

CITY OF BUCKHANNON, WEST VIRGINIA

NOTE AND BOND SERIES 1986 A and B
AND LINE OF CREDIT ORDINANCE

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NOTE, BOND AND LINE OF CREDIT ORDINANCE

Introduced in Council

Referred to

Introduced by

Passed by Council

An Ordinance authorizing the acquisition and construction of certain extensions, improvements and additions to the existing public sewerage facilities of the City of Buckhannon and the financing of the cost not otherwise provided, thereof, through the issuance by the City of not more than \$2,866,667 in aggregate principal amount of City of Buckhannon Sewer Revenue Bonds, Series 1986 A, not more than \$1,433,333 in aggregate principal amount of City of Buckhannon Sewer Revenue Bonds, Series 1986 B and not more than \$2,000,000 in aggregate principal amount of City of Buckhannon Sewerage System Grant Anticipation Notes, Series 1986; authorizing the City to enter into an agreement with a banking institution for the extension of credit to borrow not more than \$500,000 outstanding at any one time to defray certain costs attendant to the Project (herein defined) providing for the rights and remedies of and security for the registered owners of such Bonds and Notes; authorizing execution and delivery of a trust indenture securing the Notes; authorizing the sale and providing for the terms and provisions of such Bonds and Notes and adopting other provisions relating thereto.

Be It Enacted and Ordained by the Council of the City of Buckhannon, West Virginia:

ARTICLE I

DEFINITIONS, STATUTORY AUTHORITY AND FINDINGS

Section 1.01. Definitions. The following terms shall have the following meanings in this Ordinance unless the context expressly required otherwise:

A. "Act" means Chapter 16, Article 13, of the Code of West Virginia, 1931, as amended and in effect on the date of enactment of this Ordinance.

B. "Authority" means the West Virginia Water Development Authority, or any other agency of the State of West Virginia that succeeds to the functions of the Authority, which shall be the original purchaser of the City of Buckhannon's Sewer Revenue Bonds, Series 1986 originally authorized hereby; provided, however, that the City of Buckhannon must satisfy the legal and other requirements of the Program, as hereinafter defined.

C. "Authorized Officer" means the Mayor of the City of Buckhannon or any other officer of said City specifically designated by ordinance or resolution of the Council of the City as such.

D. "Bond Construction Trust Fund" means the Bond Construction Trust Fund established by Section 5.01(4) hereof.

E. "Bonds" means the Original Bonds, as hereinafter defined, authorized hereby, and any pari passu additional bonds hereafter issued within the terms, restrictions and conditions contained in this Ordinance.

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

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

H. "City" means the City of Buckhannon, a municipal corporation of the State of West Virginia, and, where appropriate, the Council thereof.

I. "City Recorder" means the Recorder of the City.

J. "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.

K. "Consulting Engineers" means Kelley, Gidley, Blair & Wolfe, Consulting Engineers, Charleston, West Virginia, or any engineer or firm of engineers of reputation for skill and experience with respect to the design and construction of sewerage systems or facilities that shall at any time hereafter be retained by the City as consulting engineers for the System, as hereinafter defined.

L. "Council" means the Council of the City or any other governing body of the City that succeeds to the functions of the Council as presently constituted.

M. "Costs" or "Costs of the Project" means those costs described in Subsection 1.03(E) hereof to be a part of the costs of construction and acquisition of the Project.

N. "Depository Bank" means the bank, eligible under the laws of the State of West Virginia to receive deposits of state and municipal funds and insured by the FDIC, as hereinafter defined, and any successor thereto, as designated in the Supplemental Resolution.

O. "Eligible Costs" means Costs of the Project which are reimbursable in full on a dollar-for-dollar basis from EPA Grant Receipts, the total of which are equal in amount to the EPA Grant.

P. "EPA" means the United States Environmental Protection Agency or any successor to the functions of the EPA.

Q. "EPA Grant" or "Grant" means the grant from the EPA pursuant to the commitment therefor.

R. "Event of Default" means any occurrence or event specified in Section 9.01.

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

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

U. "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.

V. "Grant Agreement" means a written commitment for the payment of the EPA Grant specifying the amount of such grant, the terms and conditions upon which such grant is made and the date or dates or event or events upon which grant is to be paid to the City.

W. "Grant Receipts" means all moneys received by the City on account of the Grant after the date of issuance of the Notes.

X. "Gross Revenues" means the aggregate gross operating and non-operating revenues of the System, as hereinafter defined, determined in accordance with generally accepted accounting principles, after deduction of prompt payment discounts, if any, and reasonable provision for uncollectible accounts; provided, that "Gross Revenues" does not include any gains from the sale or other disposition of, or from any increase in the value of, capital assets (including Qualified Investments, as hereinafter defined, purchased pursuant to Article VIII hereof) or any fee or charge established, levied and collected by the City from persons at the time of, and for the privilege of, making service connections to the System, as hereinafter defined, and for the furnishing by the City of miscellaneous service.

Y. "Independent Certified Public Accountants" means the certified public account or firm of certified public accounts that shall at any time hereafter be retained by the City to prepare an independent annual or special audit of the accounts of the System, as hereinafter defined, or for any other purpose except keeping the accounts of such System in the normal operation of its business and affairs.

Z. "Indenture" or "Trust Indenture" means the Trust Indenture between the City and the Trustee relating to the Notes, as hereinafter defined, and all supplements or amendments thereto.

AA. "Line of Credit" means the agreement made by and between the City and a banking institution authorized to conduct banking business in the State of West Virginia whereby the banking institution agrees to extend to the City from time to time credit to borrow not more than \$500,000 outstanding at any one time to defray the construction costs of the Project and for such other purposes permitted hereby and authorized by a resolution supplemental hereto.

BB. "Loan Agreement" means the loan agreement to be entered into between the City and the Authority, pursuant to which the Authority shall agree, subject to the City's satisfying certain legal and other requirements, to purchase the Bonds originally authorized hereby with a portion of the proceeds of the Authority's bonds issued with respect to the Program, as hereinafter defined.

CC. "Mayor" means the Mayor of the City.

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

EE. "Noteholder", "Holder of the Notes", or "Holder of the GANs" or any similar term means any person who shall be the registered owner of any outstanding Note or Notes as hereinafter defined.

FF. "Notes" or "GAN" means the not more than \$2,000,000 in aggregate principal amount of Sewerage System Grant Anticipation Notes, Series 1986, originally authorized hereby, and unless the context clearly indicates otherwise, the terms "Notes" or "GAN" includes any refunding Notes or GAN of the City.

GG. "Notes Capitalized Interest Account" means the Notes Capitalized Interest Account within the Notes Debt Service Fund established by Subsection 4.01(2)(a) of the Indenture.

HH. "Notes Construction Trust Fund" means the Notes Construction Trust Fund established by Section 4.01(1) of the Indenture.

II. "Notes Cost of Issuance Account" means the Notes Cost of Issuance Account within the Notes Construction Trust Fund established by Subsection 4.01(1)(a) of the Indenture.

JJ. "Notes Debt Service Fund" means the Notes Debt Service Fund established by Subsection 4.01(2) of the Indenture.

KK. "Note Registrar" means the bank to be designated as such in the Supplemental Resolution and its successors and assigns.

LL. "Operating Expenses", unless qualified, means the reasonable, proper and necessary costs of repair, maintenance and operation of the System, as hereinafter defined, and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses, other than those capitalized as part of the Cost of the Project, fees and expenses of fiscal agents, Registrars, Paying Agents, Trustee and the Depository Bank, 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 or Notes, 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.

MM. "Ordinance" means this Ordinance, as hereafter amended or supplemented.

NN. "Operation and Maintenance Fund" means the Operation and Maintenance Fund established by Section 5.01(2) hereof.

OO. "Original Bonds" or "Bonds originally authorized hereby" or similar phrases mean the not more than \$4,300,000 in total aggregate principal amount of Subordinated Sewer Revenue Bonds, Series 1986 A and B, issued for the purpose of paying a portion of the Costs of the Project and for such other purposes permitted hereby and authorized by a resolution supplemental hereto, which Bonds shall be issued in one or more series as determined by a resolution or resolutions supplemental hereto and which are originally authorized hereby. The 1986 Series A Bonds shall not exceed more than \$2,866,667 in aggregate principal amount and the 1986 Series B Bonds shall not exceed more than \$1,433,333 in aggregate principal amount. The Bonds, in total aggregate principal amount shall be second and subordinate to the lien of the Series 1960 Bonds hereafter defined.

PP. "Original Notes Purchaser" means collectively, Young, Moore & Company of Charleston, West Virginia and Russell, Rea & Zappala, Inc. of Pittsburgh, Pennsylvania, as the original purchaser of the Notes.

QQ. "Other Grants" means any other grant or grants, other than the EPA Grant, from whatever source, received by the City to aid in financing the costs of the Project.

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

SS. "Paying Agent" means the bank or banks designated as such for the Bonds and/or the Notes in the Supplemental Resolution.

TT. "Program" means the Authority's loan program, under which the Authority purchases the revenue bonds of local governmental entities satisfying certain legal and other requirements with the proceeds of water development revenue bonds of the Authority or any successor to said Program as currently constituted.

UU. "Project" means the extensions, additions, betterments and improvements to the existing sewerage system of the City, to be designed by the Consulting Engineers and to be constructed in accordance with the plans and specifications so designed, subject to the provisions of Section 2.01 hereof.

VV. "PSC" means the Public Service Commission of West Virginia or any other agency of the State that succeeds to the functions of the PSC.

WW. "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; Federal Farm Credit Bank; Export-Import Bank of the United States; Federal Land Banks; Tennessee Valley Authority; Washington Metropolitan Area Transit Authority; or the Government national Mortgage Association;

(d) Any bond, debenture, note, participation certificate or other similar obligation issued by the Federal National Mortgage Association to the extent such obligations are 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 such Government Obligations pledged either must mature as nearly as practicable coincident with the maturity of said time account or must be replaced or increased so that the market value thereof is always at least equal to the principal amount of said time account;

(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 paid 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; and

(h) The Investment Agreement by and between the Trustee and the bank designated as "Investment Bank" in the Supplemental Resolution.

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

YY. "Registrar" means as appropriate, either the Bond Registrar or the Note Registrar or both.

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

AAA. "Reserve Account" means the City of Buckhannon Sewer Revenue Bonds, Series 1986 Reserve Account established in the Sinking Fund, as hereinafter defined, by Section 5.02(1)(a).

BBB. "Reserve Requirement" means as of any date of calculation the maximum amount of principal and interest which will become due on the Bonds in any succeeding Fiscal Year.

CCC. "Revenue Fund" means the City of Buckhannon Sewer Revenue Bonds, Series 1986 Revenue Fund, to be created pursuant to Section 5.01(1).

DDD. "Sanitary Board" means the Sanitary Board of the City established by ordinance duly enacted by the City and successors to the function thereof.

EEE. "Series 1986 A Bonds" means the not more than \$2,866,667 in aggregate principal amount of Sewer Revenue Bonds, Series 1986 A, of the City.

FFF. "Series 1986 A Bonds Reserve Account" means the Series 1986 A Bonds Reserve Account established in the Series 1986 A Bonds Sinking Fund pursuant to Section 5.02 hereof.

GGG. "Series 1986 A Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 1986 A Bonds in any succeeding Fiscal Year.

HHH. "Series 1986 A Bonds Sinking Fund" means the Series 1986 A Sinking Fund established by Section 5.02 hereof.

III. "Series 1986 B Bonds" means the not more than \$1,433,333 in aggregate principal amount of Sewer Revenue Bonds, Series 1986 B, of the City.

JJJ. "Series 1986 B Bonds Reserve Account" means the Series 1986 B Bonds Reserve Account established in the Series 1986 B Bonds Sinking Fund pursuant to Section 5.02 hereof.

KKK. "Series 1986 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 1986 B Bonds in any succeeding Fiscal Year.

LLL. "Series 1986 B Bonds Sinking Fund" means the Series 1986 B Sinking Fund established by Section 5.02 hereof.

MMM. "Sinking Fund" means the City of Buckhannon Sewer Revenue Bonds, Series 1986 Sinking Fund established by Section 5.02(1).

NNN. "State" means the State of West Virginia.

OOO. "Supplemental Resolution" means any ordinance or resolution of the Council amending or supplementing this Ordinance and, when preceded by the article "the", refers

specifically to the Supplemental Resolution authorizing the sale of the Notes and the Supplemental Resolution authorizing the sale of the Original Bonds, and the Supplemental Resolution authorizing the Line of Credit and the extension of the credit to the City thereunder, as the case may be; provided, that any matter intended by this Ordinance to be included in the Supplemental Resolution with respect to the Notes, Original Bonds, or the Line of Credit, as the case may be, and not so included may be included in another Supplemental Resolution.

