
Section 10.01. Payment of Bonds 50

ARTICLE XI
MISCELLANEOUS
Section 11.01. Modification or Amendment 51
Section 11.02. Bond Legislation Constitutes Contract 51
Section 11.03. Severability of Invalid Provisions 51
Section 11.04. Headings, Etc. 51
Section 11.05. Conflicting Provisions Repealed 51
Section 11.06. Covenant of Due Procedure 52
Section 11.07. Statutory Notice of Public Hearing 52
Section 11.08. Effective Date 52

EXHIBIT A - PROJECT DESCRIPTION
EXHIBIT B - NOTICE OF PUBLIC HEARING AND ABSTRACT OF BOND ORDINANCE

TOWN OF BATH

ORDINANCE AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING WATERWORKS SYSTEM OF THE TOWN OF BATH AND THE FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE BY THE TOWN OF NOT MORE THAN $1,150,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2002 A (WEST VIRGINIA DWTRF PROGRAM); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING A LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT ORDAINED AND ENACTED BY THE COUNCIL OF THE TOWN OF BATH:

ARTICLE I

STATUTORY AUTHORITY, DEFINITIONS AND FINDINGS

Section 1.01. Authority of this Bond Legislation. This Ordinance (together with any ordinance or resolution supplemental hereto or amendatory hereof, the "Bond Legislation") is enacted pursuant to the provisions of Chapter 8, Article 19 and Chapter 16, Article 13C of the Code of West Virginia, 1931, as amended, and other applicable provisions of law.

Section 1.02. Definitions. The following terms shall have the following meanings in this Bond Legislation unless the context expressly requires otherwise.

"Act" means, collectively, Chapter 8, Article 19 and Chapter 16, Article 13C of the Code of West Virginia,1931, as amended and in effect on the date of enactment of this Bond Legislation.

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

"Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser and Registered Owner of the Series 2002 A Bonds on behalf of the Program, or any other agency of the State that succeeds to the function of the Authority.

"Bondholder," "Holder," "Owner" or "Registered Owner" or any similar term means any person who shall be the registered owner of any Outstanding Bond as hereinafter defined.

"Bond Legislation," "Ordinance" or "Bond Ordinance" means this Bond Ordinance in its present form and all ordinances, orders and resolutions supplemental hereto or amendatory hereof.

"Bonds" means, collectively, the Series 2002 A Bonds, the Prior Bonds and any Parity Bonds hereafter issued within the terms, restrictions and conditions contained in this Bond Legislation.

"Bond Year" means the twelve-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.

"BPH" means the West Virginia Bureau for Public Health, a division of the West Virginia Department of Health and Human Resources, or any other agency, board or department of the State that succeeds the function of the BPH.

"Certificate of Authentication and Registration" means the Certificate of Authentication and Registration on the Series 2002 A Bonds in substantially the form set forth in Section 3.08 hereof.

"Closing Date" means the date upon which there is an exchange of the Series 2002 A Bonds for all or a portion of the proceeds of the Series 2002 A Bonds from the Authority and the BPH.

"Code" means the Internal Revenue Code of 1986, as amended, including the Regulations promulgated pursuant thereto or any predecessors or successors thereto.

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

"Consulting Engineers" means Thrasher Engineering, Clarksburg, West Virginia, or any engineer or firm of engineers, licensed by the State, which shall at any time hereafter

be procured by the Issuer as Consulting Engineers for the System in accordance with Chapter 5G, Article 1 of the Code of West Virginia, 1931, as amended.

"Cost of Project" or "Costs" means those costs described in Section 1.04 E. hereof to be a part of the cost of the acquisition and construction of the Project.

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

"DWTRF Regulations" means the regulations for the Program set forth in Title 64, Part 49 of the West Virginia Code of State Regulations.

"Event of Default" means any event or occurrence specified in Section 9.01 hereof.

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

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

"Fund" means the "West Virginia Drinking Water Treatment Revolving Fund" established by the State, administered by the BPH and funded by capitalization grants awarded to the State pursuant to the federal Safe Drinking Water Act, as amended, for the purpose of establishing and maintaining a permanent perpetual fund for the construction, acquisition and improvement of drinking water facilities.

"Governing Body" means the Council of the Issuer or any other governing body of the Issuer that succeeds to the functions of the Council as presently 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 determined in accordance with generally accepted accounting principles, after deduction of prompt payment discounts, if any, and reasonable provision for uncollectible accounts; provided that, "Gross Revenues" does not include any gains from the sale or other disposition of, or from any increase in the value of, capital assets (including Qualified Investments, as hereinafter defined) or any Tap Fees, as hereinafter defined and for the furnishing by the Issuer of miscellaneous service.

"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.

"Infrastructure Council" means the West Virginia Infrastructure and Jobs Development Council or any successor thereto.

"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 the Town of Bath, a municipal corporation and political subdivision of the State in Morgan County, West Virginia, and, when appropriate, also means the Governing Body thereof and any department, board, organization or institution thereof in control of the management and operation of the System, as hereinafter defined.

"Loan Agreement" means the Drinking Water Treatment Revolving Fund Loan Agreement entered into by and between the Issuer and the Authority, on behalf of the BPH, providing for the purchase of the Series 2002 A Bonds from the Issuer by the Authority.

"Mayor" means the Mayor of the Issuer.

"Net Proceeds" means the face amount of the Series 2002 A Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds deposited in the Series 2002 A Bonds Reserve Account. For purposes of the Private Business Use

limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Series 2002 A Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

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

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

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

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

"Prior Bonds" means the Issuer's Water Revenue Refunding and Improvement Bonds, Series 1997 A, dated July 15, 1997, issued in the original principal amount of $1,430,000.

"Prior Ordinance" means, collectively, the ordinance of the Issuer enacted July 7, 1997, and the Supplemental Resolution of the Issuer adopted July 17, 1997, 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.

"Program" means the drinking water facility acquisition, construction and improvement program coordinated through the capitalization grants program established under the Safe Drinking Water Act and administered by the BPH.

"Project" means the acquisition and construction of certain additions, betterments and improvements to the System, a description of which is attached hereto as Exhibit A and incorporated herein by reference.

"PSC" means the Public Service Commission of West Virginia or any successor to the functions thereof.

"PSC Order" means, collectively, the final order or orders of the PSC, granting the Issuer a certificate of convenience and necessity to construct the Project and approving the financing for the Project and the rates of the System.

"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; the Tennessee Valley Authority; or the Washington Metropolitan Area Transit Authority;

(d) Any bond, debenture, note, participation certificate or other similar obligation 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 Federal Deposit Insurance Corporation ("FDIC"), shall be secured by a pledge of Government Obligations, provided, that said Government Obligations pledged either must mature as nearly as practicable coincident with the maturity of said time accounts or must be replaced or increased so that the market value thereof is always at least equal to the principal amount of said time accounts;

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

(g) Repurchase agreements, fully secured by investments of the types described in paragraphs (a) through (e), above, with banks or national banking associations which are members of FDIC or with government bond dealers recognized as primary dealers by the Federal Reserve Bank of New York, provided, that said investments securing said repurchase agreements either must mature as nearly as practicable coincident with the maturity of said repurchase agreements or must be replaced or increased so that the market value thereof is always at least equal to the principal amount of said repurchase agreements, and provided further that the owner 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 Code of West Virginia,1931, as amended; and

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

"Recorder" means the Recorder of the Issuer.

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

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

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

"Reserve Accounts" means, collectively, the respective reserve accounts created for the Series 2002 A Bonds and the Prior Bonds.

"Reserve Requirements" means, collectively, the respective amounts required to be on deposit in the Reserve Accounts.

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

"Series 2002 A Bonds" means the Water Revenue Bonds, Series 2002 A (West Virginia DWTRF Program), of the Issuer, authorized to be issued by this Bond Legislation.

"Series 2002 A Bonds Construction Trust Fund" means the fund created by Section 5.01 hereof.

"Series 2002 A Bonds Reserve Account" means the account created by Section 5.02 hereof.

"Series 2002 A Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest, if any, which will become due on the Series 2002 A Bonds in the then current or any succeeding Fiscal Year.

"Series 2002 A Bonds Sinking Fund" means the fund created by Section 5.02 hereof.

"Sinking Funds" means, collectively, the respective sinking funds created for the Series 2002 A Bonds and the Prior Bonds.

"State" means the State of West Virginia.

"Supplemental Resolution" means any resolution, ordinance or order of the Issuer supplementing or amending this Bond Legislation and when preceded by the article "the," refers specifically to the Supplemental Resolution authorizing the sale of the Series 2002 A Bonds; provided that, any matter intended by this Bond Legislation to be included in the Supplemental Resolution with respect to the Series 2002 A Bonds and not so included may be included in another Supplemental Resolution.

"Surplus Revenues" means the Gross Revenues not required by this Bond Legislation to be set aside and held for the payment of or security for the Series 2002 A Bonds, the Prior Bonds or any other obligations of the Issuer, including, without limitation, the Sinking Funds, the Reserve Accounts and the Renewal and Replacement Fund.

"System" means the complete existing waterworks system of the Issuer, and shall include any extensions, additions, betterments and improvements thereto hereafter acquired or constructed for the System from any sources whatsoever, both within and without the Issuer.

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

Words importing singular number shall include the plural number in each case and vice versa, and words importing persons shall include firms and corporations. Words importing the masculine, feminine or neutral gender include any other gender.

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

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

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

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Series 2002 A Bonds by those who shall be the Registered Owners of the same from time to time, this Bond Legislation shall be deemed to be and shall constitute a contract between the Issuer and such Bondholders, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the Registered Owners of any and all of such Bonds, all of which shall be of equal rank and without preference, priority or distinction between any one Bond and any other Bonds by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

Section 1.04. Findings. It is hereby found, determined and declared as follows:

A. The Issuer is a municipal corporation and political subdivision of the State in Morgan County of said State. The Issuer presently owns and operates a waterworks system. However, the Issuer deems it necessary and desirable for the health, welfare and safety of the inhabitants of the Issuer that there be acquired and constructed the Project in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications have been approved by the BPH and are on file with the Issuer.

B. The Issuer intends to permanently finance the costs of acquisition and construction of the Project through the issuance of its revenue bonds to the Authority, which administers the Fund pursuant to the Act.

C. The estimated maximum cost of acquisition and construction of the Project is $1,150,000, which will be obtained from proceeds of the Series 2002 A Bonds.

D. The estimated revenues to be derived in each year after completion of the Project from the operation of the System will be sufficient to pay all Operating Expenses of the System, the principal of and interest, if any, on the Bonds, and to make payments into all funds and accounts and other payments provided for in this Bond Legislation.