PPP. "Surplus Revenues" means the Net Revenues not required by the Ordinance to be set aside and held for the payment of or security for the Bonds or any other obligation of the City, including the Renewal and Replacement Fund and the Reserve Account, the proceeds of such Bonds or other obligations which are used to pay costs of the Project.

QQQ. "System" means the complete properties of the City for the collection, transportation and treatment of liquid or solid wastes, sewerage or industrial wastes, in its entirety or any integral part thereof, and shall include the existing facilities, the Project, and any further additions, betterments and improvements thereto hereafter constructed or acquired for said system from any sources whatsoever.

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

SSS. "Trustee" means the banking institution designated as trustee under the Indenture in the Supplemental Resolution and its successors and assigns.

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

UUU. Words importing singular number include the plural number in each case and vice versa; words importing the masculine or neuter gender include every other gender; and words importing persons include firms, partnerships, associations and corporations.

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

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

Section 1.02. Authority of this Ordinance. This Ordinance is enacted pursuant to the provisions of the Act and other applicable provisions of law.

Section 1.03. Findings. It is hereby found, determined and declared as follows:

A. The City now owns and operates a public sewerage system consisting of a sewerage treatment plant or plants and some or all of collecting, intercepting and outlet sewers, lateral sewers, drains, force mains, conduits, pumping stations, and ejector stations and all other appurtenances, extensions, additions and improvements necessary, appropriate, useful, convenient or incidental for the collection, treatment and disposal in a sanitary manner of sewage and industrial wastes.

B. The City derives revenues from the System. At the date of enactment hereof, such revenues are pledged and encumbered as follows:

(1) The Sewer Revenue Bonds of the City dated April 1, 1960 (the "1960 Bonds"), issued in the aggregate original principal amount of \$1,000,000, payable as to principal and interest out of revenues of the System, of which original principal amount the sum of approximately \$590,000 remains outstanding on the date of enactment hereof. The 1986 Bonds, Series A and B, are expressly subordinated and junior to the lien in favor of the 1960 Bonds. Upon final redemption of the said 1960 Bonds, the 1986 Series A Bonds shall succeed to the lien position of the 1960 Bonds and the 1986 Series B Bonds shall be, and remain, subordinate and junior thereto.

C. It is deemed necessary and desirable for the health, welfare and safety of the inhabitants of the City that there be constructed certain extensions, additions, betterments and improvements to the facilities of the City (the "Project") which constitute properties for the collection of liquid or solid wastes, sewage or industrial waste (the existing facilities, the Project, and any additions thereto or extensions thereof is herein called the "System") at an estimated cost of \$12,437,640, in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications have heretofore been filed with the Sanitary Board and the City Recorder.

D. The Sanitary Board of the City has presented a petition to the City for enactment of this Bond, Notes, and Line of Credit Ordinance.

E. It is deemed necessary for the City to issue its Sewer Revenue Bonds in the total aggregate principal amount of not more than \$4,300,000 in two series, being the Series 1986 A Bonds in the aggregate principal of not more than \$2,866,667 and the Series 1986 B Bonds in the aggregate principal amount of not more than \$1,433,333 (collectively, the Bonds) and contemporaneously therewith, or as soon as practicable thereafter, to issue its Sewerage System Grant Anticipation Notes, Series 1986 in the principal amount of not more than \$2,000,000 to finance costs of construction and acquisition of the Project. Additionally, it is deemed necessary to authorize the City to enter into an agreement with a banking institution for the extension of credit to the City in an amount not to exceed \$500,000 at any one time to defray certain costs attendant to the Project. All of said costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest upon the Notes, Bonds, and Line of Credit prior to and during construction or acquisition and for six months after completion of construction of the Project; engineering, and legal expenses; expenses for estimates of cost and revenues, expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise, administrative expense, commitment fees, discount, initial fees for the service of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Bonds and Notes and such other expenses as may be necessary or incident to the financing herein authorized, the construction or acquisition of the Project and the placing of the same in operation, and the performance of the things herein required or permitted, in connection with any thereof, including, with respect to the Notes, any commitment fees to a bank or banks for the issuance of letters of credit, and any costs of obtaining insurance thereon; provided, that reimbursement to the City for any amounts expended by it for allowable costs prior to the issuance of the Bonds or Notes or the repayment of indebtedness incurred by the City for such purposes, shall be deemed Costs of the Project.

F. The period of usefulness of the System after completion of the Project is not less than 40 years.

G. The estimated revenues to be derived in each year after the date hereof from the operation of the System will be sufficient to provide for the costs of the operation and maintenance of said system, the principal of and interest on the 1960 Bonds and the Sinking Fund, Reserve Account, Replacement Fund and all other payments provided for therein, the principal of and interest on the Original Bonds and all

Sinking Fund, Reserve Account, Renewal and Replacement Fund and other payments provided for herein.

H. It is in the best interests of the City that its Original Bonds be sold to the Authority pursuant to the terms and provisions of the Loan Agreement to be entered into between the City and the Authority, in form satisfactory to the City and the Authority.

I. Other than the 1960 Bonds there are not outstanding any other obligations of the City which will rank prior to or on a parity with the Bonds and the Notes as to lien and source of and security for payment.

J. The City has complied with all requirements of West Virginia law relating to authorization of the construction, acquisition and operation of the Project and issuance of the Bonds, the Notes and the Line of Credit, or will have so complied prior to issuance of any thereof, including, among other things, the obtaining of a Certificate of Convenience and Necessity from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which have expired.

Section 1.04. Ordinance Constitutes Contract. In consideration of the acceptance of the GANs and the Bonds authorized to be issued hereunder by those who shall respectively hold the same from time to time, as well as the acceptance of the Line of Credit by the banking institution extending such credit to the City, this Ordinance shall be deemed to be and shall constitute a contract between the City and such Noteholders or Bondholders or banking institution, and the covenants and agreements herein set forth to be performed by the City shall be for the equal benefit, protection and security of the legal Holders of any and all of such Notes or Bonds or banking institution as the case may be.

ARTICLE II
AUTHORIZATION OF CONSTRUCTION AND
ACQUISITION OF THE PROJECT

Section 2.01. Authorization of Construction and Acquisition of the Project. There is hereby authorized the construction and acquisition of the Project in accordance with plans and specifications therefor prepared by the Consulting Engineers and filed with the Sanitary Board and the City Recorder.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND SALE OF BONDS: AUTHORIZATION AND EXECUTION OF LOAN AGREEMENT

Section 3.01. Authorization of Bonds. For the purpose of paying Costs of the Project not otherwise provided for and paying certain costs of issuance and related costs, and for such other purposes as may be set forth in Supplemental Resolutions, there shall be issued negotiable Original Bonds of the City, in a total aggregate principal amount of not more than \$4,300,000. Said Bonds shall be issued in two series, to be designated respectively, "Sewer Revenue Bonds, Series 1986 A," in the aggregate principal amount of not more than \$2,866,667 and "Sewer Revenue Bonds, Series 1986 B," in the aggregate amount of \$1,433,333, and shall have such terms as set forth hereinafter and in the Supplemental Resolution. Such Bonds shall be issued contemporaneously with or prior to issuance of the Notes. The proceeds of the Bonds (excluding accrued interest) remaining after capitalization of interest, if any, and payment of the costs of issuance thereof and related costs shall be deposited in the Bond Construction Trust Fund established by Section 5.01(4) hereof.

Section 3.02. Terms of Bonds. The Bonds shall bear interest from the original date of delivery to the payee thereof at such rate or rates, not exceeding 12% per annum, or such other rate as shall then be the legal maximum, payable semi-annually on such dates; shall mature on such dates and in such amounts; and shall be redeemable, in whole or in part, but only with the express written consent of the West Virginia Water Development Authority, all as the City shall prescribe in a Supplemental Resolution. The Bonds shall be payable as to principal at the office of the Commission, through a Paying Agent or Paying Agents selected by the original purchaser or purchasers thereof, in any coin or currency which, on the dates of payment of principal is legal tender for the payment of public or private debts under the laws of the United States of America. Interest on the Bonds, shall be paid by check or draft mailed to the Registered Owner thereof at the address as it appears on the books of the Bond Registrar.

Unless otherwise provided by the Supplemental Resolution, the Original Bonds shall be issued in the form of a single bond for each Series, both fully registered to the Authority, with a payment record attached, representing the aggregate principal amount of the Original Bond issue and both shall mature in principal installments, all as provided in the Supplemental Resolution. Said Original Bonds shall be exchangeable at the option and expense of the Bondholder for

other fully registered Bonds in aggregate principal amount equal to the amount of said Bonds then Outstanding, 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 may be issued in fully registered form, in the denomination of \$5,000 or any integral multiple thereof, all as determined by a Supplemental Resolution. The registered Bonds shall be dated as of the date specified in a Supplemental Resolution and shall bear interest from such date.

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

Section 3.04. Authentication and Registration. No Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Ordinance unless and until the Certificate of Authentication 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 upon any such Bond shall be conclusive evidence that such Bond has been authenticated and registered, and delivered under this Ordinance. The Certificate of Authentication on any Bond shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication on all of the Bonds issued hereunder.

Section 3.05. Negotiability, Transfer and Registration. Subject to the provisions for transfer or registration set forth below, the Bonds shall be and have all of the qualities and incidents of negotiable instruments under

the Uniform Commercial Code of the State of West Virginia, and each successive Bondholder, in accepting any of said Bonds shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Bondholder shall further be conclusively deemed to have agreed that said Bonds shall be incontestable in the hands of a bona fide holder for value in the manner provided hereinafter in the form of said Bonds.

So long as any of the Bonds remain outstanding, the City, through the Bond Registrar, shall keep and maintain books for the registration and transfer of the Bonds.

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

In all cases in which the privilege of exchanging Bonds or transferring the registered Bonds is exercised, Bonds shall be delivered in accordance with the provisions of this Ordinance. All Bonds surrendered in any such exchanges or transfers shall forthwith be cancelled by the Bond Registrar. For every such exchange or transfer of Bonds, the Bond Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer and the cost of preparing each new Bond upon each exchange or transfer, and any other expenses of the Bond Registrar incurred in connection therewith, which sum or sums shall be paid by the City. The Bond Registrar shall not be obliged to make any such exchange or transfer of Bonds during the fifteen (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 Bond shall become mutilated or be destroyed, stolen or lost, the City may, in the discretion of the Council, issue, and the Registrar shall, if so advised by the City, authenticate, and deliver, a new Bond of like tenor as the Bond so mutilated, destroyed, stolen or lost, or 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 Bondholder's furnishing satisfactory indemnity and

complying with such other reasonable regulations and conditions as the City or the Registrar may prescribe and paying such expenses as the City or the Registrar may incur. All Bonds so surrendered shall be cancelled by the Bond Registrar and held for the account of the City. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond the City 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 City. The Bonds shall not, in any event, be or constitute an indebtedness of the City within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Net Revenues derived from the operation of the System as herein provided. No holder or holders of any of the Bonds shall ever have the right to compel the exercise of the taxing power of the City to pay the Bonds or the interest thereon.

Section 3.08. Bonds Secured by Pledge of Net Revenues; Series 1986 B Bonds to be Junior and Subordinate to Series 1986 A Bonds. The payment of the debt service of all the Series 1986 A Bonds shall be secured forthwith equally and ratably with each other by a lien on the Net Revenues derived from the System, subordinated only to the lien in favor of the 1960 Bonds and the holders thereof. The payment of the debt service of all the Series 1986 B Bonds shall also be secured forthwith equally and ratably with each other by a lien on the Net Revenues derived from the System, but junior and subordinate to the lien on such Net Revenues in favor of the Holders of the Series 1986 A Bonds. Such Net Revenues in an amount sufficient to pay the principal of and interest on and other payments for the Bonds and to make the payments into the Sinking Fund, and the Reserve Account therein, hereinafter established, are hereby irrevocably pledged to the payment of the principal of and interest on the Bonds as the same become due.

Section 3.09. Form of Original Bonds. The text of the Series 1986 A Bonds and the Series 1986 B Bonds, respectively, shall be in substantially the following forms, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted hereby, or by any Supplemental Resolution adopted prior to the issuance thereof:

[Form of Series 1986 A Bond]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF BUCKHANNON
SEWER REVENUE BONDS, SERIES 1986 A

No. R-_____

\$_____

KNOW ALL MEN BY THESE PRESENTS: That the City of Buckhannon, a municipal corporation of the State of West Virginia in Upshur County of said State, (the "City"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to West Virginia Water Development Authority or registered assigns (the "Payee") the sum of _____ (\$ _____), in installments on _____ 1 of each year as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference with a final maturity of this Bond on the 1st day of _____, _____, with interest on each installment at the rate per annum set forth on said Exhibit A.

The interest on each installment shall run from the original date of delivery of this Bond to the Payee and payment therefor and until payment of such installment, and such interest shall be payable on the 1st day of _____, and the 1st day of _____ in each year beginning _____ 1, 19____. The principal of this Bond is 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, through _____, as registrar and paying agent (the "Registrar"). The interest on this Bond is payable by check or draft mailed to the registered owner hereof at the address as it appears on the books of the Registrar on the _____ day of the month preceding an interest payment date.

This Bond is subject to redemption prior to its stated date of maturity as follows:

[REDEMPTION PROVISIONS]

This Bond may be redeemed prior to its stated date of maturity in whole or in part at any time, but only with the express written consent of the West Virginia Water Development Authority.

This Bond is issued (i) to pay costs of acquisition and construction of certain extensions, improvements and additions to the existing public sewerage facilities of the City and the financing of the cost not otherwise provided, thereof (the "Project") (the Project, together with the existing sewerage system of the City and any improvements and extensions thereto, is hereinafter referred to as the "System") and (ii) to pay certain costs of issuance hereof and related costs. This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13 of the Code of West Virginia, 1931, as amended (the "Act"), and the Ordinance duly enacted by the City on the _____ day of _____, 1986, as supplemented on _____, 19____, (collectively the "Ordinance"), and is subject to all the terms and conditions thereof. The Ordinance 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 Ordinance.

This Bond is issued contemporaneously with the Sewer Revenue Bonds, Series 1986 B, of the City (the "Series 1986 B Bonds") issued in the aggregate principal amount of \$1,433,333, which Series 1986 B Bonds are junior and subordinate with respect to liens and sources of and security for payment to the Bonds of this series.

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Ordinance) to be derived from the operation of the System, after there has first been paid from said Net Revenues all payments then due and owing on the 1960 Bonds, moneys in the Reserve Account created under the Ordinance for the Bonds of this Series (the "Series 1986 A Bonds Reserve Account"), and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which have been issued and remain outstanding, or may be issued pursuant to the Act, both of which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the City within the meaning of any constitutional or statutory provisions or limitations, nor shall the City be obligated to pay the same or the interest thereon except from said special fund provided from the Net

Revenues, the moneys in the Series 1986 A Bonds Reserve Account and unexpended Bond proceeds. Pursuant to the Ordinance, the City 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 to provide for the proper and reasonable expenses of operation, repair, replacements and maintenance of the System, and to leave a balance of each year equal to at least 115% of the amount required to pay the maximum amount due in any ensuing fiscal year of principal of and interest on all obligations payable from such revenues, provided however, that so long as there exists in the Series 1986 A Bonds Reserve Account sufficient moneys to pay the maximum amount of principal and interest which will become due on the Series 1986 A Bonds in any succeeding fiscal year, such percentage may be reduced to 110%. The City has entered into certain further covenants with the Registered Owners of the Bonds for the terms of which reference is made to the Ordinance. Remedies provided the Registered Owners of the Bonds are exclusively as provided in the Ordinance, to which reference is here made for a detailed description thereof.

This Bond is transferable, as provided in the Ordinance, only upon the books of the Bond Registrar, kept for that purpose at the office of the Bond Registrar by the Payee, 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 Payee or its attorney duly authorized in writing.

This Bond, under the provision of the Act is, and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia.

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law, shall be applied solely to the payment of the Costs of the Project described in the Ordinance or to the appurtenant Sinking Fund, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the Holder of this Bond.

THIS BOND IS JUNIOR AND SUBORDINATE WITH RESPECT TO SOURCES OF AND SECURITY FOR PAYMENT TO THE OUTSTANDING SEWER REVENUE BONDS, SERIES 1960, OF THE CITY.

This Bond and the interest thereon is exempt from all taxation by the State of West Virginia or any County, Municipality, political subdivision or agency thereof.

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 City, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the revenues of the System has been pledged to and will be set aside into said special fund by the City for the prompt payment of the principal of and interest on this Bond.

All provisions of the Ordinance, resolutions and statues 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 CITY OF BUCKHANNON has caused this Bond to be signed by its Mayor and its corporate seal to be hereto affixed or imprinted hereon and attested by its City Recorder, and has caused this Bond to be dated _____, 1986.

[SEAL]

Mayor

ATTEST:

City Recorder

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1986 A Bonds described in the within-mentioned Ordinance and has been duly registered in the name of the registered owner set forth below:

Dated: _____
as Bond Registrar

By: _____
Its Authorized Officer

EXHIBIT A

SCHEDULE OF ANNUAL DEBT SERVICE

[Form of Assignment]

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

_____ the Sewer Revenue Bond, Series 1986 A, dated _____ of the City of Buckhannon, West Virginia 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 City with full power of substitution in the premises.

Dated: _____, _____

In the presence of:

[Form of Series 1986 B Bond]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF BUCKHANNON
SEWER REVENUE BONDS, SERIES 1986 B

No. R- _____

\$ _____

KNOW ALL MEN BY THESE PRESENTS: That the City of Buckhannon, a municipal corporation of the State of West Virginia in Upshur County of said State, (the "City"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to West Virginia Water Development Authority or registered assigns (the "Payee") the sum of _____ (\$ _____), in _____ equal installments of \$ _____ each, on _____ 1 of each year as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference, with a final maturity of this Bond on the 1st day of _____, _____, all with no interest thereon.

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, through _____, as registrar and paying agent (the "Registrar").

This Bond may be redeemed prior to its stated date of maturity in whole or in part of any time, but only with the express written consent of West Virginia Water Development Authority.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain extensions, improvements and additions to the existing public sewerage facilities of the City and the financing of the cost not otherwise provided, therein (the "Project") (the Project, together with the existing sewerage system of the City and any improvements and extensions thereto, is hereinafter referred to as the "System") and (ii) to pay certain costs of issuance hereof and related costs. This Bond is issued under the

authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13 of the Code of West Virginia, 1931, as amended (the "Act"), and the Ordinance duly enacted by the City on the _____ day of _____, 1986, as supplemented on _____, 19____, (collectively the "Ordinance"), and is subject to all the terms and conditions thereof. The Ordinance 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 Ordinance.

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Ordinance) to be derived from the operation of the System after there has first been paid from said Net Revenues all payments then due and owing on the Series 1960 Bonds and the Series 1986 A Bonds herein described, moneys in the Reserve Account created under the Ordinance for the Bonds of this Series (the "Series 1986 B Bonds Reserve Account"), and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which have been issued and remain outstanding or may be issued pursuant to the Act both of which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the City within the meaning of any constitutional or statutory provisions or limitations, nor shall the City be obligated to pay the same except from said special fund provided from the Net Revenues, the moneys in the Series 1986 B Bonds Reserve Account and unexpended Bond proceeds. Pursuant to the Ordinance, the City 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 to provide for the proper and reasonable expenses of operation, repair, replacements and maintenance of the System, and to leave a balance of each year equal to at least 115% of the amount required to pay the maximum amount due in any ensuing fiscal year of principal of and interest on all obligations payable from such revenues, provided however, that so long as there exists in the Series 1986 B Bonds Reserve Account and the reserve account established for the Series A Bonds sufficient moneys to pay the maximum amount of principal and interest which will become due on all obligations payable from such net revenues which may be issued in any succeeding fiscal year, such percentage may be reduced to 110%. The City has entered into certain further covenants with the Registered Owners of the Bonds for the terms of which reference is made to the Ordinance. Remedies provided the Registered Owners of the Bonds are exclusively as provided

in the Ordinance, to which reference is here made for a detailed description thereof.

This Bond is transferable, as provided in the Ordinance, only upon the books of the Bond Registrar, kept for that purpose at the office of the Bond Registrar by the Payee, 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 Payee or its attorney duly authorized in writing.

This Bond, under the provision of the Act is, and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia.

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law, shall be applied solely to the payment of the Costs of the Project described in the Ordinance or to the appurtenant Sinking Fund, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the Holder of this Bond.

This Bond and the interest thereon is exempt from all taxation by the State of West Virginia or any County, Municipality, political subdivision or agency thereof.

THIS BOND IS JUNIOR AND SUBORDINATE WITH RESPECT TO SOURCES OF AND SECURITY FOR PAYMENT TO THE OUTSTANDING SEWER REVENUE BONDS, SERIES 1960 AND SERIES 1986 A, OF THE CITY, THE LATTER BEING ISSUED CONCURRENTLY HERewith AND DESCRIBED IN THE ORDINANCE (THE "SERIES 1986 A BONDS").

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 City, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the revenues of the System has been pledged to and will be set aside into said special fund by the City for the prompt payment of the principal of and interest on this Bond.

All provisions of the Ordinance, 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 CITY OF BUCKHANNON has caused this Bond to be signed by its Mayor and its corporate seal to be hereto affixed or imprinted hereon and attested by its City Recorder, and has caused this Bond to be dated _____, 1986.

[SEAL]

Mayor

ATTEST:

City Recorder

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1986 B Bonds described in the within-mentioned Ordinance and has been duly registered in the name of the registered owner set forth below:

Dated: _____ as Bond Registrar

By: _____
Its Authorized Officer

EXHIBIT A

SCHEDULE OF ANNUAL DEBT SERVICE

[Form of Assignment]

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

_____ the Sewer Revenue Bond, Series 1986 B, dated _____ of the City of Buckhannon, West Virginia 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 City with full power of substitution in the premises.

Dated: _____, _____

In the presence of:

Section 3.10. Sale of Original Bonds; Execution of Loan Agreement with Authority. The Original Bonds shall be sold to the Authority, pursuant to the terms and conditions of the Loan Agreement and the Program. The Mayor is specifically authorized and directed to execute the Loan Agreement in such form as may be approved by Supplemental Resolution, and the City Recorder is directed to affix the seal of the City, attest the same and deliver the Loan Agreement to the Authority.

ARTICLE IV

NOTES AND LINE OF CREDIT

Section 4.01. Authorization and General Terms. In order to pay certain Costs of the Project pending receipt of the Grant Receipts, the City shall issue and sell its Notes in the aggregate principal amount of not to exceed \$2,000,000. The Notes shall bear interest from the date or dates, at such rate or rates, payable on such dates and shall mature on such date or dates and be subject to such prepayment or redemption, all as provided in the Indenture and the Supplemental Resolution.

Section 4.02. Terms of and Security for Notes; Trust Indenture. The Notes shall be issued in fully registered form, in the denomination of \$5,000 or any integral multiple thereof, with such terms and secured in the manner set forth in the Indenture (which Indenture in substantially the form to be executed and delivered by the City is attached hereto as "Exhibit A" and made a part hereof).

Section 4.03. Notes are Special Obligations. The Notes shall be special obligations of the City payable as to principal and interest solely from the respective sources described in the Granting Clauses and Article III of the Indenture. The Notes do not and shall not constitute a corporate indebtedness of the City within the meaning of any constitutional or statutory provisions or limitations. The general funds of the City are not liable, and neither the full faith and credit nor the taxing power of the City is pledged for the payment of the Notes. The Noteholders shall never have the right to compel the forfeiture of any property of the City. The Notes shall not be a debt of the City, nor a legal or equitable pledge, charge, lien or encumbrance upon any property of the City or upon any of its income, receipts or revenues except as set forth in the Indenture.

Section 4.04. Letters of Credit. As additional security for the Notes, the City may obtain a letter or letters of credit from a bank or banks, pursuant to which such bank or

banks would agree to pay to the Trustee, upon presentation by the Trustee of certain certificates, the sum or sums set forth therein but not to exceed \$500,000 in the aggregate. In the event of a draw under any such letter of credit, the City shall issue its refunding notes to the bank issuing such letter of credit. Any such letter of credit shall be authorized and shall have such terms as shall be set forth in a resolution supplemental hereto.

Section 4.05. Authorization and General Terms of the Line of Credit. In order to pay certain Costs of the Project pending receipt of the Grant Receipts the City may enter into an agreement with a banking institution for the extension of credit not to exceed \$500,000 in principal amount outstanding at any one time during the period of construction of the Project. The Line of Credit shall bear interest from the date, at such rate, payable on such date, shall mature on such date and be subject to such repayment as shall be provided for in the Supplemental Resolution. Provided, however, the rate of interest on the Line of Credit shall not exceed 12% per annum.