E. It is deemed necessary for the Issuer to issue the Series 2002 A Bonds in the aggregate principal amount of not more than $1,150,000, to permanently finance the costs of acquisition and construction of the Project. Such costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest, if any, on the Series 2002 A Bonds prior to and during acquisition or construction of the Project and for a period not to exceed six months after completion of acquisition or construction of the Project; amounts which may be deposited in the Series 2002 A Bonds Reserve Account; engineering, fiscal and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise; administrative expenses, any fees or expenses of the Authority and the BPH, including the Administrative Fee, commitment fees, discount, initial fees for the service of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Series 2002 A Bonds, and such other expenses as may be necessary or incidental to the financing herein authorized, the acquisition or construction of the Project and the placing of the same in operation, and the performance of the things herein required or permitted, in connection with any thereof; provided that, reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Series 2002 A Bonds or the repayment of the indebtedness incurred by the Issuer for such purposes shall be deemed part of the Cost of the Project.

F. The period of usefulness of the System after completion of the Project is not less than 35 years.

G. There are outstanding obligations of the Issuer which will rank on a parity with the Series 2002 A Bonds as to liens, pledge and source of and security for payment, being the Water Revenue Refunding and Improvement Bonds, Series 1997A, dated July 15, 1997, issued in the original aggregate principal amount of $1,430,000 (the "Prior Bonds").

The Series 2002 A Bonds shall be issued on a parity with the Prior Bonds, with respect to liens, pledge and source of and security for payment and in all other respects. Prior to the issuance of the Series 2002 A Bonds, the Issuer will obtain a certificate of an Independent Certified Public Accountant stating that the coverage and parity tests of the Prior

Bonds are met. Other than the Prior Bonds, there are no other outstanding bonds or obligations of the Issuer which are secured by revenues or assets of the System.

H. It is in the best interests of the Issuer that the Series 2002 A Bonds be sold to the Authority pursuant to the terms and provisions of the Loan Agreement.

I. The Issuer has complied with all requirements of West Virginia law and the Loan Agreement, relating to authorization of the acquisition, construction and operation of the Project and the System and issuance of the Series 2002 A Bonds, or will have so complied prior to the issuance of any thereof, including, among other things, the approval of the Project and the financing thereof by the Infrastructure Council and the obtaining of a certificate of convenience and necessity from the PSC, the time for rehearing and appeal of which will have expired or will have been waived prior to the issuance of the Series 2002 A Bonds.

J. The Infrastructure Council has approved the Project.

ARTICLE II

AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT

Section 2.01. Authorization of Acquisition and Construction of the Project. There is hereby authorized and ordered the acquisition and construction of the Project, at an estimated cost of not to exceed $1,150,000, in accordance with the plans and specifications prepared by the Consulting Engineers, approved by the BPH and the Issuer and heretofore filed in the office of the Governing Body. The proceeds of the Series 2002 A Bonds shall be applied as provided in Article VI hereof. The Issuer has received bids and will enter into contracts for the acquisition and construction of the Project, which are in an amount and otherwise compatible with the plan of financing submitted to the BPH.

ARTICLE III

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

Section 3.01. Authorization of Bonds. For the purposes of capitalizing interest on the Series 2002 A Bonds, funding the Series 2002 A Bonds Reserve Account, paying the costs of the Project not otherwise provided for and paying certain costs of issuance and related costs, or any of such purposes, as shall be specified in the Supplemental Resolution, there shall be and hereby are authorized to be issued negotiable Series 2002 A Bonds of the Issuer. The Series 2002 A Bonds shall be issued as a single bond, designated as "Water Revenue Bonds, Series 2002 A (West Virginia DWTRF Program)," in the aggregate principal amount of not more than $1,150,000, and shall have such terms as set forth hereinafter and in the Supplemental Resolution. The proceeds of the Series 2002 A Bonds remaining after funding of the Series 2002 A Bonds Reserve Account (if funded from Bond proceeds) and capitalization of interest, if any, shall be deposited in the Series 2002 A Bonds Construction Trust Fund established by Section 5.01 hereof and applied as set forth in Article VI hereof.

Section 3.02. Terms of Bonds. The Series 2002 A Bonds shall be issued in such principal amounts; shall bear interest, if any, at such rate or rates, not exceeding the then legal maximum rate, payable quarterly on such dates; shall mature on such dates and in such amounts; and shall be redeemable, in whole or in part, all as the Issuer shall prescribe in the Supplemental Resolution or as specifically provided in the Loan Agreement. The Series 2002 A Bonds shall be payable as to principal at the office of the Paying Agent, in any coin or currency which on the dates of payment of principal is legal tender for the payment of public or private debts under the laws of the United States of America. Interest on the Series 2002 A Bonds, if any, shall be paid by check or draft of the Paying Agent mailed to the Registered Owner thereof at the address as it appears on the books of the Bond Registrar, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner thereof.

Unless otherwise provided by the Supplemental Resolution, the Series 2002 A Bonds shall be issued in the form of one bond, fully registered to the Authority, with a record of advances and a debt service schedule attached, representing the aggregate principal amount of the Series 2002 A Bonds. The Series 2002 A Bonds shall be exchangeable at the option and expense of the Holder for another fully registered Bond in aggregate principal amount equal to the amount of said Bonds then Outstanding and being exchanged, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of said Bonds; provided, that the Authority shall not be obligated to pay any expenses of such exchange.

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

Section 3.03. Execution of Bonds. The Series 2002 A Bonds shall be executed in the name of the Issuer by the Mayor and attested by the Recorder, and the seal of the Issuer shall be affixed thereto or imprinted thereon. 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 sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Bonds may be signed and sealed on behalf of the Issuer by such person as, at the actual time of the execution of such Bonds, shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.04. Authentication and Registration. No Series 2002 A Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Bond Legislation unless and until the Certificate of Authentication and Registration on such Bond, substantially in the form set forth in Section 3.10 hereof, shall have been manually executed by the Registrar. Any such executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Bond Legislation. The Certificate of Authentication and Registration on any Bond shall be deemed to have been executed by the Registrar if manually 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 Series 2002 A Bonds issued hereunder.

Section 3.05. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Series 2002 A Bonds shall be, and have all of the qualities and incidents of, negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Registered Owner, 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 Registered Owner shall further be conclusively deemed to have agreed that said Bonds shall be incontestable in the hands of a bona fide Holder for value.

So long as any of the Series 2002 A Bonds remain Outstanding, the Registrar shall keep and maintain books for the registration and transfer of such Bonds.

The registered Series 2002 A Bonds shall be transferable only upon the books of the Registrar, by the Registered Owner thereof in person or by his attorney duly authorized in writing, upon surrender thereto, together with a written instrument of transfer satisfactory

to the Registrar, duly executed by the Registered Owner or his duly authorized attorney.

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

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Series 2002 A Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Registrar shall, if so advised by the Issuer, authenticate and deliver, a new Bond of the same series and of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing proof of its ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer and the Registrar may incur. All Bonds so surrendered shall be canceled by the Registrar and held for the account of the Issuer. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Section 3.07. Bonds not to be Indebtedness of the Issuer. The Series 2002 A Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Gross Revenues derived from the operation of the System as herein provided. No Owner or Owners of any of the Series 2002 A Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Series 2002 A Bonds or any interest, if any, thereon.

Section 3.08. Bonds Secured by Pledge of Gross Revenues; Lien Position with respect to Prior Bonds. The payment of the debt service of the Series 2002 A Bonds shall be secured by a first lien on the Gross Revenues derived from the System on a parity with the lien on the Gross Revenues in favor of the Holders of the Prior Bonds. Such Gross Revenues in an amount sufficient to pay the principal of and interest, if any, on and other payments for the Series 2002 A Bonds and the Prior Bonds and to make the payments into all funds and accounts

established by this Bond Legislation, are hereby irrevocably pledged to such payments as they become due.

Section 3.09. Delivery of Bonds. The Issuer shall execute and deliver the Series 2002 A Bonds to the Bond Registrar, and the Bond Registrar shall authenticate, register and deliver the Series 2002 A Bonds to the original purchasers upon receipt of a request and authorization to the Bond Registrar on behalf of the Issuer, signed by an Authorized Officer, to authenticate and deliver the Series 2002 A Bonds to the original purchasers.

Section 3.10. Form of Bonds. The text of the Series 2002 A Bonds shall be in substantially the following form, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted by this Bond Legislation or any subsequent resolution or ordinance adopted or enacted prior to the issuance thereof:

(FORM OF BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
TOWN OF BATH
WATER REVENUE BOND, SERIES 2002 A
(WEST VIRGINIA DWTRF PROGRAM)

No. AR-1 $_____

KNOW ALL MEN BY THESE PRESENTS: That the TOWN OF BATH, a municipal corporation and political subdivision of the State of West Virginia in Morgan County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY (the "Authority") or registered assigns, the sum of _____ _____DOLLARS ($_____), or such lesser amount as is set forth on the Record of Advances attached hereto as Exhibit A and incorporated herein by reference, in quarterly installments on March 1, June 1, September 1 and December 1 of each year, commencing _____ 1, 200_, as set forth on the "Debt Service Schedule" attached as Exhibit B hereto and incorporated herein by reference. The Administrative Fee (as defined in the hereinafter described Bond Legislation) on this Bond shall also be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing _____ 1, 200_, as set forth on Exhibit B attached hereto.

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

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and the West Virginia Bureau for Public Health (the "BPH"), and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement dated _____, 200_, by and between the Issuer and the Authority, on behalf of the BPH.

This Bond is issued (i) to pay the costs of acquisition and construction of certain additions, betterments and improvements to the existing waterworks system of the Issuer (the "Project"); and (ii) to pay certain costs of issuance of this Bond and related costs. The existing waterworks system of the Issuer, the Project, and any further extensions, additions, betterments or improvements thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 8, Article 19 and Chapter 16, Article 13C of the Code of West Virginia, 1931, as amended (collectively, the "Act"), a Bond Ordinance duly enacted by the Issuer on _____, _____, effective _____, _____, and a Supplemental Resolution duly adopted by the Issuer on _____, _____ (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE ISSUER'S WATER REVENUE REFUNDING AND IMPROVEMENT BONDS, SERIES 1997 A, DATED JULY 15, 1997, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,430,000 (THE "PRIOR BONDS").

This Bond is payable only from and secured by a pledge of the Gross Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, on a parity with the pledge of the Gross Revenues in favor of the holders of the Prior Bonds, and from moneys in the Series 2002 A Bonds Reserve Account created under the Bond Legislation for this Bond and unexpended proceeds of this Bond. Such Gross Revenues shall be sufficient to pay all operating expenses of the System and the principal of and interest, if any, on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, nor shall the Issuer be obligated to pay the same or the interest, if any, hereon, except from said special fund provided from the Gross Revenues, the moneys in the Series 2002 A Bonds Reserve Account and unexpended proceeds of this Bond. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to comply with the rate coverage required by the Prior Ordinance, so long as the Prior Bonds are outstanding, and thereafter, sufficient to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount of principal of and interest, if any, on this Bond payable in any year and all other obligations secured by a lien on or payable from such revenues on a parity with this Bond, including the Prior Bonds; provided however, that so long as there exists in the Series 2002 A Bonds Reserve Account, an amount at least equal to the maximum

amount of principal and interest, if any, which will become due on this Bond in any year, and in the respective reserve accounts established for any other obligations outstanding on a parity with this Bond, including the Prior Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the Registered Owners of this Bond, for the terms of which, reference is made to the Bond Legislation. Remedies provided the Registered Owners of this Bond are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

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

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

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

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and upon 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 Gross Revenues of the System has been pledged to and will be set aside into said special fund by the Issuer for the prompt payment of the principal of this Bond.

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

IN WITNESS WHEREOF, the TOWN OF BATH has caused this Bond to be signed by its Mayor and its corporate seal to be hereunto affixed and attested by its Recorder, and has caused this Bond to be dated _____, _____.

[SEAL]

_____
Mayor

ATTEST:

_____
Recorder

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 2002 A Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the Registered Owner set forth above, as of the date set forth below.

Date: _____, 200__.

_____,
as Registrar

By_____
Its Authorized Officer

EXHIBIT A

RECORD OF ADVANCES

Amount	Date	Amount	Date
(1) $		(19) $	
(2) $		(20) $	
(3) $		(21) $	
(4) $		(22) $	
(5) $		(23) $	
(6) $		(24) $	
(7) $		(25) $	
(8) $		(26) $	
(9) $		(27) $	
(10)$		(28) $	
(11)$		(29) $	
(12)$		(30) $	
(13)$		(31) $	
(14)$		(32) $	
(15)$		(33) $	
(16)$		(34) $	
(17)$		(35) $	
(18)$		(36) $	

Total $_____

EXHIBIT B

DEBT SERVICE SCHEDULE

(Form of)

ASSIGNMENT

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

_____

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

Dated: _____.

_____

In the presence of:

_____

Section 3.11. Sale of Bonds; Authorization and Execution of Loan Agreement. The Series 2002 A Bonds shall be sold to the Authority pursuant to the terms and conditions of the Loan Agreement. If not so authorized by previous ordinance or resolution, the Mayor is specifically authorized and directed to execute the Loan Agreement and the Recorder is directed to affix the seal of the Issuer, attest the same and deliver the Loan Agreement to the Authority, and any such prior execution and delivery is hereby authorized, approved, ratified and confirmed. The Loan Agreement, including all schedules and exhibits attached thereto, is hereby approved and specifically incorporated into this Bond Legislation.

Section 3.12. Filing of Amended Schedule. Upon completion of acquisition and construction of the Project, the Issuer shall promptly file with the Authority and the BPH a schedule, the form of which shall be provided by the BPH, setting forth the actual costs of the Project and sources of funds used therefor.

ARTICLE IV

[Reserved]

ARTICLE V

SYSTEM REVENUES AND APPLICATION THEREOF

Section 5.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are hereby created with (or continued if previously created by the Prior Ordinance) and shall be held by the Depository Bank:

(1) Revenue Fund (created by the Prior Ordinance);

(2) Renewal and Replacement Fund (created by the Prior Ordinance); and

(3) Series 2002 A Bonds Construction Trust Fund.

Section 5.02. Establishment of Funds and Accounts with Commission. The following special funds or accounts are hereby created with (or continued if previously created by the Prior Ordinance)and shall be held by the Commission:

(1) Series 1997 A Bonds Sinking Fund (created by the Prior Ordinance);

(2) Series 1997 A Bonds Reserve Account (created by the Prior Ordinance);

(3) Series 2002 A Bonds Sinking Fund; and

(4) Series 2002 A Bonds Reserve Account.

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

(1) The Issuer shall first, on the first day of each month, transfer from the Revenue Fund and remit to the Commission for deposit in the Series 1997 A Bonds Sinking Fund, the amount required by the Prior Ordinance for payment of interest on the Prior Bonds.

(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 1997 A Bonds Sinking Fund, the amount required by the Prior Ordinance for payment of principal

of the Prior Bonds; and (ii) commencing 3 months prior to the first date of payment of principal of the Series 2002 A Bonds, for deposit in the Series 2002 A Bonds Sinking Fund, an amount equal to 1/3rd of the amount of principal which will mature and become due on the Series 2002 A Bonds on the next ensuing quarterly principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 2002 A Bonds Sinking Fund and the next quarterly principal payment date is less than 3 months, then such monthly payment shall be increased proportionately to provide, 1 month prior to the next quarterly principal payment date, the required amount of principal coming due on such date.

(3) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Commission (i) for deposit in the Series 1997 A Bonds Reserve Account, the amount required by the Prior Ordinance; and (ii) commencing 3 months prior to the first date of payment of principal of the Series 2002 A Bonds, if not fully funded upon issuance of the Series 2002 A Bonds, for deposit in the Series 2002 A Bonds Reserve Account, an amount equal to 1/120th of the Series 2002 A Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2002 A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2002 A Bonds Reserve Requirement.

(4) The Issuer shall next, each month, pay from the Revenue Fund, all current Operating Expenses of the System.

(5) The Issuer shall next, each month, transfer from the Revenue Fund and remit to the Depository Bank for deposit in the Renewal and Replacement Fund, an amount equal to 2 1/2% of the Gross Revenues each month (as required in the Prior Ordinance and not in addition thereto), exclusive of any payments for account of any Reserve Account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII hereof. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, repairs, improvements or extensions to the System; provided that, any deficiencies in any Reserve Account (except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof) shall be promptly eliminated with moneys from the Renewal and Replacement Fund.

Moneys in the Series 2002 A Bonds Sinking Fund shall be used only for the purpose of paying principal of and interest, if any, on the Series 2002 A Bonds as the same shall become due. Moneys in the Series 2002 A Bonds Reserve Account shall be used only for the purpose of paying principal of and interest, if any, on the Series 2002 A Bonds as the same shall come due, when moneys in the Series 2002 A Bonds Sinking Fund are insufficient therefor, and for no other purpose.

All investment earnings on moneys in the Series 2002 A Bonds Sinking Fund and the Series 2002 A Bonds Reserve Account shall be returned, after fully funded, not less than once each year, by the Commission to the Issuer, and such amounts shall, during construction of the Project, be deposited in the Series 2002 A Bonds Construction Trust Fund, and following completion of construction of the Project, shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payment due, if any, on the Series 2002 A Bonds and then to the next ensuing principal payment due thereon.

Any withdrawals from the Series 2002 A Bonds Reserve Account which result in a reduction in the balance of such account to an amount below the Series 2002 A Bonds Reserve Requirement shall be subsequently restored from the first Gross 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 2002 A Bonds are issued, provision shall be made for additional payments into the respective sinking funds sufficient to pay any interest on such additional Parity Bonds and accomplish retirement thereof at maturity and to accumulate a balance in the respective reserve accounts in an amount equal to the requirement therefor.

The Issuer shall not be required to make any further payments into the Series 2002 A Bonds Sinking Fund or the Series 2002 A Bonds Reserve Account when the aggregate amount of funds therein are at least equal to the aggregate principal amount of the Series 2002 A Bonds then Outstanding and all interest, if any, to accrue until the maturity thereof.

Interest, principal 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 2002 A Bonds in accordance with the respective principal amounts then Outstanding.

The Commission is hereby designated as the fiscal agent for the administration of the Series 2002 A Bonds Sinking Fund and the Series 2002 A Bonds Reserve Account created hereunder, and all amounts required for such accounts shall be remitted to the Commission from the Revenue Fund by the Issuer at the times provided herein. If required by the Authority, the Issuer shall make the necessary arrangements whereby required payments into the Series 2002 A Bonds Sinking Fund and the Series 2002 A Bonds Reserve Account shall be automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates required hereunder.

Moneys in the Series 2002 A Bonds Sinking Fund and Series 2002 A Bonds Reserve Account shall be invested and reinvested by the Commission in accordance with Article VIII hereof.

The Series 2002 A Bonds Sinking Fund and the Series 2002 A Bonds Reserve Account shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 2002 A Bonds Outstanding under the conditions and restrictions set forth herein.

B. The Issuer shall on the first day of each month (if the first day is not a business day, then the first business day of each month) deposit with the Commission the required interest, principal and reserve account payments with respect to the Series 2002 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. The Issuer shall also on the first day of each month (if the first day is not a business day, then the first business day of each month), commencing with the payment set forth in Section 5.03.A.(2) hereof, remit to the Commission the Administrative Fee set forth in the Schedule Y attached to the Loan Agreement.

D. The Issuer shall complete the "Monthly Payment Form," a form of which is attached to the Loan Agreement, and submit a copy of said form along with a copy of its payment check or electronic transfer to the Authority by the 5th day of each calendar month.

E. Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinabove 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 longer period as shall be required by the Act, such excess shall be considered as surplus revenues (the "Surplus Revenue"). Surplus Revenues may be used for any lawful purpose of the System.

F. The Issuer shall remit from the Revenue Fund to the Commission, the Registrar or the Depository Bank, on such dates as the respective parties shall require, such additional sums as shall be necessary to pay their respective charges then due. If required by the Authority, the Issuer shall make the necessary arrangements whereby payments to the Commission under this paragraph shall be automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates required hereunder.

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

H. 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.

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

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

ARTICLE VI

APPLICATION OF BOND PROCEEDS; CONSTRUCTION DISBURSEMENTS

Section 6.01. Application of Bond Proceeds; Pledge of Unexpended Bond Proceeds. From the moneys received from the sale of the Series 2002 A Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Series 2002 A Bonds, there shall be deposited with the Commission in the Series 2002 A Bonds Reserve Account, the amount, if any, set forth in the Supplemental Resolution.

B. The remaining moneys derived from the sale of the Series 2002 A Bonds shall be deposited by the Issuer, as received from time to time, in the Series 2002 A Bonds Construction Trust Fund and shall be used solely to pay costs of the Project and until so expended, are hereby pledged as additional security for the Series 2002 A Bonds.

C. After completion of construction of the Project, as certified by the Consulting Engineers, and all costs have been paid, any remaining proceeds of the Series 2002 A Bonds shall be used as directed by the BPH.

Section 6.02. Disbursements from Bond Construction Trust Fund. On or before the Closing Date, the Issuer shall have delivered to the Authority and the BPH a report listing the specific purposes for which the proceeds of the Series 2002 A Bonds will be expended and the disbursement procedures for such proceeds, including an estimated monthly draw schedule. Payments for costs of the Project shall be made monthly.

Except as provided in Section 6.01 hereof, disbursements from the Series 2002 A Bonds Construction Trust Fund shall be made only after submission to, and approval from, the Authority and the BPH of the following:

(1) A completed and signed "Payment Requisition Form," a form of which is attached to the Loan Agreement, in compliance with the construction schedule, and

(2) A certificate, signed by the Mayor and the Consulting Engineers, stating that:

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

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

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

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

Pending such application, moneys in the Series 2002 A Bonds Construction Trust Fund shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01. General Covenants of the Issuer. All the covenants, agreements and provisions set forth in 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 Series 2002 A Bonds. In addition to the other covenants, agreements and provisions of this Bond Legislation, the Issuer hereby covenants and agrees with the Holders of the Series 2002 A Bonds as hereinafter provided in this Article VII. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of Series 2002 A Bonds, or the interest, if any, thereon is Outstanding and unpaid.

Section 7.02. Bonds not to be Indebtedness of the Issuer. The Series 2002 A 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 any Series 2002 A Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Series 2002 A Bonds or the interest, if any, thereon.