Section 4.06. Line of Credit as Special Obligation. The Line of Credit provided for and authorized in Section 4.05 above shall be a special obligation of the City payable as to principal and interest solely from the respective sources described in the Granting Clauses and Article III of the Indenture. Borrowing under the Line of Credit does not and shall not constitute corporate indebtedness of the City within the meaning of any constitutional or statutory provisions or limitations. The general funds of the City are not liable and neither the full faith and credit nor taxing power of the City is pledged for the payment of the Line of Credit. The banking institution extending credit under the Line of Credit shall never have the right to compel the forfeiture of any property of the City. The Line of Credit shall not be a debt of the City, nor a legal or equitable pledge, charge, lien or encumbrance upon any property of the City or upon any of its income, receipts or revenues other than as herein provided.

ARTICLE V

SECURITY OF BONDS

Section 5.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are created with and shall be held by, the Depository Bank.:

- (1) Revenue Fund;
- (2) Operation and Maintenance Fund;

- (3) Renewal and Replacement Fund; and
- (4) Bond Construction Trust Fund.

Section 5.02. Establishment of Funds and Accounts with Commission. The following special funds or accounts are hereby established with the Commission:

- (1) Series 1986 A Bonds Sinking Fund;
 - (a) Within the Series 1986 A Bonds Sinking Fund, the Series 1986 A Bonds Reserve Account.

- (2) Series 1986 B Bonds Sinking Fund;
 - (a) Within the Series 1986 A Bonds Sinking Fund, the Series 1986 A Bonds Reserve Account.

Section 5.03. System Revenues; Flow of Funds.

A. From the Gross Revenues derived from the operation of the System there shall be subtracted the sum necessary to pay the debt service on the Series 1960 Bonds. After the payment of the foregoing, the then remaining Gross Revenues derived from the operation of the System shall be deposited upon receipt in the Revenue Fund hereunder. The Revenue Fund shall constitute a trust fund for the purposes provided in this Ordinance and shall be kept separate and distinct from all other funds of the City and the Depository Bank and used only for the purposes and in the manner herein provided.

(1) The City shall first, each month, transfer from the Revenue Fund and deposit in the Operation and Maintenance Fund an amount sufficient to pay current Operating Expenses of the System.

(2) Thereafter, from the moneys remaining in the Revenue Fund, the City shall next, on the first day of each month, commencing seven (7) months prior to the first day of payment of interest on the Series 1986 A Bonds from Net Revenues, apportion and set apart out of the Revenue Fund and remit to the Commission, for deposit in the Series 1986 A Bonds Sinking Fund, a sum equal to one-sixth (1/6) of the amount of interest which will become due on said Series 1986 A Bonds on the next ensuing semi-annual interest payment date, less any investment earnings on sums previously deposited in the Series 1986 A Bonds Sinking Fund for the purpose of making interest

payments on the Series 1986 A Bonds; provided, that, in the event the period to elapse between the date of such initial deposit in the Series 1986 A Sinking Fund and the next semi-annual interest payment date is less than seven (7) months, then such monthly payments shall be increased proportionately to provide, one month prior to the next semi-annual interest payment date, the required amount of interest coming due on such date.

(3) The City shall also, on the first date of each month, commencing thirteen (13) months prior to the first date of payment of principal on the Series 1986 A Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1986 A Bonds Sinking Fund, a sum equal to one-twelfth (1/12) of the amount of principal which will mature and become due on said Series 1986 A Bonds on the next ensuing principal payment date, less any investment earnings on sums previously deposited in the Series 1986 A Bonds Sinking Fund for the purpose of making principal payments on the Series 1986 A Bonds.

(4) The City shall also, on the first day of each month, commencing thirteen (13) months prior to the first day of payment of principal of the Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1986 A Bonds Reserve Account, an amount equal to one one-hundred and twentieth (1/120) of the Series 1986 A Bonds Reserve Requirement; provided, that no further payments shall be made into the Series 1986 A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 1986 A Bonds Reserve Requirement.

Moneys in the Series 1986 A Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest on the Series 1986 A Bonds as the same shall become due. Moneys in the Series 1986 A Bonds Reserve Account in the Series 1986 A Bonds Sinking Fund shall be used only for the purpose of paying principal of or interest on the Series 1986 A Bonds, as the same shall come due, when other moneys in the Series 1986 A Bonds Sinking Fund are insufficient therefor, and for no other purpose.

All investment earnings on moneys in the Series 1986 A Bonds Reserve Account shall be transferred, not less than once each year, to the Series 1986 A Bonds Sinking Fund and applied in full to the next ensuing principal payment due on the Series 1986 A Bonds.

Any withdrawals from the Series 1986 A Bonds Reserve Account which result in a reduction in the balance of the Series 1986 A Bonds Reserve Account to below the Series 1986 A Bonds Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments to the Series 1986 A Bonds Sinking Fund for payment of debt service on the Series 1986 A Bonds have been made in full.

(5) The City shall not be required to make any further payments into the Series 1986 A Bonds Sinking Fund or into the Series 1986 B Sinking Fund or into the Reserve Accounts in said Sinking Funds when the aggregate amount of funds in both said Sinking Funds and said Reserve Accounts are at least equal to the aggregate principal amount of Bonds issued pursuant to this Ordinance then Outstanding; plus the amount of interest due or thereafter to become due as of the next annual payment date on said Bonds then Outstanding.

As and when additional Bonds ranking on a parity with the Series 1986 A Bonds are issued, provision shall be made for additional payments in said Series 1986 A Bonds Sinking Fund sufficient to pay the interest on such additional parity Bonds and accomplish retirement thereof at maturity and to accumulate a balance in the Series 1986 A Bonds Reserve Account in said Series 1986 A Bonds Sinking Fund in an amount equal to the maximum provided and required to be paid into the Series 1986 A Bonds Sinking Fund in any Fiscal Year for account of all the Series 1986 A Bonds, including such additional Bonds which by their terms are payable from said Series 1986 A Bonds Sinking Fund.

The Commission is hereby designated as the fiscal agent for the administration of the Sinking Funds created hereunder, and all amounts required for said Sinking Funds shall be remitted to the Commission from the respective Revenue Funds by the City at the times provided herein.

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

Moneys in the respective Reserve Accounts shall be invested and reinvested by the Commission in accordance with Article VIII hereof.

The respective Sinking funds, including the respective Reserve Accounts therein, shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 1986 A and Series 1986 B Bonds and any additional Bonds ranking on a parity therewith that may be issued and Outstanding under the conditions and restrictions hereinafter set forth.

(6) Thereafter, from the moneys remaining in the Revenue Fund, the City shall next, on the first day of each month, commencing with the month next succeeding the first full calendar month after commencement of operation of the System, transfer to the Renewal and Replacement Fund a sum equal to two and one-half percent (2 1/2%) of the Gross Revenues each month, exclusive of any payments for account of the Series 1960 Bonds and the accounts thereunder and the Reserve Accounts in the Sinking Funds hereunder. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the City or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII hereof. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency repairs, improvements or extensions to the System; provided, that any deficiency in either Reserve Account [except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required by Subsection 5.01(A)(4)] shall be promptly eliminated with moneys from the Renewal and Replacement Fund.

(7) The City shall next, on the first day of each month, commencing 13 months prior to the first date of payment of principal on the Series 1986 B Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1986 B Bonds Sinking Fund, a sum equal to 1/12th of the amount of principal which will mature and become due on said Series 1986 B Bonds on the next ensuing principal payment date, less any moneys transferred from the Series 1986 B Bonds Reserve Account for the purpose of making principal payments and investment earnings on sums previously deposited in the Series 1986 B Bonds Sinking Fund for the purpose of making principal payments on the Series 1986 B Bonds.

(8) The City shall next, on the first day of each month, commencing 13 months prior to the first date of payment of principal of the Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1986 B Bonds Reserve Account, an amount equal to 1/120 of the Series 1986 B Bonds Reserve Requirement; provided, that no further payments shall be made into the Series 1986 B Bonds Reserve Account when there shall have been deposited therein,

and as long as there shall remain on deposit therein, an amount equal to the Series 1986 B Bonds Reserve Requirement.

Moneys in the Series 1986 B Bonds Sinking Fund shall be used only for the purposes of paying principal of the Series 1986 B Bonds as the same shall become due. Moneys in the Series 1986 B Bonds Reserve Account in the Series 1986 B Bonds Sinking Fund shall be used only for the purpose of paying principal of the Series 1986 B Bonds, as the same shall come due, when other moneys in the Series 1986 B Bonds Sinking Fund are insufficient therefor, and for no other purpose.

All investment earnings on moneys in the Series 1986 B Bonds Reserve Account shall be transferred, not less than once each year, to the Series 1986 B Bonds Sinking Fund and applied in full to the next ensuing principal payment due on the Series 1986 B Bonds.

Any withdrawals from the Series 1986 B Bonds Reserve Account which result in a reduction in the balance of the Series 1986 B Bonds Reserve Account to below the Series 1986 B Bonds Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments to the Series 1986 A and Series 1986 B Bonds Sinking Funds for payment of debt service on the Bonds have been made in full.

As and when additional Bonds ranking on a parity with the Series 1986 B Bonds are issued, provision shall be made for additional payments into the Series 1986 B Sinking Fund sufficient to pay the interest on such additional parity Bonds and accomplish retirement thereof at maturity and to accumulate a balance in the Series 1986 B Reserve Account in an amount equal to the maximum provided and required to be paid into the Series 1986 B Sinking Fund in any Fiscal Year for account of all the Series 1986 B Bonds, including such additional Series 1986 B Bonds which by their terms are payable from such Sinking Fund.

The Commission is hereby designated as the fiscal agent for the administration of the Sinking Funds created hereunder, and all amounts required for said Sinking Funds shall be remitted to the Commission from the Revenue Fund by the City at the times provided herein.

B. Whenever all of the required and provided transfers and payments from the respective Revenue Funds into the several special funds, as hereinbefore provided, are current as well as the payments required for the Series 1960 Bonds, and there remains in said Revenue Funds a balance in excess of the estimated amounts required to be so transferred

and paid into the respective Sinking Funds, including the Reserve Accounts therein, and the Renewal and Replacement Fund during the following month, such excess shall be considered as surplus revenues (the "Surplus Revenues"). Surplus Revenues may be used for any lawful purpose of the City, including a pledge to and payment of GANS.

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

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

E. If on any monthly payment date the revenues are insufficient to place the required amount in any of the funds and accounts as hereinabove provided, the deficiency shall be made up in the subsequent payments in addition to the payments which would otherwise be required to be made into the funds and accounts on the subsequent payment dates.

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

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

ARTICLE VI

BOND PROCEEDS; FUNDS AND ACCOUNTS

Section 6.01. Application of Bond Proceeds. From the moneys received from the sale of any or all of the Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. Any accrued interest received from the sale shall be deposited in the Sinking Fund and applied to the first interest payment due on the Bonds.

B. The amount of the proceeds which together with the proceeds deposited pursuant to Subsection (A) of this

section and together with the earnings thereon, shall be at least sufficient to pay interest on the Bonds for the period specified in the Supplemental Resolution shall be deposited in the Sinking Fund; provided, that such period may not extend beyond the date which is six (6) months after the estimated date of completion of construction of the Project.

C. The remaining moneys derived from the sale of the Bonds shall be deposited with the Depository Bank in the Bond Construction Trust Fund and applied solely to payment of Costs of the Project.

D. The Depository Bank shall act as a trustee and fiduciary for the Holder or Holders of the Bonds with respect to the Bond Construction Trust Fund and shall comply with all requirements with respect to the disposition of the Bond Construction Trust Fund set forth in the Indenture. Moneys in the Bond Construction Trust Fund shall be used solely to pay costs of the Project and until so expended, are hereby pledged as additional security for the Bonds and are subject to a lien in favor of the Holder or Holders until such proceeds are applied to the construction of the Project, which shall include the repayment of any incidental interim financing for non-construction costs.

ARTICLE VII

ADDITIONAL COVENANTS OF THE CITY

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

Until the payment in full of the principal of and interest on the Notes when due, the covenants, agreements and provisions contained in this Ordinance shall, where applicable, also inure to the benefit of the Holders of the Notes and the Trustee therefor and constitute valid and legally binding covenants of the City, enforceable in any court of competent jurisdiction by the Trustee or any Holder or Holders of said Notes as prescribed in the Indenture; provided, that Section 7.04 and Section 7.09 shall not be applied to the Notes.

Section 7.02 Bonds, Notes and Line of Credit Not To Be Indebtedness of the City. Neither the Bonds, the Notes nor the Line of Credit shall be or constitute a corporate indebtedness of the City within the meaning of any constitutional, statutory or charter provision or limitation of indebtedness, but shall be payable solely from the special funds pledged for such payment by this Ordinance. No Holder or Holders of any Bonds or Notes or any banking institution extending credit under the Line of Credit herein provided, shall ever have the right to compel the exercise of the taxing power of the City to pay said Bonds, Notes, or Line of Credit or the interest thereon.

Section 7.03. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of the Series 1986 A Bonds issued hereunder shall be secured forthwith equally and ratably by a second lien subordinate to Series 1960 Bonds on the Net Revenues derived from the operation of the System, and payment of the debt service of the Series 1986 B Bonds issued hereunder shall be secured forthwith equally and ratably by a lien on said Net Revenues, but such lien shall be junior and subordinate to the lien on said Net Revenues in favor of the Series 1986 A Bonds, to the extent necessary to make the payments required under Section 5.03 of this Ordinance. The revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Series 1986 A Bonds and Series 1986 B Bonds and to make the payments into the respective Sinking Funds, including the respective Reserve Accounts therein, and all other payments provided for in this Ordinance are hereby irrevocably pledged, in the manner provided in therein, to the payment of the principal of and interest on the Series 1986 A Bonds and the Series 1986 B Bonds as the same become due, and for the purposes provided in this Ordinance.

Section 7.04. Initial Schedule of Rates and Charges; Rules. The initial schedule of rates and charges for the services and facilities of the System shall be set forth in the ordinance of the City dated _____, 1986.

Section 7.05. Sale of the System. The System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Series 1960 Bonds, the Bonds and Notes, if any, Outstanding or any remaining balance of the Line of Credit, or to effectively defease this Ordinance in accordance with Section 10.01 hereof and, if not previously defeased, the Indenture in accordance with Section 8.01 thereof. The proceeds from any

such sale, mortgage, lease or other disposition of the System shall, with respect to the Bonds, immediately be remitted to the Commission for deposit in the Sinking Fund, and, in the event the Authority is no longer a Bondholder, the City shall direct the Commission to apply such proceeds to the payment of principal at maturity of and interest on the Bonds about to mature. Any balance remaining after the payment of the Series 1960 Bonds, the Series 1986 A and B Bonds and all interest thereon shall be remitted to the City by the Commission unless necessary for the payment of other obligations of the City payable out of the revenues of the System. With respect to the Notes, such proceeds in an amount sufficient to pay in full the Notes shall be remitted to the Trustee for deposit in the Notes Debt Service Fund, to apply to the payment of the Notes, prior to maturity if allowable under the Supplemental Resolution. With respect to the Line of Credit, such proceeds in an amount sufficient to pay in full the Line of Credit then Outstanding shall be remitted to the banking institution extending credit to the City thereunder.

The foregoing provision notwithstanding, and as may otherwise be provided in respect to the Series 1960 Bonds, the City 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 for such properties, is not in excess of \$10,000, the City shall, by resolution, determine that such property comprising a part of the System is longer necessary, useful or profitable in the operation thereof and may then provide for the same 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 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 City shall first determine upon consultation with the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then, if it be advised, by resolution duly adopted, authorize such sale, lease or other disposition of such property upon public bidding. The proceeds derived from any such sale, lease or other disposition of such property, aggregating during such Fiscal Year in excess of \$10,000 and not in excess of \$50,000 shall be remitted by the City to the Commission for deposit in the Sinking Fund and

shall be applied only to the purchase of Bonds of these last maturities then Outstanding at prices not greater than the par value thereof plus 3% of such par value. Such payment of such proceeds in the Sinking Fund or the Renewal and Replacement Fund shall not reduce the amounts required to be paid into said funds by other provisions of this Ordinance. No sale, lease, or other disposition of the properties of the System shall be made by the City if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases, or other dispositions of such properties, shall be in excess of \$50,000 and insufficient to pay all the Bonds then Outstanding without the prior approval and consent in writing of the Holders, or their duly authorized representatives of over 50% in amount of the Bonds then Outstanding and the Consulting Engineers. The City 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. The City shall not issue any obligations whatsoever with a lien on or otherwise payable from any source of payment pledged originally to the Notes issued under the Indenture prior to or on a parity with the lien on behalf of such Notes until such Notes have been defeased in accordance with the provisions of the Indenture and this Ordinance; and, so long as any of the Bonds are Outstanding, the City shall not issue any other obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Bonds; provided, however, that additional Bonds on a parity with the Series 1986 B Bonds only may be issued as provided for in Section 7.07 hereof. All obligations issued by the City after the issuance of the Series 1986 A Bonds and the Series 1986 B Bonds and payable from the revenues of the System, except such additional parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on and source of and security for payment from such revenues and in all other respects, to the Series 1986 A Bonds and the Series 1986 B Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into the Reserve Accounts and the Renewal and Replacement Fund at the time of the issuance of such subordinate obligations have been made and are current. Provided, however, the foregoing shall not preclude the City from entering into the Line of Credit Agreement for the purpose of providing funds for the acquisition and construction of the Project. In this respect, the City may provide for a lien equal in rank to the

foregoing lien during the period of construction. Provided, further, however, such lien in favor of the banking institution extending credit under the Line of Credit shall, be subordinated to the lien in favor of the Holders of the Bonds, unless the Authority shall otherwise direct.

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

Section 7.07. Additional Parity Bonds. No additional parity Bonds, as in this section defined, payable out of the revenues of the System, shall be issued after the issuance of any Bonds pursuant to this Ordinance, except under the conditions and in the manner herein provided.

No Parity Bonds shall be issued which shall be payable out of revenues of the System prior to or on a parity with the Series 1986 A Bonds. All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 1986 B Bonds.

No such additional parity Bonds shall be issued except for the purpose of financing the costs of the construction or acquisition of extensions, improvements or betterments to the System or refunding one or more series of Bonds issued pursuant hereto, or both such purposes.

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

- (A) The Series 1960 Bonds then Outstanding;
- (B) The 1986 Series A and B Bonds then Outstanding;
- (C) Any additional parity Bonds theretofore issued pursuant to the provisions contained in this Ordinance then Outstanding; and
- (D) The additional parity Bonds then proposed to be issued.

The "estimated average increased annual Net Revenues to be received in each of three (3) succeeding year", 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 additional parity Bonds and (b) any increase in rates enacted by the City, the period for appeal of which has expired prior to the date of delivery of such additional parity Bonds, and shall not exceed the amount to be stated in a certificate of the Consulting Engineers, which shall be filed in the office of the 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 Consulting Engineers and the said Independent Certified Public Accountants, as stated in a certificate jointly made and signed by the Consulting Engineers and said Independent Certified Public Accountants, on account of increased rates, rentals, fees and charges for the System enacted by the City, the period for appeal of which has expired prior to issuance of such additional parity Bonds.

Not later than simultaneously with the delivery of such additional parity Bonds, the City shall have entered into written contracts for the immediately construction or acquisition of such additions, betterments or improvements, if any, to the system that are to be financed by such additional parity Bonds.

The term "Additional Parity Bonds", as used in this section, shall be deemed to mean additional Bonds issued under the provisions and within the limitations of this section, payable from the revenues of the System on a parity with the Series 1986 B Bonds, and all the covenants and other provisions of this Ordinance (except as to details of such Additional Parity Bonds inconsistent herewith) shall be for the equal

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

All Additional Parity Bonds shall mature on the day of the years of maturities, and the semiannual interest thereon shall be payable on the days of each year, specified in a Supplemental Resolution.

Additional 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 1960 Bonds and both the Series 1986 A Bonds and the Series 1986 B Bonds on such revenues. The City shall not issue any obligations whatsoever payable from the revenues of the System, or any part thereof, which rank prior to or, except in the manner and under the conditions provided in this section, equally, as to lien on and source of and security for payment from such revenues, with either the Series 1960 Bonds or the Series 1986 A Bonds or the Series 1986 B Bonds.

No Additional Parity Bonds shall be issued any time, however, unless all the payments into the respective funds and accounts provided for as to the Series 1960 Bonds and in this Ordinance with respect to the Bonds then Outstanding, and any other payments provided for in this Ordinance, shall have been made in full as required to the date of delivery of the Additional Parity Bonds and the City shall then be in full compliance with all the covenants, agreements and terms of this Ordinance.

Notwithstanding the foregoing, Additional Parity Bonds may be issued solely for the purpose of completing the Project without regard to the restrictions set forth in this Section 7.07, if there is first obtained by the City the written consent of the holders of the Series 1960 Bonds and the Authority to the issuance of such Additional Parity Bonds.

Section 7.08. Books and Records. The City will keep books and records of the System, which shall be separate and apart from and other books, records and accounts of the City, in which complete and correct entries shall be made of all transactions relating to the System, and any Holder of a Bond or Bonds or of a Note or Notes issued pursuant to this Ordinance or the Trustee shall have the right at all reasonable times to inspect the System and all parts thereof and all records, accounts and data of the City relating thereto.

The accounting system for the System shall follow current generally accepted accounting principles and safeguards to the extent allowed and as prescribed by the Public Service Commission of West Virginia. Separate control accounting records shall be maintained by the City. 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 Council. The Council 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 Council shall be reported to such agent of the City as the Council shall direct.

The City shall file with the Consulting Engineers, the Trustee and the Authority, or any other original purchaser of the Bonds, and shall mail in each year to any Holder or Holders of Bonds or Notes, as the case may be, 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 Ordinance and the Indenture with respect to said Bonds or Notes, as the case may be, and the status of all said funds and accounts.

C. The amount of any Bonds, Notes or other obligations outstanding.

The City shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants and shall mail upon request, and made available generally, the report of said Independent Certified Public Accountants, or a summary thereof, to any Holder or Holders of Bonds or Notes, as the case may be, and shall file said report with the Trustee and the Authority, or the then Holder of the Bonds.

Section 7.09. Rates. Prior to the issuance of the Bonds, equitable rates or charges for the use of and service rendered by the System will be established all in the manner and form required by law, and copies of such rates and charges so established will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from said System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. The City shall take the necessary actions with respect to the imposition of rates at such times and with such provisions with respect to interest rate and maturity of the Bonds to finance the issuance of the Bonds as the purchasers thereof shall require. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the City hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient (i) to provide for all proper and reasonable expenses of operation, repair, replacement and maintenance of the System and (ii) to leave a balance each Fiscal Year equal to at least one hundred and fifteen percent (115%) of the maximum amount required in any succeeding Fiscal Year for payment of principal of and interest on the Bonds and all other obligations secured by or payable from such revenues; provided that, in the event that an amount equal to or in excess of the Reserve Requirement is on deposit in the Reserve Account, such balance each Fiscal Year need only equal at least one hundred and ten percent (110%) of the maximum amount required in any succeeding Fiscal Year for payment of principal of and interest on the Bonds and all other obligations secured by or payable from such revenues.

Section 7.10. Operating Budget and Audit. The City shall annually, at least forty-five (45) days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, budget of the estimated expenditures for operation and maintenance of the System during the succeeding Fiscal Year. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by the Consulting Engineers, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the City shall have approved such findings and recommendation by a resolution duly adopted. No increase expenditures in excess of ten percent (10%) of the

amount of such budget shall be made except upon further certificate of the Consulting Engineers that such increased expenditures are necessary for the continued operation of the System. The City shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Trustee and the Authority and to any Holder of any Bonds or Notes, as the case may be, who shall request in writing that copies of all such budgets and resolutions be furnished him or her and shall made available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to the Trustee and to any Holder of any Bonds or Notes, as the case may be, or anyone acting for and on behalf of such Holder of any Bonds or Notes, as the case may be.

In addition, the City shall annually cause the records of the System to be audited by an Independent Certified Public Accountant, the report of which audit shall be submitted to the Authority and which audit report shall include a statement that the City is in compliance with the terms and provisions of this Ordinance and the Loan Agreement.

Section 7.11. No Competing Franchise. To the extent legally allowable, the City will not grant or cause, consent to or allow the granting of, any franchise or permit to any person, firm, corporation, body, agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the System.

Section 7.12. Enforcement of Collections. The City 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 of the City, the rules and regulations of the Public Service Commission of West Virginia and other laws of the State of West Virginia.

Whenever any fees, rates, rentals or other charges for the services and facilities of the System shall remain unpaid for a period of thirty (30) days after the same shall become due and payable, the property and owner thereof, as well as the user of the services and facilities, shall be delinquent until such time as all such rates and charges are fully paid and to the extent authorized by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, all delinquent rates, rentals and other charges, if not paid, shall become a lien on the premises served by the System. The City further covenants and agrees that, it will,

to the full extent permitted by law and the rules and regulations promulgated by the Public Service Commission of West Virginia, discontinue and shut off the services and facilities of the System and any services and facilities of the water system, if then owned by the City, to all delinquent users of services and facilities of the System and will not restore such services of either system until all billing for charges for the services and facilities of the System, plus reasonable interest and penalty charges for the restoration of services, has been fully paid.