Section 7.03. Bonds Secured by Pledge of Gross Revenues; Lien Position with respect to Prior Bonds. The payment of the debt service of the Series 2002 A Bonds shall be secured by a first lien on the Gross Revenues derived from the operation of the System on a parity with the lien on the Gross Revenues in favor of the Holders of the Prior Bonds. The Gross Revenues in an amount sufficient to pay the principal of and interest, if any, on the Series 2002 A Bonds and the Prior Bonds and to make the payments into all funds and accounts and all other payments provided for in this Bond Legislation, are hereby irrevocably pledged to such payments as they become due and for the other purposes provided in the Bond Legislation.

Section 7.04. Initial Schedule of Rates and Charges. The Issuer has obtained any and all approvals of rates and charges required by State law and has taken any other action required to establish and impose such rates and charges, with all requisite appeal periods having expired without successful appeal. Such rates and charges shall be sufficient to comply with the requirements of the Loan Agreement. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth in the water rate ordinance of the Issuer duly enacted on October 22, 2002.

So long as the Series 2002 A Bonds are outstanding, the Issuer covenants and agrees to fix and collect rates, fees and other charges for the use of the System and to take all

such actions necessary to provide funds sufficient to produce the required sums set forth in this Bond Legislation and in compliance with the requirements of the Loan Agreement. In the event the schedule of rates and charges initially established for the System in connection with the Series 2002 A Bonds shall prove to be insufficient to produce the required sums set forth in this Bond Legislation and the Loan Agreement, the Issuer hereby covenants and agrees that it will, to the extent or in the manner authorized by law, immediately adjust and increase such schedule of rates and charges and take all such actions necessary to provide funds sufficient to produce the required sums set forth in this Bond Legislation and the Loan Agreement.

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, except as provided in the Prior Ordinance. Additionally, so long as the Series 2002 A Bonds are outstanding and except as otherwise required by law or with the written consent of the Authority and the BPH, 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 then Outstanding in accordance with Article X hereof. The proceeds from such sale, mortgage, lease or other disposition of the System shall in accordance with Article X hereof immediately be remitted to the Commission for deposit in the appropriate Sinking Funds, and the Issuer shall direct the Commission to apply such proceeds to the payment of principal of and any interest, if any, on the Bonds. Any balance remaining after the redemption or payment of all 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, in writing, 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 derived from any such sale shall be deposited in the Renewal and Replacement Fund. If the amount to be received from such sale, lease or other disposition of said property, together with all other amounts received during the same Fiscal year for such sales, leases or other dispositions of such properties, shall be in excess of $10,000 but not in excess of $50,000, the Issuer shall first, in writing, 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 the Governing Body may then, if it be so advised, by resolution duly adopted, authorize such sale, lease or other disposition of such property upon public bidding in

accordance with the laws of the State. The proceeds derived from any such sale shall be remitted by the Issuer to the Commission for deposit in the appropriate Sinking Funds and shall be applied on to the redemption of Bonds of the last maturities then outstanding at prices not greater than the redemption price of such Bonds. Such payments of proceeds into the Renewal and Replacement Fund and the Sinking Funds shall not reduce the amounts required to be paid into said funds by other provisions of this Ordinance.

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 additional Parity Bonds provided for in Section 7.07 hereof, the Issuer shall not issue any other obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Series 2002 A Bonds. All obligations hereafter issued by the Issuer payable from the revenues of the System, except such additional Parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on, pledge and source of and security for payment from such revenues and in all other respects, to the Series 2002 A Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into all funds and accounts set forth herein have been made and are current at the time of the issuance of such subordinate obligations.

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

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

Section 7.07. Parity Bonds. So long as the Prior Bonds are outstanding, the limitations on the issuance of parity obligations set forth in the Prior Ordinance shall be applicable. In addition, no Parity Bonds payable out of the revenues of the System shall be issued after the issuance of any Bonds pursuant to this Bond Legislation, except under the conditions and in the manner herein provided and with the prior written consent of the BPH and the Authority.

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

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

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

(1) The Bonds then Outstanding;

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

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

The "estimated average increased annual Net Revenues to be received in each of the three (3) succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from the improvements to be financed by such Parity Bonds and any increase in rates enacted by the Issuer, the time for appeal of which shall have expired prior to the date of issuance of such Parity Bonds, and shall not exceed the amount to be stated in a certificate of the Independent Certified Public Accountants, which shall be filed in the office of the Recorder prior to the issuance of such additional Parity Bonds.

The Net Revenues actually derived from the System during the twelve (12) consecutive month period hereinabove referred to may be adjusted by adding to such Net Revenues such additional Net Revenues which would have been received, in the opinion of the Independent Certified Public Accountants, on account of increased rates, rentals, fees and charges for the System enacted by the Issuer, the time for appeal of which shall have expired prior to issuance of such Parity Bonds.

All covenants and other provisions of this Bond Legislation (except as to details of such Parity Bonds inconsistent herewith) shall be for the equal benefit, protection and security of the Holders of the Series 2002 A Bonds and the Holders of any Parity Bonds subsequently issued, from time to time, within the limitations of and in compliance with this Section. All the Bonds issued on a parity, regardless of the time or times of their issuance, shall rank equally with respect to their respective liens on the revenues of the System and their respective sources of and security for payment from said revenues, without preference of any Bond over any other. The Issuer shall comply fully with all the increased payments into the various funds and accounts created in this Bond Legislation required for and on account of such additional Parity Bonds, in addition to the payments required for Bonds theretofore issued pursuant to this Bond Legislation.

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

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

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

State and federal grants or other sources of financing for the Project.

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

The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and any Holder of a Bond or Bonds issued pursuant to the 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 in accordance with the rules and regulations of the PSC and the Act. Separate control accounting records shall be maintained by the Issuer. Subsidiary records as may be required shall be kept in the manner, on the forms, in the books, and along with other bookkeeping records as prescribed by the Issuer.

The Issuer shall file with the Authority and the BPH, and shall mail in each year to any Holder or Holders of Bonds requesting the same, an annual report containing the following:

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

(B) A balance sheet statement showing all deposits in all the funds and accounts provided for in this Bond Legislation 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 completely 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 Holder or Holders of the Series 2002 A Bonds, and shall submit said report to the Authority and the BPH. Such audit report shall include a statement that the Issuer is in compliance with the terms and provisions of the Act, the Loan Agreement and this Bond Legislation and that the Gross Revenues are adequate to meet the Operating Expenses and debt service and reserve requirements.

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

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

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

Section 7.09. Rates. Prior to issuance of the Series 2002 A Bonds, equitable rates or charges for the use of and service rendered by the System shall be established in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Recorder, 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 to comply with the rate coverage required by the Prior Ordinance, so long as the Prior Bonds are outstanding, and thereafter, sufficient (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any succeeding Fiscal Year for payment of principal of and interest, if any, on the Series 2002 A Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2002 A Bonds; provided that, in the event that amounts equal to or in excess of the Reserve Requirements are on deposit in the Series 2002 A Bonds Reserve Account and any reserve accounts for obligations on a parity with the Series 2002 A Bonds, are funded at least at the requirement therefor, such balance each Fiscal Year need only equal at least 110% of the maximum amount required in any succeeding Fiscal Year for payment of principal of and interest, if any, on the Series 2002 A Bonds.

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

The Issuer shall, commencing on the date contracts are executed for the acquisition or construction of the Project and for two years following the completion of acquisition or construction of the Project, each month complete a Monthly Financial Report, a form of which is attached to the Loan Agreement, and forward a copy of such report by the 10th of each month to the Authority and the BPH.

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

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

The Issuer shall require the Consulting Engineers to submit Recipient As-Built Plans, as defined in the DWTRF Regulations, to it within 60 days of the completion of the Project. The Issuer shall notify the BPH in writing of such receipt.

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

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

Section 7.13. Enforcement of Collections. The Issuer will diligently enforce and collect all fees, 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 shall become delinquent to the full extent permitted or authorized by the laws of the State or the rules and regulations of the PSC.

Whenever any fees, rates, rentals or other charges for the services or 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 any rules and regulations promulgated by the PSC applicable thereto, fees, 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 any rules and regulations promulgated by the PSC applicable thereto, discontinue and shut off the services and facilities of the System to all delinquent users of the services and facilities of the System, and will not restore such services of the System until all delinquent charges for the services and facilities 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.

Section 7.14. No Free Services. The Issuer 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 Issuer or any department, agency, instrumentality, officer or employee of the Issuer shall avail itself or himself or herself 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. Such charges shall be paid as they accrue, and the Issuer shall transfer from its general funds sufficient sums to pay such charges for service. The revenues so received shall be deemed to be revenues derived from the operation of the System and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 7.15. Insurance and Construction Bonds. A. The Issuer hereby covenants and agrees that so long as the Series 2002 A Bonds remain Outstanding, the Issuer shall, as an Operating Expense, procure, carry and maintain insurance with a reputable insurance carrier or carriers as is customarily covered with respect to works and properties similar to the System. Such insurance shall initially cover the following risks and be in the following amounts:

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

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

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

(4) FLOOD INSURANCE, if the System facilities 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 for every officer, member and employee of the Issuer having custody of the revenues or of any other funds of the System, in an amount at least equal to the total funds in the custody of any such person at any one time.

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

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

Section 7.16. Connections. To the extent permitted by the laws of the State and rules and regulations of the PSC, the Issuer shall require every owner, tenant or occupant of any house, dwelling or building intended to be served by the System to connect thereto.

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

The Issuer has obtained all permits required by State and federal laws necessary for the acquisition and construction of the Project, all requisite orders and approvals from the PSC and the Infrastructure Council necessary for the acquisition and construction of the Project and the operation of the System and all approvals for the issuance of the Series 2002 A Bonds required by State law, with all requisite appeal periods having expired without successful appeal.

Section 7.18. Compliance With Loan Agreement and Law. The Issuer hereby covenants and agrees to comply with, perform and satisfy all terms and conditions of the Loan Agreement, this Bond Legislation and the Act and to comply with all applicable laws, rules and regulations issued by the Authority, the BPH or other State, federal or local bodies in regard to the acquisition and construction of the Project and operation, maintenance and use of the System. Notwithstanding anything herein to the contrary, the Issuer will provide the BPH with copies of all documents submitted to the Authority.

Section 7.19. Statutory Mortgage Lien. For the further protection of the Bondholders, 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 and shall take effect immediately upon delivery of the Series 2002 A Bonds and shall be on a parity with the statutory mortgage lien in favor of the Holders of the Prior Bonds.

Section 7.20. Securities Laws Compliance. The Issuer shall provide the Authority, in a timely manner, with any and all information that may be requested of it (including its annual audit report, financial statements, related information and notices of changes in usage and customer base) so that the Authority may comply with the provisions of SEC Rule 15c2-12 (17 CFR Part 240).

Section 7.21. Contracts; Public Releases. The Issuer shall, simultaneously with the delivery of the Series 2002 A Bonds or immediately thereafter, enter into written contracts for the immediate acquisition or construction of the Project.