Section 7.13. No Free Services. The City 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; in the event the City, or any department, agency, instrumentality officer or employee or the City 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 City and any such department, agency, instrumentality, officer or employee. The revenues so received shall be deemed to be revenues derived from the operation of the System, and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 7.14. Insurance and Construction Bonds. The City hereby covenants and agrees that so long as any of the Bonds or the Notes remain Outstanding, the City will, to the extent the same is available, 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:

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

B. PUBLIC LIABILITY INSURANCE, with limits of not less than \$1,000,000 per occurrence to protect the City from claims for bodily injury and/or death and not less than \$100,000 per occurrence from claims for damage to property of others which may rise from the operation of the System, and insurance with the same limits to protect the City from claims arising out of operation or ownership of motor vehicles of or for the System.

C. WORKER'S COMPENSATION COVERAGE FOR ALL EMPLOYEES OF OR FOR THE SYSTEM ELIGIBLE THEREFOR: AND PERFORMANCE AND PAYMENT BONDS, such bonds to be in the amounts of one hundred percent (100%) of the construction contract and to be required of each contractor contracting directly with the City, 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 Chapter 38, Article 2, Section 39 of the West Virginia Code of, 1931, as amended.

Section 7.15. Mandatory Connections. The mandatory use of the System is essential and necessary for the protection and preservation of the public health, comfort, safety, convenience and welfare of the inhabitants and residents of, and the economy of, the City and in order to assure the rendering harmless of sewage and water-borne waste matter produced or arising within the territory served by the System. Accordingly, every owner, tenant or occupant of any house, dwelling or building located near the System, where sewage will flow by gravity or be transported by such other methods approved by the State Department of Health from such house, dwelling or building into the System, to the extent permitted by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, shall connect with and use the System and shall cease the use of all other means for the collection, treatment and disposal of sewage and waste matters from such house, dwelling or building where there is such gravity flow or transportation by such other method approved by the State Department of Health and such house, dwelling or building can be adequately served by the System, and every such owner, tenant or occupant shall, after a thirty (30) day notice of the availability of the System, pay the rates and charges established therefor.

Any such house, dwelling or building from which emanates sewage or water-borne waste matter and which is not so connected with the System is hereby declared and found to be a hazard to the health, safety, comfort and welfare of the inhabitants of the City and a public nuisance which shall be

abated to the extent permitted by law and as promptly as possible by proceedings in a court of competent jurisdiction.

Section 7.16. Completion of Project. The City will complete the Project and operate and maintain the System in good condition.

Section 7.17. Rebate to the United States. In the event that H. R. 3838 (The Tax Reform Act of 1985) or similar legislation becomes law and is applicable to the Bonds or Notes or both, the City agrees to pay to the United States an amount equal to the sum of the excess of (a) the aggregate amount earned on all nonpurpose investments (other than investments attributable to such excess) over (b) the amount which would have been earned if all nonpurpose investments was invested at a rate equal to the yield on such Bonds or Notes, plus any income attributable to such excess. The amount to be paid to the United States by the City shall be paid at such time and place as required by the Act or similar legislation in installments at least once every five years commencing on the fifth anniversary date of the issuance of the Bonds. The last installment shall be paid not later than 30 days after the day on which the last Bond of Note is redeemed or paid.

Section 7.18. Compliance with Tax Laws. On December 17, 1985 The House of Representative passed the Tax Reform Act of 1985 (H. R. 3838). The Senate has yet to act on this legislation. However, the City agrees that if H. R. 3838 or similar legislation becomes law and such law is applicable to the Bonds or Notes, this Ordinance shall be amended in order to comply with such legislation and in order to maintain the tax exempt status of the Bonds or Notes. In particular, without excluding reference to any other portion of H. R. 3838 that may become law, the City hereby covenants that it will expend 5% of the bond proceeds within thirty (30) days of closing on the Bonds.

Section 7.19 Restrictions as to Arbitrage Bonds. The City hereby covenants, and hereby so instructs the Bond Commission and the Trustee that they shall not permit at any time or times any of the proceeds of the Bonds or any other funds of the City to be used directly or indirectly to acquire any securities or obligations the acquisition of which would cause any Bond to be an "arbitrage bond" as defined in Section 103(c)(2) of the Internal Revenue Code, and an Authorized Officer of the City shall deliver his certificate, based upon this covenant, with regard thereto to the purchaser of the Original Bonds. Further, prior to the time that the City receives an opinion from Bond Counsel that the provisions of H. R. 3838 or any similar legislation is not applicable to the

Bonds or Notes, the City covenants that other than for a temporary period, the yield on the Bond proceeds shall not exceed the yield on the Bonds by more than .125 on and after such date, which is the date that the Consulting Engineer certifies to the City, Bond Counsel and the Authority that the Project is 90% complete.

ARTICLE VIII

INVESTMENT OF FUNDS

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

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

ARTICLE IX

DEFAULT AND REMEDIES

Section 9.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Bonds or Notes, as the case may be.

(A) If default occurs in the due and punctual payment of the principal of or interest on either the Series 1960 Bonds or any Bonds or Notes, as the case may be, issued hereunder;

(B) If default occurs in the City's observance of any of the covenants, agreements or conditions on its part relating to the Bonds or Notes set forth in this Ordinance, and Supplemental Resolution, the Indenture or in the Bonds or Notes, and such default shall have continued for a period of 30 days after the City shall have been given written notice of such default by the Trustee, the Depository Bank holding any fund or account hereunder or a Holder of the Bond or Note or the banking institution extending credit to the City under the Line of Credit;

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

An "Event of Default" with respect to the Bonds shall not constitute an Event of Default with respect to the Notes and vice versa.

Section 9.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of a Note or Bond, as the case may be, 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 City to perform its duties under the Act and this Ordinance relating thereto, including but not limited to the making and collection of sufficient rates of charges for services rendered by the System (iii) bring suit upon the Notes or Bonds, as the case may be, (iv) by action at law or bill in equity require the City to account as if it were the trustee of an express trust for the Registered Owners of the Notes or Bonds, as the case may be, and (v) by action or bill in equity enjoin any acts in violation of the Ordinance with respect to the Notes or Bonds, or the rights of such Registered Owners.

Section 9.03. Appointment of Receiver. Any Registered Owner of a Bond may, by proper legal action, compel the performance of the duties of the City under this Ordinance and the Act, including, after commencement of operation of the System, the making and collection of sufficient rates and charges for services rendered by the System and segregation of

the revenues therefrom and the application thereof. If there be any Event of Default with respect to such Bonds any Registered Owner shall, in addition to all other remedies or rights, have the right to appropriate legal proceedings to obtain the appointment of a receiver to administer the System on behalf of the City 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 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 Ordinance and the Act.

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

Whenever all that is due upon the Bonds and interest thereon and under any covenants of this Ordinance for Reserve Account, Sinking Fund 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 Ordinance shall have been cured and made good, possession of the System shall be surrendered to the City upon the entry of an order of the court to that effect. Upon any subsequent default, any Registered Owner 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 City and for the joint protection and benefit of the City and Registered Owners. Such receiver shall have no power to sell, assign,

mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the possession, operation and maintenance of the System for the sole purpose of the protection of both the City and Registered Owners and the curing and making good of any Event of Default with respect thereto under the provisions of this Ordinance, and the title to and ownership of said System shall remain in the City, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, assign, or otherwise dispose of any assets of the Systems.

ARTICLE X

DEFEASANCE

Section 10.01. Defeasance of Series 1986 A Bonds. If the City pay or cause to be paid, or there shall be otherwise be paid, to the respective Holders of all Series 1986 A Bonds, the principal of and interest due or to become due thereon, at the times and in the manners respectively stipulated therein and in this Ordinance, then with respect to the Series 1986 A Bonds only the respective pledge of Net Revenues, and other moneys and securities pledged under this Ordinance, and all covenants, agreements and other obligations of the City to the Registered Owners of the Series 1986 A Bonds, shall thereupon cease, terminate and become void and be discharged and satisfied.

Series 1986 A Bonds, for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Paying Agents at the same or earlier time, shall be sufficient, to pay as and when due the respective principal of and interest on such Series 1986 A Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Series 1986 A Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited with the Commission, its agent, either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with other moneys, if any, deposited with the Commission, its agent, at the same time, shall be sufficient, to pay when due the respective principal of and interest due and to become due on said Series 1986 A Bonds, on and prior to the maturity dates thereof. Neither securities nor moneys deposited with the Commission pursuant to this section nor

principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the respective principal of and interest on said Series 1986 A Bonds; provided, that any cash received from such principal or interest payments on such securities deposited with the Commission, its agent, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the respective principal of and interest to become due on said Bonds, on and prior to such maturity dates thereof, and interest earned from such investments shall be paid over to the City as received by the Commission, its agent, free and clear of any trust, lien or pledge. For the purpose of this section, securities shall mean and include only Government Obligations.

Section 10.02. Defeasance of Series 1986 B Bonds. If the City shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all Series 1986 B Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Ordinance, then with respect to the Series 1986 B Bonds only, the pledge of Net Revenues and other moneys and securities pledged under this Ordinance and all covenants, agreements and other obligations of the City to the Registered Owners of the Series 1986 B Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Series 1986 B Bonds for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Paying Agents at the same or earlier time, shall be sufficient, to pay as and when due the principal installments of and interest on such Series 1986 B Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Series 1986 B Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited with the Commission or its agent, either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with other moneys, if any, deposited with the Commission at the same time, shall be sufficient to pay when due the principal installments of and interest due and to become due on said Series 1986 B Bonds on and prior to the maturity dates thereof. Neither securities nor moneys deposited with the Commission pursuant to this section nor principal or interest payments on any such

securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal installments of and interest on said Series 1986 B Bonds; provided, that any cash received from such principal or interest payments on such securities deposited with the Commission or its agent, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal installments of and interest to become due on said Series 1986 B Bonds on and prior to the maturity dates thereon, and interest earned from such reinvestments shall be paid over the City as received by the Commission or its agent, free and clear of any trust, lien or pledge. For the purpose of this section, securities shall mean and include only Government Obligations.

Section 10.03. Defeasance of Notes. If the City shall pay or cause to be paid, or these shall otherwise be paid, to the respective Holders of all Notes, the principal of and interest due or to become due thereon, at the times and in the manner set forth in the Indenture, then with respect to the Notes only, this Ordinance, the Indenture and the pledges of Grant Receipts and other moneys and securities pledged thereby, and all covenants, agreements and other obligations of the City to the Holders of the Notes shall thereupon cease, terminate and become void and be discharged and satisfied.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Modification or Amendment. No material modification or amendment of this Ordinance, or of any resolution amendatory or supplemental hereto that would materially and adversely affect the respective rights of Registered Owners of the Notes or Bonds shall be made without the consent in writing of the Registered Owners of 66-2/3% or more in principal amount of the Notes or Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of any Bond or Bonds or any Note or Notes or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the City to pay such principal and interest out of the funds herein respectively pledged therefor without the consent of the respective Registered Owner thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of Bonds or Notes respectively, required for consent to the above-permitted amendments or modifications.

Section 11.02. Ordinance Constitutes Contract. The provisions of this Ordinance shall constitute a contract between the City and the Registered Owners of the Bonds and Notes, and no change, variation or alteration of any kind of the provisions of this Ordinance shall be made in any manner, except as in this Ordinance 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 effect any of the remaining provisions of this Ordinance.

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

Section 11.05. Amendments to Maintain Tax Exemption. The City hereby covenants to make any amendment or supplements to this Ordinance and to the Indenture authorized hereby to enable the Notes or Bonds to be issued in such form as to render the interest thereon exempt from federal income taxation.

Section 11.06. Conflicting Provisions Repealed. Other than as is provided in the Ordinance authorizing the issuance of the Series 1960 Bonds, adopted March 26, 1960, 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.

Section 11.07. Covenant of Due Procedure, Etc. The City covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the enactment of this 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 City Council 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 11.08. Effective Time. This Ordinance shall take effect after notice and public hearing hereon in accordance with the Act.

Section 11.09. Statutory Notice and Public Hearing. Upon adoption hereof, an abstract of this Ordinance, determined

by the City 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 publications, in a newspaper of general circulation in the City together with a notice stating that this Ordinance has been adopted and that the City contemplates the issuance of the Notes and Bonds, and the entering into the Line of Credit, and that any person interested may appear before the 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 City for review by interested parties during the office hours of the City.

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

Passed on First Reading	<u>May 14</u>	, 1985
Passed on Second Reading	<u>February 6</u>	, 1986
Passed on Third Reading	<u>February 20</u>	, 1986
Effective following public hearing held on	<u>March 4</u>	, 1986

[SEAL]

James L. Carpenter
Mayor

ATTEST:

Elyse G. Fountain
City Recorder

Certified a true copy of an Ordinance duly enacted and adopted by the Council of the City of Buckhannon this 16 day of March, 1986.