The Issuer shall submit all proposed change orders to the BPH for written approval. The Issuer shall obtain the written approval of the BPH before expending any proceeds of the Series 2002 A Bonds held in "contingency" as set forth in the schedule attached to the Certificate of Consulting Engineer. The Issuer shall also obtain the written approval of the BPH before expending any proceeds of the Series 2002 A Bonds made available due to bid or construction or project underruns.

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

ARTICLE VIII

INVESTMENT OF FUNDS

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

Any investment shall be held in and at all times deemed a part of the fund or account in which such moneys were originally held, and the interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. The investments held for any fund or account shall be valued at the lower of cost or then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including the value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held in the "Consolidated Fund". The Commission 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 of such liquidation. The Depository Bank may make any and all investments permitted by this section through its own trust 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 if requested by the Issuer), a summary of such funds, accounts and investment earnings. The Issuer shall retain all such records and any additional records with respect to such funds, accounts and investment earnings so long as any of the Series 2002 A Bonds are outstanding and as long as necessary to comply with the Code and to assure the exclusion of interest, if any, on the Series 2002 A Bonds from gross income for federal income tax purposes.

Section 8.02. Certificate as to Use of Proceeds. The Issuer shall deliver a certificate as to use of proceeds or other similar certificate to be prepared by nationally recognized bond counsel relating to restrictions on the use of proceeds of the Series 2002 A Bonds as a condition to issuance of the Series 2002 A Bonds. In addition, the Issuer covenants (i) to comply with the Code and all Regulations from time to time in effect and applicable to the Series 2002 A Bonds as may be necessary in order to maintain the status of the Series 2002 A Bonds as governmental bonds; (ii) that it shall not take, or permit or suffer to be taken, any action with respect to the Issuer's use of the proceeds of the Series 2002 A Bonds which would cause any bonds, the interest on which is exempt from federal income taxation under Section 103(a) of the Code, issued by the Authority, the Council or the BPH, as the case may be, from which the proceeds of the Series 2002 A Bonds are derived, to lose their status as tax-exempt bonds; and (iii) to take such action, or refrain from taking such action, as shall be

deemed necessary by the Issuer, or requested by the Authority, the Council or the BPH, to ensure compliance with the covenants and agreements set forth in this Section 8.02, regardless of whether such actions may be contrary to any of the provisions of this Bond Legislation.

The Issuer shall annually furnish to the Authority information with respect to the Issuer's use of the proceeds of the Series 2002 A Bonds and any additional information requested by the Authority.

ARTICLE IX

DEFAULT AND REMEDIES

Section 9.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Series 2002 A Bonds:

(A) If default occurs in the due and punctual payment of the principal of or interest, if any, on the Series 2002 A Bonds; or

(B) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Series 2002 A Bonds set forth in this Bond Legislation, any supplemental resolution, or in the Series 2002 A Bonds, and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Commission or any bank or banking association holding any fund or account hereunder or a Holder of the Series 2002 A Bonds; or

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

(D) If default occurs with respect to the Prior Bonds or the Prior Ordinance.

Section 9.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his or her rights and, in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding, enforce all rights of such Registered Owners, including the right to require the Issuer to perform its duties under the Act and the Bond Legislation relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Bonds, (iv) by action at law or bill in equity, require the Issuer to account as if it were the trustee of an express trust for the Registered Owners of the Bonds, and (v) by action or bill in equity, enjoin any acts in violation of the Bond Legislation with respect to the Bonds, or the rights of such Registered Owners; provided that, all rights and remedies of the Holders of the Series 2002 A Bonds shall be on a parity with the Holders of the Prior Bonds.

Section 9.03. Appointment of Receiver. Any Bondholder 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, 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, any Bondholder 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 the Bonds and any interest thereon, the deposits into the funds and accounts hereby established as herein provided and the payment of Operating Expenses of the System and to apply such rates, rentals, fees, charges or other revenues in conformity with the provisions of the Bond Legislation and the Act.

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

Whenever all that is due upon the Bonds and interest thereon and under any covenants of the 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, shall be under the direction and supervision of the court making such appointment, shall at all times be subject to the orders and decrees of such court and may be removed thereby and a successor receiver appointed in the discretion of such court. Nothing herein contained shall limit or restrict the jurisdiction of such court to enter such other and further orders and decrees as such court may deem necessary or appropriate for the exercise by the receiver of any function not specifically set forth herein.

Any receiver appointed as provided herein shall hold and operate the System in the name of the Issuer and for the joint protection and benefit of the Issuer and 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 Bondholders, and the curing and making good of any default under the provisions of the Bond Legislation, and the title to and ownership of said System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, mortgage or otherwise dispose of any assets of the System.

ARTICLE X

PAYMENT OF BONDS

Section 10.01. Payment of Bonds. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Registered Owners of the Series 2002 A Bonds, the principal of and interest, if any, due or to become due thereon, at the times and in the manner stipulated therein and in the Bond Legislation, then the pledge of Gross Revenues and any other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owners shall thereupon cease, terminate and become void and be discharged and satisfied.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Modification or Amendment. Prior to the issuance of the Series 2002 A Bonds, this Bond Legislation may be amended or supplemented in any way by the Supplemental Resolution. Following issuance of the Series 2002 A Bonds, no material modification or amendment of this Bond Legislation or of any ordinance or resolution amendatory hereof or supplemental hereto which would materially and adversely affect the rights of Registered Owners of the Series 2002 A Bonds shall be made without the consent in writing of the Registered Owners of the Series 2002 A Bonds then Outstanding; provided that, no change shall be made in the maturity of the Series 2002 A Bonds or the rate of interest, if any, thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest out of the revenues of the System without the consent of the Registered Owner thereof. No amendment or modification shall be made which would reduce the percentage of the principal amount of the Series 2002 A Bonds required for consent to the above permitted amendments or modifications. Notwithstanding the foregoing, this Bond Legislation may be amended without the consent of any Bondholder as may be necessary to assure compliance with Section 148(f) of the Code relating to rebate requirements or otherwise as may be necessary to assure the exclusion of interest, if any, on the Series 2002 A Bonds from gross income of the holders thereof.

Section 11.02. Bond Legislation Constitutes Contract. The provisions of this Bond Legislation shall constitute a contract between the Issuer and the Registered Owners of the Series 2002 A Bonds and no change, variation or alteration of any kind of the provisions of this Bond Legislation shall be made in any manner, except as in this Bond Legislation provided.

Section 11.03. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Bond Legislation should be held invalid by any court of competent jurisdiction, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Bond Legislation, the Supplemental Resolution and the Series 2002 A Bonds.

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

Section 11.05. Conflicting Provisions Repealed. Except for the Prior Ordinance, all ordinances, resolutions and orders, or parts thereof, in conflict with this Bond Legislation are, to the extent of such conflict, repealed; provided that, in the event of any conflict between this Bond Legislation and the Prior Ordinance, the Prior Ordinance shall

control (unless less restrictive), so long as the Prior Bonds are Outstanding.

Section 11.06. Covenant of Due Procedure. 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 final enactment and passage of this Bond Legislation 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 Mayor, the Recorder and members of the Governing Body were at all times when any actions in connection with this Bond Legislation occurred, and are, duly in office and duly qualified for such office.

Section 11.07. Statutory Notice of Public Hearing. Upon adoption hereof, the abstract of this Bond Legislation in the form set forth in Exhibit B attached hereto and incorporated herein by reference, shall be published once a week for 2 successive weeks, with at least 6 full days intervening between each publication, in the Morgan Messenger, a newspaper published and of general circulation in the Issuer, together with a notice stating that this Bond Legislation has been adopted and that the Issuer contemplates the issuance of the Series 2002 A Bonds, and that any person interested may appear before the Issuer upon a certain date, not less than 10 days subsequent to the date of the first publication of such abstract of this Bond Legislation and notice, and present protests, and that a certified copy of this Bond Legislation is on file with the Issuer for review by interested persons during office hours of the Issuer. The Governing Body hereby determines that the Abstract contains sufficient information as to give notice of the contents hereof. At such hearing, all objections and suggestions shall be heard and the Issuer shall take such action as it shall deem proper in the premises.

Section 11.08. Effective Date. This Bond Legislation shall take effect immediately following the public hearing and final reading hereof.

First Reading:	October 15, 2002
Second Reading:	November 5, 2002
Public Hearing and Third Reading:	November 19, 2002

Susan J. Webster
Mayor

CERTIFICATION

Certified a true copy of a Bond Ordinance duly enacted by the Council of the Town of Bath on November 19, 2002.

Dated this 9th day of December, 2002.

Recorder

[SEAL]

11/14/02
000802/00301

EXHIBIT A

PROJECT DESCRIPTION

The Project consists of construction of a water filtration plant to provide public water service to approximately 1,281 customers in the Berkeley Springs area of Morgan County, together with all related appurtenances.

EXHIBIT B

TOWN OF BATH

NOTICE OF PUBLIC HEARING and ABSTRACT OF BOND ORDINANCE

Notice is hereby given to any person interested that on November 5, 2002, the Council of the Town of Bath (the "Issuer") adopted an ordinance which, among other things:

1. Authorized the acquisition and construction of certain additions, betterments and improvements (the "Project") to the Issuer's existing waterworks system (the "System") and the financing of the cost thereof, not otherwise provided, through the issuance of not more than $1,150,000 in aggregate principal amount of Water Revenue Bonds, Series 2002 A (West Virginia DWTRF Program) (the "Bonds").

2. Directed that the Bonds be issued in such principal amounts, bear interest, if any, at such rate or rates, not exceeding the then legal maximum rate, payable quarterly on such dates, mature on such dates and in such amounts and redeemable, in whole or in part, as prescribed in a supplemental resolution or in the Loan Agreement by and between the Issuer and the West Virginia Water Development Authority, on behalf of the West Virginia Bureau for Public Health (the "Loan Agreement").

3. Authorized the execution and delivery of the Loan Agreement.

4. Directed the continuation of a Revenue Fund and the disposition of the revenues of the System; provided for the payment of operating expenses; provided for the monthly payment of principal of and interest, if any, on the Bonds when due; provided for the creation of a Sinking Fund, a Reserve Account and a Renewal and Replacement Fund for the Bonds; and provided for the use of excess funds of the System.

5. Directed the creation of a Bond Construction Trust Fund and the disbursement of Bond proceeds.

6. Provided that the Bonds shall not be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Gross Revenues of the System; pledged the Gross Revenues of the System to payment of the Bonds and established the rights of the holders of the Bonds to the Gross Revenues of the System.

7. Provided certain conditions for the issuance of additional bonds.

8. Provided for insurance coverage on the Project, enforcement of collection of rates and other charges for the System, and other covenants of the Issuer in favor of the Bondholders.

9. Established the events of default and the remedies of the Bondholders.

10. Provided for the modification or amendment of the Ordinance upon the terms and conditions set forth in the Ordinance.