[SEAL]

Elyse G. Fountain
City Recorder

CITY OF BUCKHANNON, WEST VIRGINIA

TRUST INDENTURE

\$2,000,000.00 Grant Anticipation Notes

Dated as of _____ 1, 1986

CITY OF BUCKHANNON, WEST VIRGINIA

SEWERAGE SYSTEM GRANT ANTICIPATION NOTES, SERIES 1986

TRUST INDENTURE

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TRUST INDENTURE

THIS TRUST INDENTURE, dated as of _____ 1, 1986, by and between the CITY OF BUCKHANNON, a municipal corporation organized and existing under the laws of the State of West Virginia, herein called the "City" and _____, a _____ banking corporation authorized to accept and execute trusts and covenants of the character herein set forth, herein called the "Trustee".

WHEREAS, capitalized words and phrases used in these Preambles and the Granting Clauses below and not otherwise defined in these Preambles or said Granting Clauses shall have the respective meanings given them in Section 1.01 of this Indenture and Section 1.01 of the Ordinance as hereinafter defined;

WHEREAS, by the Ordinance, the Council of the City duly authorized construction and acquisition of the Project at an estimated cost of \$ _____, in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications have heretofore been filed in the office of the City Recorder and with the Sanitary Board;

WHEREAS, all necessary licenses, permits and/or approvals of governmental agencies and departments have been obtained for the construction and acquisition of the Project and operation of the System to the extent obtainable, and, to the extent not yet obtainable, no difficulty is expected by the City or the Consulting Engineers in obtaining such licenses, permits and/or approvals;

WHEREAS, the City has received or contemplates receiving certain Grant Receipts for the construction and acquisition of the Project, including the proceeds of the EPA Grant expected to be received prior to maturity of the Notes in the approximate amount of \$ _____, and the City has entered into an assistance agreement with the EPA, pursuant to which the EPA will reimburse the City for approximately _____% of the Eligible Costs of the Project incurred by the City and eligible for such _____% reimbursement;

WHEREAS, it is deemed necessary for the City to issue its Original Bonds, in the total aggregate principal amount of up to \$4,300,000.00, to finance a portion of the Ineligible Costs;

WHEREAS, it is deemed necessary for the City to issue its Notes, in the aggregate principal amount not to exceed \$2,000,000.00, to finance Eligible Costs pending receipt of the Grant Receipts;

WHEREAS, the City has determined, as set forth in the Ordinance, that the City shall issue the Notes and shall enter into this Indenture to secure the Notes in the manner set forth herein;

WHEREAS, the Notes originally authorized hereby and the Registrar's certificate of authentication and registration to be endorsed thereon are all to be in substantially the form set forth in Exhibit A attached hereto and incorporated herein by reference, with necessary and appropriate variations, omissions and insertions as permitted or required by this Indenture or the Ordinance or deemed necessary by the Trustee and the City; and

WHEREAS, all things necessary to make the Notes, when authenticated and registered by the Registrar and issued as in this Indenture provided, the valid, binding and legal special obligations of the City according to the import thereof, and to constitute this Indenture a valid pledge and assignment of those funds pledged to the payment of the principal of and interest on the Notes and a valid pledge and assignment of the rights of the City in the Grant Receipts and other moneys, including investment income and unexpended proceeds, held in the funds and accounts established by this Indenture, the net proceeds of any refunding notes or other obligations issued to pay all or a portion of the principal of or interest on the Notes and the Surplus Revenues have been done and performed; and the creation, execution and delivery of this Indenture, and the creation, execution and issuance of the Notes, subject to the terms thereof, have in all respects been duly authorized and will not result in any breach of, or constitute a default under, any instrument to which the City is a party or by which it may be bound or affected;

NOW, THEREFORE, THIS TRUST INDENTURE WITNESSETH:

GRANTING CLAUSES

The City, in consideration of the premises and the acceptance by the Trustee of the Trust Estate hereby created, of the purchase and acceptance of the Notes by the Original Notes Purchaser and the Registered Owners thereof and of other good and lawful consideration, the receipt of which is hereby acknowledged, in order to secure the payment of the principal of and interest on the Notes according to their tenure and effect and to secure the performance and observance by the City of all the covenants expressed or implied herein and in the Notes, has executed this Indenture and does hereby grant, bargain, sell, convey, pledge and assign the following to, and

does hereby confirm and grant a security interest in the following in _____, as Trustee, and its successors in trust and assigns forever, all and singular the property hereinafter described, to wit:

FIRST GRANTING CLAUSE

All right, title and interest of the City in and to the Grant Receipts and other moneys, including investment income and unexpended Notes proceeds, held in the Notes Capitalized Interest Account, the Notes Construction Trust Fund and the Notes Debt Service Fund established by this Indenture.

SECOND GRANTING CLAUSE

The Surplus Revenues, if any.

THIRD GRANTING CLAUSE

All right, title and interest of the City in and to the net proceeds of any refunding notes or other obligations issued for the purpose of paying all or a portion of the principal of or interest on the Notes.

FOURTH GRANTING CLAUSE

All moneys and securities and all other rights of every kind and nature from time to time hereafter by delivery or by writing or any kind pledged, assigned or transferred as and for additional security for the Notes hereunder to the Trustee by the City or by anyone in its behalf, or with its written consent.

SUBJECT TO THE TERMS HEREOF, TO HAVE AND TO HOLD all and singular the Trust Estate, whether now owned or hereafter acquired, and the rights and privileges hereby conveyed, pledged and assigned by the City, or intended so to be, unto the Trustee and its successors and assigns forever, in trust, nevertheless, for the equal and proportionate benefit, security and protection of each and every Holder of the Notes issued under and secured by this Indenture, without preference, priority or distinction as to the lien, benefit and protection hereby of one of such Notes over or from the others for any reason whatsoever except as herein otherwise expressly provided, so that each and all of such Notes shall have the same right, lien and privilege under this Indenture and shall be equally secured hereby;

PROVIDED, HOWEVER, and these presents are upon the express condition, that, if the City or its successors or

assigns shall well and truly pay or cause to be paid the principal of and interest on the Notes, according to the provisions set forth in the Notes and each of them, or shall provide for the payment or redemption of such Notes by depositing or causing to be deposited with the Trustee the entire amount of funds or securities requisite for payment thereof when and as authorized by the provisions hereof, including Section 8.01, and shall also pay or cause to be paid all other sums payable with respect to the Notes hereunder by the City, then these presents and the Trust Estate and rights hereby granted shall cease, determine and become void; otherwise, this Indenture shall be and remain in full force and effect.

IT IS HEREBY COVENANTED, DECLARED AND AGREED by and between the parties hereto that the Notes issued hereunder are to be issued, authenticated, registered and delivered, and that the Trust Estate is to be held and applied, subject to the further covenants, conditions, uses and trusts hereinafter set forth, and the City, for itself and its successors and assigns, does hereby covenant and agree to and with the Trustee and its respective successors and assigns in said trust, for the benefit of the Holders of the Notes, or any of them, as set forth in this Indenture:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. All capitalized terms used herein and not defined below shall have the meanings respectively set forth in Section 1.01 of the Ordinance, as hereinafter defined. In addition, the following terms shall have the following meanings in this Indenture, unless the context expressly requires otherwise.

"Bond Construction Trust Fund" means the Bond Construction Trust Fund established by Section 5.01 of the Ordinance.

"City" means the City of Buckhannon, a municipal corporation of the State of West Virginia, and, where appropriate, the Council thereof.

"City Recorder" or "Recorder" means the Recorder of the City.

"Consulting Engineers" means Kelley, Gidley, Blair & Wolfe, Consulting Engineers, Charleston, West Virginia, or any engineer or firm of engineers of reputation for skill and experience with respect to the design and construction of

sewerage systems or facilities that shall at any time hereafter be retained by the City as consulting engineers for the System, as hereinafter defined.

"Costs" or "Costs of the Project" means those costs described in Subsection 1.03(E) of the Ordinance to be a part of the costs of construction and acquisition of the Project, as hereinafter defined.

"Eligible Costs" means Costs of the Project which are reimbursable in full on a dollar-for-dollar basis from EPA Grant Receipts, the total of which are equal in amount to the EPA Grant.

"EPA" means the United States Environmental Protection Agency or any successor to the functions of the EPA.

"EPA Grant" or "Grant" means the grant from the EPA pursuant to the commitment therefor.

"Event of Default" means any occurrence or event specified in Section 6.01.

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

"Fiduciaries" means the Trustee, the Registrar and the Paying Agent all as hereinafter defined, as required by the context.

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

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

"Grant Agreement" means a written commitment for the payment of the EPA Grant specifying the amount of such grant, the terms and conditions upon which such grant is made and the date or dates or event or events upon which grant is to be paid to the City.

"Grant Receipts" means all moneys received by the City on account of the Grant after the date of issuance of the Notes.

"Indenture" or "Trust Indenture" means the Trust Indenture between the City and the Trustee relating to the Notes, as hereinafter defined, and all supplements or amendments thereto.

"Ineligible Costs" means the Costs of the Project which are not reimbursable in full on a dollar for dollar basis from EPA Grant Receipts, the total of which are equal to the aggregate Costs of the Project, less the amount of the EPA Grant.

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

"Noteholder", "Holder of the Notes", or "Holder of the GANs" or any similar term means any person who shall be the registered owner of any outstanding Note or Notes.

"Notes" or "GAN" means the not more than \$2,000,000.00 in aggregate principal amount of Sewerage System Grant Anticipation Notes, Series 1986, originally authorized hereby, and unless the context clearly indicates otherwise, the terms "Notes" or "GAN" includes any refunding Notes or GAN of the City.

"Notes Construction Trust Fund" means the Notes Construction Trust Fund established by Section 4.01(1).

"Notes Debt Service Fund" means the Notes Debt Service Fund established by Subsection 4.01(2).

"Ordinance" means collectively the Note, Bond and Line of Credit Ordinance enacted by the City authorizing the issue and sale of the Notes, Bonds and Line of Credit, as supplemented and amended.

"Original Notes Purchaser" means Young, Moore & Company, of Charleston, West Virginia and Russell, Rea & Zappala, Inc. of Pittsburgh, Pennsylvania.

"Paying Agent" means the bank or banks designated as such for the Notes in the Supplemental Resolution.

"Project" means the extensions, additions, betterments and improvements to the existing sewerage system of the City, to be designed by the Consulting Engineers and to be constructed in accordance with the plans and specifications so designed, subject to the provisions of Section 2.01 of the Ordinance.

"PSC" means the Public Service Commission of West Virginia or any other agency of the State that succeeds to the functions of the PSC.

"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; Federal Farm Credit Bank; Export-Import Bank of the United States; Federal Land Banks; Tennessee Valley Authority; Washington Metropolitan Area Transit Authority; or the Government National Mortgage Association;

(d) Any bond, debenture, note, participation certificate or other similar obligation issued by the Federal National Mortgage Association to the extent such obligations are 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 such Government Obligations pledged either must mature as nearly as practicable coincident with the maturity of said time account or must be replaced or increased so that the market value thereof is always at least equal to the principal amount of said time account; and

(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 paid 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; and

(h) The Investment Agreement by and between the Trustee and the bank designated as "Investment Bank" in the Supplemental Resolution.

"Registrar" means the bank to be designated in the Supplemental Resolution as Registrar for the Notes and its successors and assigns.

"Sanitary Board" means the Sanitary Board of the City established by ordinance duly enacted by the City and successors to the function thereof.

"State" means the State of West Virginia.

"System" means the complete properties of the City for the collection, transportation and treatment of liquid or solid wastes, sewerage or industrial wastes, in its entirety or any integral part thereof, and shall include the existing facilities, the Project, and any further additions, betterments and improvements thereto hereafter constructed or acquired for said system from any sources whatsoever.

"Trustee" means the banking institution designated as trustee under the Indenture in the Supplemental Resolution and its successors and assigns.

"Trust Estate" means the property, rights, moneys, securities and other amounts pledged and assigned to the Trustee pursuant to the Granting Clauses hereof.

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

Words importing singular number include the plural number in each case and vice versa; words importing the masculine or neuter gender include every other gender; and words importing persons include firms, partnerships, associations and corporations.

The terms "herein", "hereunder", "hereby", "hereto", "hereof" and any similar terms refer to this Indenture; and the

term "hereafter" means after the date of enactment of this Indenture.