The Issuer contemplates the issuance of the Bonds described in and under the conditions set forth in the Ordinance abstracted above. Any person interested may appear before the Council of the Town of Bath at a regular meeting on November 19, 2002, at 5:00 p.m., in the Council Chambers, Town Hall, 103 Wilkes Street, Berkeley Springs, West Virginia, and present protests and be heard as to whether the above described Ordinance shall be put into effect.

A certified copy of the Ordinance as adopted by the Council is on file with the Recorder for review by interested persons during the office hours of the Town Hall.

Recorder

TOWN OF BATH
WATER REVENUE BONDS, SERIES 2002 A
(WEST VIRGINIA DWTRF PROGRAM)

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO THE PRINCIPAL AMOUNT, DATE, MATURITY DATE, INTEREST RATE, PAYMENT SCHEDULE, SALE PRICE AND OTHER TERMS OF THE TOWN OF BATH WATER REVENUE BONDS, SERIES 2002 A (WEST VIRGINIA DWTRF PROGRAM); AUTHORIZING AND APPROVING THE LOAN AGREEMENT RELATING TO SUCH BONDS AND THE SALE AND DELIVERY OF SUCH BONDS TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; DESIGNATING A REGISTRAR, PAYING AGENT AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the Council (the "Governing Body") of the Town of Bath (the "Issuer") has duly and officially passed a Bond Ordinance on November 5, 2002, effective November 19, 2002 (the "Bond Ordinance"), entitled:

ORDINANCE AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING WATERWORKS SYSTEM OF THE TOWN OF BATH AND THE FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE BY THE TOWN OF NOT MORE THAN $1,150,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2002 A (WEST VIRGINIA DWTRF PROGRAM); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING A LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

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

WHEREAS, the Bond Ordinance provides for the issuance of the Water Revenue Bonds, Series 2002 A (West Virginia DWTRF Program), of the Issuer, in an aggregate principal amount not to exceed $1,150,000 (the "Bonds"), and has authorized the execution and delivery of a loan agreement relating to the Bonds, including all schedules and exhibits attached thereto (collectively, the "Loan Agreement"), by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Bureau for Public Health (the "BPH"), all in accordance with Chapter 8, Article 19 and Chapter 16, Article 13C of the Code of West Virginia, 1931, as amended (collectively, the "Act"); and in the Bond Ordinance it is provided that the exact principal amount, date, maturity date, interest rate, payment schedule, sale price and other terms of the Bonds should be established by a supplemental resolution, and that other matters relating to the Bonds be herein provided for;

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

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

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

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF THE TOWN OF BATH, WEST VIRGINIA, AS FOLLOWS:

Section 1. It is hereby found and determined that:

(A) The Notice of Public Hearing and Abstract of Bond Ordinance (the "Notice") was duly published in the Morgan Messenger, a qualified newspaper published and of general circulation in the Issuer with the first publication thereof being not less than ten (10) days before the day set by the Bond Ordinance and the Notice for the public hearing at which interested persons may appear before the Council and present protests and suggestions and with the last publication thereof being prior to said date set by the Bond Ordinance and the Notice for the public hearing, and a copy of the Affidavit of Publication reflecting such publications is incorporated herein by reference;

(B) In accordance with the Bond Ordinance and the Notice, the Recorder has maintained in his or her office a certified copy of the Bond Ordinance for review by interested persons during the regular office hours of such office;

(C) In Council chambers, Town Hall, Berkeley Springs, West Virginia, on November 19, 2002, at 5:00 p.m., prevailing time, in accordance with the Bond Ordinance and the Notice, the Council met for the purpose of hearing protests and suggestions regarding whether the Bond Ordinance should be put into effect and heard all protests and suggestions with regard thereto;

(D) At the public hearing, no significant reasons were presented that would require modification or amendment of the Bond Ordinance and no written protest with regard thereto was filed by 30 percent or more of the freeholders of the Issuer; and

(E) The Bond Ordinance shall be put into effect as of the date hereof and the Bonds contemplated thereby shall be issued, all as provided in the Bond Ordinance and this Supplemental Resolution.

Section 2. Pursuant to the Bond Ordinance and the Act, this Supplemental Resolution is adopted and there are hereby authorized and ordered to be issued the Water Revenue Bonds, Series 2002 A (West Virginia DWTRF Program), of the Issuer, originally represented by a single Bond, numbered AR-1, in the original principal amount of $1,150,000. The Bonds shall be dated the date of delivery, shall finally mature September 1, 2033, and shall bear no interest. The principal of the Bonds is payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing December 1, 2003, in the amounts set forth in the Schedule Y attached to the Loan Agreement and incorporated in and made a part of the Bonds. The Issuer hereby approves and shall pay the Administrative Fee equal to 1% of the principal amount of the Bonds set forth in the Schedule Y attached to the Loan Agreement. The Bonds shall be subject to redemption upon the written consent of the Authority and the BPH, and upon payment of a redemption premium, if any, and otherwise in compliance with the Loan Agreement, so long as the Authority shall be the Registered Owner of the Bonds.

Section 3. All other provisions relating to the Bonds and the text of the Bonds shall be in substantially the form provided in the Bond Ordinance.

Section 4. The Issuer hereby ratifies, approves and accepts the Loan Agreement, including all schedules and exhibits attached thereto, a copy of which is incorporated herein by reference, and the execution and delivery of the Loan Agreement by the Mayor, and the performance of the obligations contained therein, on behalf of the Issuer, are hereby authorized, directed, ratified and approved. The Issuer hereby affirms all covenants and

representations made in the Loan Agreement and in the application to the BPH and the Authority. The price of the Bonds shall be 100% of par value, there being no interest accrued thereon, provided that the proceeds of the Bonds shall be advanced from time to time as requisitioned by the Issuer.

Section 5. The Issuer hereby appoints and designates Citizens National Bank of Berkeley Springs, Berkeley Springs, West Virginia, to serve as Registrar (the "Registrar") for the Bonds under the Bond Ordinance and approves and accepts the Registrar's Agreement to be dated the date of delivery of the Bonds, by and between the Issuer and the Registrar, and the execution and delivery of the Registrar's Agreement by the Mayor, and the performance of the obligations contained therein, on behalf of the Issuer, are hereby authorized, directed and approved.

Section 6. The Issuer hereby appoints and designates the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Commission"), to serve as Paying Agent for the Bonds under the Bond Ordinance.

Section 7. The Issuer hereby appoints and designates Citizens National Bank of Berkeley Springs, Berkeley Springs, West Virginia, to serve as Depository Bank under the Bond Ordinance.

Section 8. Series 2002 A Bonds proceeds in the amount of $-0- shall be deposited in the Series 2002 A Bonds Sinking Fund as capitalized interest.

Section 9. Series 2002 A Bonds proceeds in the amount of $-0- shall be deposited in the Series 2002 A Bonds Reserve Account.

Section 10. The remaining proceeds of the Bonds, as advanced from time to time, shall be deposited in or credited to the Series 2002 A Bonds Construction Trust Fund, as received by the Issuer for payment of costs of the Project, including costs of issuance of the Bonds.

Section 11. The Mayor and Recorder are hereby authorized and directed to execute and deliver such other documents and certificates required or desirable in connection with the Bonds hereby and by the Bond Ordinance approved and provided for, to the end that the Bonds may be delivered to the Authority pursuant to the Loan Agreement on or about December 9, 2002.

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

Section 13. The Issuer hereby determines to invest all moneys in the funds and accounts established by the Bond Ordinance held by the Depository Bank until expended, in money market accounts secured by a pledge of Government Obligations, and therefore, the Issuer hereby directs the Depository Bank to invest all moneys in such money market accounts until further directed in writing by the Issuer. Moneys in the Series 2002 A Bonds Sinking Fund and the Series 2002 A Bonds Reserve Account shall be invested by the Commission in the West Virginia Consolidated Fund.

Section 14. The Issuer hereby approves and accepts all contracts relating to the financing, acquisition and construction of the Project.

Section 15. The Issuer hereby approves the costs of issuance and authorizes the payment of the same.

Section 16. This Supplemental Resolution shall be effective immediately following adoption hereof.

Adopted this 19th day of November, 2002.

Susan J. Webster
Mayor

CERTIFICATION

Certified a true copy of a Supplemental Resolution duly adopted by the Council of the Town of Bath on the 19th day of November, 2002.

Dated this 9th day of December, 2002.

[SEAL]

Recorder

10/22/02
000802/00301

AR-1

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
TOWN OF BATH
WATER REVENUE BOND, SERIES 2002 A
(WEST VIRGINIA DWTRF PROGRAM)

SPECIMEN

No. AR-1

$1,[illegible],000

KNOW ALL MEN BY THESE PRESENTS: That the TOWN OF BATH, a municipal corporation and political subdivision of the State of West Virginia in Morgan County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY (the "Authority") or registered assigns, the sum of ONE MILLION ONE HUNDRED FIFTY THOUSAND DOLLARS ($1,150,000), or such lesser amount as is set forth on the Record of Advances attached hereto as Exhibit A and incorporated herein by reference, in quarterly installments on March 1, June 1, September 1 and December 1 of each year, commencing December 1, 2003, as set forth on the "Debt Service Schedule" attached as Exhibit B hereto and incorporated herein by reference. The Administrative Fee (as defined in the hereinafter described Bond Legislation) on this Bond shall also be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing December 1, 2003, as set forth on Exhibit B attached hereto.

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

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and the West Virginia Bureau for Public Health (the "BPH"), and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement dated December 6, 2002, by and between the Issuer and the Authority, on behalf of the BPH.

This Bond is issued (i) to pay the costs of acquisition and construction of certain additions, betterments and improvements to the existing waterworks system of the Issuer (the "Project"); and (ii) to pay certain costs of issuance of this Bond and related costs. The existing waterworks system of the Issuer, the Project, and any further extensions, additions, betterments or improvements thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 8, Article 19 and Chapter 16, Article 13C of the Code of West Virginia, 1931, as amended (collectively, the "Act"), a Bond Ordinance duly enacted by the Issuer on November 5, 2002, effective November 19, 2002, and a Supplemental Resolution duly adopted by the Issuer on November 19, 2002 (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE ISSUER'S WATER REVENUE REFUNDING AND IMPROVEMENT BONDS, SERIES 1997 A, DATED JULY 15, 1997, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,430,000 (THE "PRIOR BONDS").

This Bond is payable only from and secured by a pledge of the Gross Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, on a parity with the pledge of the Gross Revenues in favor of the holders of the Prior Bonds, and from moneys in the Series 2002 A Bonds Reserve Account created under the Bond Legislation for this Bond and unexpended proceeds of this Bond. Such Gross Revenues shall be sufficient to pay all operating expenses of the System and the principal of and interest, if any, on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, nor shall the Issuer be obligated to pay the same or the interest, if any, hereon, except from said special fund provided from the Gross Revenues, the moneys in the Series 2002 A Bonds Reserve Account and unexpended proceeds of this Bond. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to comply with the rate coverage required by the Prior Ordinance, so long as the Prior Bonds are outstanding, and thereafter, sufficient to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount of principal of and interest, if any, on this Bond payable in any year and all other obligations secured by a lien on or payable from such revenues on a parity with this Bond, including the Prior Bonds; provided however, that so long as there exists in the Series 2002 A Bonds Reserve Account, an amount at least equal to the maximum

amount of principal and interest, if any, which will become due on this Bond in any year, and in the respective reserve accounts established for any other obligations outstanding on a parity with this Bond, including the Prior Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the Registered Owners of this Bond, for the terms of which, reference is made to the Bond Legislation. Remedies provided the Registered Owners of this Bond are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

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

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

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

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and upon 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 Gross Revenues of the System has been pledged to and will be set aside into said special fund by the Issuer for the prompt payment of the principal of this Bond.

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

IN WITNESS WHEREOF, the TOWN OF BATH has caused this Bond to be signed by its Mayor and its corporate seal to be hereunto affixed and attested by its Recorder, and has caused this Bond to be dated December 9, 2002.

[SEAL]

Mayor

SPECIMEN

ATTEST:

Recorder

SPECIMEN

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 2002 A Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the Registered Owner set forth above, as of the date set forth below.

Date: December 9, 2002.

CITIZENS NATIONAL BANK OF BERKELEY SPRINGS,
as Registrar

By _____
Its Authorized Officer

SPEC

EXHIBIT A

RECORD OF ADVANCES

Amount	Date	Amount	Date
(1) $101,240	12/9/02	(19) $	
(2) $		(20) $	
(3) $		(21) $	
(4) $		(22) $	
(5) $		(23) $	
(6) $		(24) $	
(7) $		(25) $	
(8) $		(26) $	
(9) $		(27) $	
(10)$		(28) $	
(11)$		(29) $	
(12)$		(30) $	
(13)$		(31) $	
(14)$		(32) $	
(15)$		(33) $	
(16)$		(34) $	
(17)$		(35) $	
(18)$		(36) $	

Total $_____

EXHIBIT B

Town of Bath
Loan of $1,150,000
0% Interest Rate, 1% Administrative Fee, 30 Years
Closing Date: December 9, 2002

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Total P+I
3/01/2003	-	-	-
6/01/2003	-	-	-
9/01/2003	-	-	-
12/01/2003	9,584.00	-	9,584.00
3/01/2004	9,584.00	-	9,584.00
6/01/2004	9,584.00	-	9,584.00
9/01/2004	9,584.00	-	9,584.00
12/01/2004	9,584.00	-	9,584.00
3/01/2005	9,584.00	-	9,584.00
6/01/2005	9,584.00	-	9,584.00
9/01/2005	9,584.00	-	9,584.00
12/01/2005	9,584.00	-	9,584.00
3/01/2006	9,584.00	-	9,584.00
6/01/2006	9,584.00	-	9,584.00
9/01/2006	9,584.00	-	9,584.00
12/01/2006	9,584.00	-	9,584.00
3/01/2007	9,584.00	-	9,584.00
6/01/2007	9,584.00	-	9,584.00
9/01/2007	9,584.00	-	9,584.00
12/01/2007	9,584.00	-	9,584.00
3/01/2008	9,584.00	-	9,584.00
6/01/2008	9,584.00	-	9,584.00
9/01/2008	9,584.00	-	9,584.00
12/01/2008	9,584.00	-	9,584.00
3/01/2009	9,584.00	-	9,584.00
6/01/2009	9,584.00	-	9,584.00
9/01/2009	9,584.00	-	9,584.00
12/01/2009	9,584.00	-	9,584.00
3/01/2010	9,584.00	-	9,584.00
6/01/2010	9,584.00	-	9,584.00
9/01/2010	9,584.00	-	9,584.00
12/01/2010	9,584.00	-	9,584.00
3/01/2011	9,584.00	-	9,584.00
6/01/2011	9,584.00	-	9,584.00
9/01/2011	9,584.00	-	9,584.00
12/01/2011	9,584.00	-	9,584.00
3/01/2012	9,584.00	-	9,584.00
6/01/2012	9,584.00	-	9,584.00
9/01/2012	9,584.00	-	9,584.00
12/01/2012	9,584.00	-	9,584.00
3/01/2013	9,584.00	-	9,584.00
6/01/2013	9,584.00	-	9,584.00
9/01/2013	9,584.00	-	9,584.00
12/01/2013	9,583.00	-	9,583.00
3/01/2014	9,583.00	-	9,583.00
6/01/2014	9,583.00	-	9,583.00
9/01/2014	9,583.00	-	9,583.00

Town of Bath

Loan of $1,150,000
0% Interest Rate, 1% Administrative Fee, 30 Years
Closing Date: December 9, 2002

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Total P+I
12/01/2014	9,583.00	-	9,583.00
3/01/2015	9,583.00	-	9,583.00
6/01/2015	9,583.00	-	9,583.00
9/01/2015	9,583.00	-	9,583.00
12/01/2015	9,583.00	-	9,583.00
3/01/2016	9,583.00	-	9,583.00
6/01/2016	9,583.00	-	9,583.00
9/01/2016	9,583.00	-	9,583.00
12/01/2016	9,583.00	-	9,583.00
3/01/2017	9,583.00	-	9,583.00
6/01/2017	9,583.00	-	9,583.00
9/01/2017	9,583.00	-	9,583.00
12/01/2017	9,583.00	-	9,583.00
3/01/2018	9,583.00	-	9,583.00
6/01/2018	9,583.00	-	9,583.00
9/01/2018	9,583.00	-	9,583.00
12/01/2018	9,583.00	-	9,583.00
3/01/2019	9,583.00	-	9,583.00
6/01/2019	9,583.00	-	9,583.00
9/01/2019	9,583.00	-	9,583.00
12/01/2019	9,583.00	-	9,583.00
3/01/2020	9,583.00	-	9,583.00
6/01/2020	9,583.00	-	9,583.00
9/01/2020	9,583.00	-	9,583.00
12/01/2020	9,583.00	-	9,583.00
3/01/2021	9,583.00	-	9,583.00
6/01/2021	9,583.00	-	9,583.00
9/01/2021	9,583.00	-	9,583.00
12/01/2021	9,583.00	-	9,583.00
3/01/2022	9,583.00	-	9,583.00
6/01/2022	9,583.00	-	9,583.00
9/01/2022	9,583.00	-	9,583.00
12/01/2022	9,583.00	-	9,583.00
3/01/2023	9,583.00	-	9,583.00
6/01/2023	9,583.00	-	9,583.00
9/01/2023	9,583.00	-	9,583.00
12/01/2023	9,583.00	-	9,583.00
3/01/2024	9,583.00	-	9,583.00
6/01/2024	9,583.00	-	9,583.00
9/01/2024	9,583.00	-	9,583.00
12/01/2024	9,583.00	-	9,583.00
3/01/2025	9,583.00	-	9,583.00
6/01/2025	9,583.00	-	9,583.00
9/01/2025	9,583.00	-	9,583.00
12/01/2025	9,583.00	-	9,583.00
3/01/2026	9,583.00	-	9,583.00
6/01/2026	9,583.00	-	9,583.00

Town of Bath
Loan of $1,150,000
0% Interest Rate, 1% Administrative Fee, 30 Years
Closing Date: December 9, 2002

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Total P+I
9/01/2026	9,583.00	-	9,583.00
12/01/2026	9,583.00	-	9,583.00
3/01/2027	9,583.00	-	9,583.00
6/01/2027	9,583.00	-	9,583.00
9/01/2027	9,583.00	-	9,583.00
12/01/2027	9,583.00	-	9,583.00
3/01/2028	9,583.00	-	9,583.00
6/01/2028	9,583.00	-	9,583.00
9/01/2028	9,583.00	-	9,583.00
12/01/2028	9,583.00	-	9,583.00
3/01/2029	9,583.00	-	9,583.00
6/01/2029	9,583.00	-	9,583.00
9/01/2029	9,583.00	-	9,583.00
12/01/2029	9,583.00	-	9,583.00
3/01/2030	9,583.00	-	9,583.00
6/01/2030	9,583.00	-	9,583.00
9/01/2030	9,583.00	-	9,583.00
12/01/2030	9,583.00	-	9,583.00
3/01/2031	9,583.00	-	9,583.00
6/01/2031	9,583.00	-	9,583.00
9/01/2031	9,583.00	-	9,583.00
12/01/2031	9,583.00	-	9,583.00
3/01/2032	9,583.00	-	9,583.00
6/01/2032	9,583.00	-	9,583.00
9/01/2032	9,583.00	-	9,583.00
12/01/2032	9,583.00	-	9,583.00
3/01/2033	9,583.00	-	9,583.00
6/01/2033	9,583.00	-	9,583.00
9/01/2033	9,583.00	-	9,583.00
Total	**1,150,000.00**	**-**	**1,150,000.00 ***

***Plus $1,449.45 one-percent administrative fee paid quarterly. Total fee paid over life of loan is $173,934.**

YIELD STATISTICS

Bond Year Dollars	$18,249.46
Average Life	15.869 Years
Average Coupon	-
Net Interest Cost (NIC)	-
True Interest Cost (TIC)	7.42E-13
Bond Yield for Arbitrage Purposes	7.42E-13
All Inclusive Cost (AIC)	0.9497096%

IRS FORM 8038

Net Interest Cost	-
Weighted Average Maturity	15.869 Years

ASSIGNMENT

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

_____

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

Dated: _____.

_____

In the presence of:

_____

WEST VIRGINIA
Water Development Authority
Celebrating 34 Years of Service 1974 - 2008

November 5, 2008

Town of Bath
Water Refunding Revenue Bonds, Series 2008 A

TO WHOM IT MAY CONCERN:

In reliance upon the certificate of Bennett & Dobbins, PLLC, the independent certified public accountant, and the opinion of Steptoe & Johnson PLLC, bond counsel, that the coverage and parity tests have been met, the undersigned duly authorized representative for the West Virginia Water Development Authority, the registered owner of the entire outstanding aggregate principal amount of the Prior Bonds, hereinafter defined and described, hereby consents to the issuance of the Water Refunding Revenue Bonds, Series 2008 A (Branch Banking and Trust Company), in the original aggregate principal amount of $1,108,595 (the "Series 2008 A Bonds") by the Town of Bath (the "Issuer"), under the terms of the bond ordinance authorizing the Series 2008 A Bonds, on a parity, with respect to liens, pledge and source of and security for payment, with the Issuer's outstanding (i) Water Revenue Bonds, Series 2006 A (West Virginia DWTRF Program), dated August 29, 2006, issued in the original aggregate principal amount of $1,250,000; (ii) Water Revenue Bonds, Series 2006 B (West Virginia Infrastructure Fund), dated August 29, 2006, issued in the original aggregate principal amount of $1,237,000; and (iii) Water Revenue Bonds, Series 2002 A (West Virginia DWTRF Program), dated December 9, 2002, issued in the original aggregate principal amount of $1,150,000 (collectively, the "Prior Bonds").

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

Authorized Representative

180 Association Drive, Charleston, WV 25311-1217
phone (304) 558-3612 / fax (304) 558-0299
www.wvwda.org

TOWN OF BATH

Water Refunding Revenue Bonds, Series 2008 A

RECEIPT AND RELEASE

West Virginia Municipal Bond Commission, as the Paying Agent of the Town of Bath's Water Revenue Refunding and Improvement Bonds, Series 1997 A, dated July 29, 1997, issued in the original aggregate principal amount of $1,430,000 (the "Series 1997 A Bonds"), hereby certifies that it has this day received (i) the sum of $20,782.73 from the Series 1997 A Sinking Fund; (ii) the sum of $108,562 transferred from the Series 1997 A Bonds Reserve Account; and (iii) the sum of $976,963.40 from the proceeds of the Water Refunding Revenue Bonds, Series 2008 A and that the total in the amount of $1,106,308.13 is sufficient to pay the entire principal amount of and interest accrued on the Series 1997 A Bonds to the date hereof and discharge the liens, pledges and encumbrances securing the Series 1997 A Bonds.

Dated this 5th day of November, 2008.

WEST VIRGINIA MUNICIPAL
BOND COMMISSION

By: _____
Its: Authorized Officer

CLOSING MEMORANDUM

To: **Financing Team**

From: **John C. Stump, Esquire**

Date: **November 5, 2008**

Re: **Town of Bath, Water Refunding Revenue Bonds, Series 2008 A**

DISBURSEMENTS TO MUNICIPAL BOND COMMISSION

Payor:	Branch Banking and Trust Company
Source:	Series 2008 A Bonds Proceeds
Amount:	$976,963.40
Form:	Transfer
Payee:	Town of Bath
Bank:	BB&T for benefit of Municipal Bond Commission
Routing #:	051503394
Account #:	5270517317
Reference:	Series 1997 A Bonds
Contact:	Sara Boardman, 304.558.3971

DISBURSEMENTS TO MUNICIPAL BOND COMMISSION

Payor:	Branch Banking and Trust Company
Source:	Series 2008 A Bonds Proceeds
Amount:	$ 95,436.60
Form:	Transfer
Payee:	Town of Bath
Bank:	BB&T for benefit of Municipal Bond Commission
Routing #:	051503394
Account #:	5270517317
Contact:	Sara Boardman, 304.558.3971
Account:	Series 2008 A Bonds Reserve Account

OTHER DISBURSEMENTS FOR BY CHECK

Steptoe & Johnson PLLC	$15,000
Bennett & Dobbins	$ 650
Branch Banking & Trust	$ 2,950

055550.00001

BB&T GOVERNMENTAL FINANCE 01-00
5130 PARKWAY PLAZA BLVD., BUILDING 9
CHARLOTTE, NC 28217

BB&T
CHARLOTTE, NC 28217
66-112/531

7766

11/5/2008

PAY TO THE ORDER OF Bennett & Dobbins $**650.00

Six Hundred Fifty and 00/100********** DOLLARS

Bennett & Dobbins

MEMO Town of Bath, WV

⑈007766⑈ ⑆053101121⑆521499315⑈

© 2005 INTUIT INC. # 785 1-800-433-8810

BB&T GOVERNMENTAL FINANCE 01-00
5130 PARKWAY PLAZA BLVD., BUILDING 9
CHARLOTTE, NC 28217

BB&T
CHARLOTTE, NC 28217
66-112/531

7765

11/5/2008

PAY TO THE ORDER OF Steptoe & Johnson, PLLC $**15,000.00

Fifteen Thousand and 00/100********** DOLLARS

Steptoe & Johnson, PLLC
P O Box 1732
Clarksburg, WV 26302-1732

MEMO Town of Bath, WV

⑈007765⑈ ⑆053101121⑆521499315⑈

© 2005 INTUIT INC. # 785 1-800-433-8810

Town of Bath
Water Refunding Revenue Bonds, Series 2008 A

PREPAYMENT AGREEMENT

This AGREEMENT, made and entered into as of November 5, 2008, by and between the TOWN OF BATH (the "Issuer") and the WEST VIRGINIA MUNICIPAL BOND COMMISSION (the "Commission").

WITNESETH THAT:

WHEREAS, the Issuer presently owns and operates a public waterworks system (the "System") and has heretofore financed the acquisition and construction of the System and certain additions, extensions and improvements thereto by issuance of several series of bonds;

WHEREAS, the Issuer has determined that it can realize interest cost savings through the refunding of its Water Refunding and Improvement Bonds, Series 1997 A, dated July 29, 1997, originally issued in the aggregate principal amount of $1,430,000 (the "Series 1997 A Bonds");

WHEREAS, the Issuer has determined to issue its Water Refunding Revenue Bonds, Series 2008 A (the "Series 2008 A Bonds"), pursuant to an Ordinance enacted on November 3, 2008, as supplemented by a Supplemental Resolution adopted November 3, 2008 (collectively, the "2008 Resolution"), and contemporaneously therewith, prepay and defease the Series 1997 A Bonds by depositing a portion of the proceeds of the Series 2008 A Bonds with the Commission; and

WHEREAS, the cash amounts which will be delivered to the Commission simultaneously with the delivery of the Series 2008 A Bonds, along with funds currently on deposit with the Commission, are in such amounts as to insure the payment on November 5, 2008 (the "Redemption Date"), of the entire principal amount of the Series 1997 A Bonds then outstanding, the redemption premium and all interest accrued thereon (collectively, the "Redemption Price");

NOW, THEREFORE, in consideration of the mutual agreements contained herein, and in order further to secure payment of the Series 1997 A Bonds, as heretofore provided, the parties hereto mutually undertake, promise and agree for themselves, their respective representatives, successors and assigns, as follows:

1. The deposit of moneys with the Commission shall constitute an irrevocable deposit of such moneys in trust for, and such moneys shall be applied to, the payment of the Redemption Price of the Series 1997 A Bonds on the Redemption Date.

2. Concurrently with the delivery of the Series 2008 A Bonds, the sum of $108,562 on deposit in the Series 1997 A Bonds Reserve Account shall be transferred by the Commission to the Series 1997 A Bonds Sinking Fund.

3. Concurrently with the delivery of the Series 2008 A Bonds, the sum of $20,782.73 on deposit in the Series 1997 A Bonds Sinking Fund shall be applied to the Redemption Price of the Series 1997 A Bonds..

4. Concurrently with the delivery of the Series 2008 A Bonds, the Issuer shall deposit proceeds of the Series 2008 A Bonds in the amount of $976,963.40 in the Series 1997 A Bonds Sinking Fund. This deposit, along with the transfer of the moneys described in paragraph 2 above (for a total of $1,106,308.13) will be sufficient to pay the Redemption Price of the Series 1997 A Bonds on the Redemption Date.

5. The Commission as Paying Agent for the Series 1997 A Bonds shall apply the moneys in the Series 1997 A Bonds Sinking Fund to the payment in full on November 5, 2008, of the Redemption Price of the Series 1997 A Bonds.

6. The holders of the Series 1997 A Bonds shall have an express lien on all moneys and assets in the Series 1997 A Bonds Sinking Fund until paid out, used and applied in accordance with this Agreement.

7. This Agreement shall terminate on the date on which all the Outstanding Series 1997 A Bonds have been redeemed paid in full and discharged. Upon termination of this Agreement, any moneys remaining in the Series 1997 A Bonds Sinking Fund at the Commission after payment of administrative fees shall be transferred to the Issuer.

8. 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.

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

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

TOWN OF BATH

Mayor

WEST VIRGINIA MUNICIPAL
BOND COMMISSION

Executive Director

11.03.08
055550.00001

CH5004831.1

[TO BE MAILED BY REGISTERED OR CERTIFIED MAIL TO THE ORIGINAL PURCHASER AND REGISTERED OWNERS AT LEAST 30 DAYS AND NOT MORE THAN 60 DAYS PRIOR TO REDEMPTION]

NOTICE OF REDEMPTION

$1,430,000 The Town of Bath (West Virginia)
Water Revenue Refunding and Improvement Bonds, Series 1997 A
Dated July 15, 1997

Notice is hereby given that, in accordance with the redemption provisions of the Bond Ordinance, enacted July 7, 1997 by The Town of Bath (West Virginia) (the "Issuer"), all of the outstanding The Town of Bath (West Virginia) Water Revenue Refunding and Improvement Bonds, Series 1997 A, dated July 15, 1997 and issued in the original aggregate amount of $1,430,000 (the "1997 Bonds") are to be redeemed on December 1, 2008 (the "Redemption Date"). Payment in each case will include the principal amount at 101% of par (the "Redemption Price"), and interest accrued to and including the Redemption Date.

Funds sufficient to redeem all Bonds called for optional redemption have not been deposited with the Paying Agent as of the date of mailing this Notice of Redemption; accordingly, THIS OPTIONAL REDEMPTION IS SUBJECT TO THE DEPOSIT BY THE ISSUER, ON OR BEFORE THE REDEMPTION DATE, OF SUFFICIENT FUNDS WITH THE PAYING AGENT TO PAY IN FULL THE OUTSTANDING PRINCIPAL OF, INTEREST ON, AND PREMIUM FOR, THE 1997 BONDS ON THE REDEMPTION DATE. IF SUCH MONIES ARE NOT SO DEPOSITED, THE REGISTRAR SHALL NOTIFY ALL HOLDERS OF THE 1997 BONDS OF SUCH FACT.

The outstanding 1997 Bonds mature on September 1 in the following years:

Principal Amount	Maturity Date	CUSIP*	Interest Rate
$250,000	September 1, 2011	071190BS0	5.350%
$495,000	September 1, 2019	071190BT8	5.800%
$450,000	September 1, 2024	071190BU5	5.800%

All 1997 Bonds outstanding shall be surrendered on the Redemption Date for payment and delivered to the Registrar and Paying Agent at the following addresses:

The Bank of New York Mellon Corporation, Corporate Trust Department
385 Rifle Camp Road
West Paterson, New Jersey 07424

Document Number: 5015267

BY MAIL:
The Bank of New York Mellon Corporation
Post Office Box 396
East Syracuse, New York 13057

HAND DELIVERY/OVERNIGHT MAIL:
The Bank of New York Mellon Corporation
111 Sanders Creek Parkway
East Syracuse, New York 13057
Attention: Bond Redemption Unit

These securities will become due and payable on the Redemption Date at the office of the Paying Agent. On that date the securities or portions thereof to be redeemed shall cease to bear interest.

Date of Notice: November 1, 2008.

Town of Bath (West Virginia)
By: The Bank of New York Mellon Corporation

Under the provisions of the Interest and Dividend Tax Compliance Act of 1983, Registrar and Paying Agents may be obligated to withhold 31% from payments of principal to individuals who have failed to furnish the Registrar or Paying Agent with a valid Taxpayer Identification Number. Holders of the above stated securities who wish to avoid the application of these provisions should submit certified Taxpayer Identification Numbers on Form W-9 when presenting their bonds. The above CUSIP Numbers are provided solely for the convenience of the bondholders. Neither the Registrar nor the Paying Agent certifies as to their correctness or completeness.

**The above CUSIP Numbers are provided solely for the convenience of the bondholders. Neither the Registrar nor the Paying Agent certifies as to their correctness or completeness.*

Document Number: 5015267