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

ARTICLE II

THE NOTES

Section 2.01. Authorization and Terms of Notes. The Notes originally issued hereunder shall be designated "Sewerage System Grant Anticipation Notes, Series 1986". Such Notes shall be in the aggregate principal amount of \$2,000,000.00; shall be dated _____, 1986; shall bear interest from the interest payment date preceding the date of authentication and registration of each Note or, if such Note is authenticated and registered on an interest payment date, from the date of authentication and registration or, if such Note is authenticated and registered prior to _____, from _____, 19____, at the rate of _____ percent (____%) per annum, payable from the funds provided therefor in accordance with Article IV, semiannually on _____ and _____ of each year, commencing _____, 19____ upon original issuance; shall mature on _____, 19____; and shall be subject to redemption or prepayment prior to maturity in whole but not in part, at any time on or after _____, 19____, at a redemption price equal to the principal amount thereto plus accrued interest to the date of redemption, without premium.

Notice of any redemption of the Notes shall be given by the Registrar by certified or registered mail to all Noteholders to be redeemed at the addresses shown on registry books maintained by the Registrar, not less than 30 days prior to the date fixed for redemption, stating the redemption price and the place or places where payment of the redemption price will be made.

Interest on the Notes shall be payable by check or draft to be mailed by the Paying Agent to the Holder thereof at the address shown on the registry books maintained by the Registrar as of the 15th day of the month next preceding such interest payment date. Principal of the Notes shall be payable upon surrender of such Notes at the principal office of the Paying Agent in any coin or currency which, on the date of payment of principal, is legal tender for the payment of public and private debts under the laws of the United States of America.

The Notes shall be issued in fully registered form, numbered from R-1 upward in denominations of \$5,000 or any integral multiples thereof.

Section 2.02. Execution of Notes. The Notes shall be executed in the name of the City by the facsimile signatures of the Mayor and the City Recorder, and a facsimile of the seal of the City shall be imprinted thereon; provided, that the authentication signature of the Registrar must be manual. In case any one or more of the officers who shall have signed or sealed any of the Notes shall cease to be such officer before the Notes so signed and sealed shall have been actually sold and delivered, such Notes may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Notes had not ceased to hold such office. Any Notes may be signed and sealed on behalf of the City by such person as at the actual time of the execution of such Notes shall hold the proper office, although at the date of such Notes such person may not have held such office or may not have been so authorized.

Section 2.03. Authentication. No Note shall be valid or obligatory for any purpose or entitled to any security or benefit under this Indenture unless and until a certificate of authentication and registration on such Note, substantially in the form set forth in Exhibit A attached hereto and incorporated herein by reference, shall have been duly and manually executed by the Registrar. Any such executed certificate of the Registrar upon any such Note shall be conclusive evidence that such Note has been authenticated, registered and delivered under this Indenture. The certificate of authentication on any Note shall be deemed to have been executed by it if signed by the Registrar, but it shall not be necessary that the same officer sign the certificate of authentication on all of the Notes issued hereunder.

Section 2.04. Form of Notes. The Notes originally issued under this Indenture shall be substantially in the form set forth in Exhibit A attached hereto and incorporated herein by reference, with such appropriate variations, omissions and insertions as are permitted or required by this Indenture or the Ordinance or deemed necessary by the Registrar and the City.

Section 2.05. Delivery of Notes. Upon the execution and delivery of this Indenture, the City shall execute and deliver the Notes to the Registrar, and the Registrar shall authenticate the Notes to be issued in the aggregate principal amount of up to \$2,000,000.00 and, upon receipt of the documents set forth below by the Trustee and instructions from the Trustee, shall authenticate and deliver them to the

Original Notes Purchaser as directed by the City and as hereinafter in this Section 2.05 provided.

Prior to the delivery by the Registrar of any of the Notes, there shall be filed with the Trustee and the Trustee shall certify to the Registrar as to the receipt:

(A) A copy, duly certified by the City Recorder, of the Ordinance authorizing the execution and delivery of this Indenture and the issuance and sale of the Notes;

(B) An original executed counterpart of this Indenture.

(C) A signed opinion of nationally recognized bond counsel to the effect that the City has the right and power to authorize, execute, deliver and perform its obligations under this Indenture and the Notes, that the City has taken all steps necessary to authorize the execution, delivery and performance of its obligations under this Indenture, that the issuance of the Notes has been duly authorized and that all conditions precedent to the issuance thereof contained in this Indenture have been fulfilled, that the Indenture creates the valid pledge of the Trust Estate which it purports to create, and, upon the execution, authentication and delivery thereof, the Notes will be duly and validly issued and will constitute valid and binding special obligations of the City entitled to the benefits of this Indenture; and

(D) A request and authorization to the Registrar on behalf of the City, signed by the Mayor, to authenticate and deliver the Notes to the Original Notes Purchaser upon payment to the Trustee, but for the account of the City, of a sum specified in such request, plus interest accrued thereon to the date of delivery, the proceeds of which payment shall be paid over to the Trustee and deposited to the credit of the funds and accounts specified in Article IV hereof.

Section 2.06. Negotiability, Transfer and Registration. The Notes shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State, but each of such Notes may only be transferred by transfer of the registration thereof as hereinafter provided. Each Note shall be transferable without service charge, except to the City, upon the books required to be kept pursuant to Section 2.08 hereof, by the Holder thereof, in person or by his attorney duly authorized in writing, upon surrender of such Note for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Registrar. The Notes shall be

exchangeable for a Note or Notes of authorized denominations also at the principal office of the Registrar.

For every exchange or transfer of Notes, the Registrar may make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or transfer, but the City shall pay any service charge in connection with transfer. No transfer or exchange may be made of Notes which have been called for redemption or during the period beginning the 15th day of the month next preceding an interest payment date and ending on the day next preceding such interest payment date.

Section 2.07. Notes Mutilated, Destroyed, Stolen or Lost. In case any Note shall become mutilated or be destroyed, stolen or lost, the City may, in the discretion of the Council, authenticate and deliver a new Note of like tenor as the Note so mutilated, destroyed, stolen or lost in exchange and substitution for such mutilated Note upon surrender and cancellation of such mutilated Note or in lieu of and substitution for the Note destroyed, stolen or lost and upon the Holder's furnishing the Council proof of his ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Trustee may prescribe and paying such expenses as the Trustee may incur. The Notes so surrendered shall be cancelled by the Registrar. If such Note shall have matured or be about to mature, instead of issuing a substitute Note, the City may pay the same, upon being indemnified as aforesaid, and, if such Note be lost, stolen or destroyed, without surrender therefor.

Any such duplicate Note issued pursuant to this section shall constitute an original, additional contractual obligation on the part of the City, whether or not the lost, stolen or destroyed Note be at any time found by any one, and such Note believed to have been, or which had been, lost, stolen or destroyed shall be cancelled. Such duplicate Notes shall be entitled to equal and proportionate benefits and rights as to lien on and source of security for payment from the obligations originally authorized for the purpose of refunding the Notes and the revenues pledged herein with all other Notes issued hereunder.

Section 2.08. Registrar. The City will keep or cause to be kept at the principal office of the Registrar, sufficient books for the registration and transfer of the Notes, which shall at all times be open to inspection by the City; and, upon presentation for such purpose, the Registrar shall, under such reasonable regulations as it may prescribe, register all Notes initially issued pursuant hereto and register or cause to be

registered, on such books, the transfer or exchange of Notes as hereinbefore provided.

The Registrar shall accept a Note for transfer of registration only if ownership thereof is to be registered in the name of an individual (including joint ownership), a corporation, a partnership or a trust, and only upon receipt of the social security number of each individual, the federal employer identification number of each corporation or partnership or the social security numbers of the settlor and beneficiaries of each trust, and the federal employer identification number and date of each trust and the name of the trustee of each trust.

ARTICLE III

SECURITY FOR AND COVENANTS REGARDING THE NOTES

Section 3.01. Payment of the Notes. Subject to the restrictions and limitations on the sources of payment hereinafter set forth, the City covenants that it will promptly pay, or cause to be paid, the principal of and interest on every Note issued under the Indenture at the place, on the dates and in the manner provided herein and in the Notes according to the true intent and meaning thereof. The principal of and interest on the Notes shall be payable solely from the sources set forth in the granting clauses hereof. The Notes are special obligations of the City, payable solely from said sources described above, and do not and shall not constitute a corporate indebtedness of the City within the meaning of any constitutional or statutory provisions or limitations. The general funds of the City are not liable, and neither the full faith and credit nor the taxing power of the City is pledged, for the payment of the Notes. Neither the Trustee nor the Holders of the Notes shall ever have the right to compel the forfeiture of any property of the City. The Notes shall not be a debt of the City, nor a legal or equitable pledge, charge, lien or encumbrance upon any property of the City or upon any of its income, receipts or revenues except the Grant Receipts, and other funds pledged therefor by this Indenture.

Notwithstanding anything in this Indenture to the contrary, the City shall not be required to advance any money derived from any source of income other than the Grant Receipts, and other funds pledged by this Indenture for the payment of the principal of or interest on the Notes or for the performance of any of its duties under this Indenture. The City may, however, advance funds for any such purpose, provided that such funds are derived from a source legally available for such purpose and may be used by the City for such purpose without incurring indebtedness.

Section 3.02. Restrictions on Other Debt. The City hereby covenants that, so long as any of the Notes originally issued hereunder are Outstanding, it will not issue any bonds, notes or other evidences of indebtedness with a lien on or otherwise payable from any source of payment pledged for such Notes prior to or on a parity with the lien on behalf of such Notes, except that, additional Parity Bonds may be issued solely for the purpose of completing the Project pursuant to, and subject to the conditions set forth in Section 7.07 of the Ordinance.

Section 3.03. Particular Covenants. In order to secure the payment of the Notes, the City hereby particularly covenants and agrees that the City, if and so long as any of the Notes are Outstanding:

(A) Will proceed to complete with all practicable dispatch the construction and acquisition of the Project and will maintain, or require all contractors for the Project to maintain, as appropriate, all indemnity bonds and insurance required by the contract documents and by law;

(B) Will not make or cause or permit to be made any application of the proceeds of the Notes or of any moneys held in the Notes Debt Service Fund or the Notes Construction Trust Fund except in accordance with the provisions of Article IV hereof;

(C) Will prepare and submit to the Trustee, on or prior to the 15th day of each month during construction of the Project, a budget setting forth anticipated expenditures for Costs of the Project by category during the next succeeding month and to the conclusion of construction, and the corresponding anticipated source of reimbursement for such Costs as well as an accounting of all moneys disbursed as of the 10th day of the previous month for Costs of the Project, both cumulatively and during the previous 30-day period, and the corresponding source or anticipated source of reimbursement for such Costs;

(D) Will comply in all respects with the terms, conditions and provisions of the Grant Agreement and with all applicable State and federal laws and regulations governing the implementation of any Grant Agreement;

(E) Will impose and collect rates and charges for the use and services of the System in accordance with the requirements of any Grant Agreement and the Ordinance;

(F) Will take all actions necessary to enforce any Grant Agreement and to preserve its right to receive payments or reimbursements under the Grant Agreement;

(G) Will continue promptly to request any payment or reimbursement to which it has become entitled under the Grant Agreement;

(H) Will promptly pay over to the Trustee all Grant Receipts, Tap Fees, if any, and Surplus Revenues, if any, for deposit in the appropriate accounts;

(I) Will not unilaterally terminate, or enter into any agreement to terminate, any Grant agreement; and

(J) Will not create, assume or suffer to be created any judgment, mortgage or deed of trust, pledge or other lien, encumbrance or charge on the Surplus Revenues, if any, or on any property or assets, real or personal, of the System prior to or on a parity with liens created on behalf of the Notes originally issued hereunder (except as permitted by Section 3.02 hereof).

Section 3.04. Required Notices to Trustee. The City will give to the Trustee prompt written notice, appropriately documented, of any change in the status of the Grant and of any authorization of additional indebtedness, including the issuance of Parity Bonds or refunding notes and particularly of any of the following event:

(A) Any modification of a Grant;

(B) The suspension of any Grant, or the issuance of any stop-work order;

(C) The lifting or cancellation of the suspension of any Grant or of the issuance of any stop-work order;

(D) The termination of any Grant; and

(E) The annulment of any Grant.

Section 3.05. Refunding Notes. In the event that there are not funds in the Notes Debt Service Fund, including the Notes Capitalized Interest Account therein, 30 days prior to the maturity date of the Notes originally issued hereunder, sufficient to pay, at maturity, the entire principal of and interest on the Notes, the City covenants to use its best efforts to sell its refunding notes or other obligations in an amount which will provide net proceeds sufficient for such purpose.

Except for details thereof inconsistent herewith and as otherwise provided by an indenture supplemental hereto, such refunding notes or other obligations shall be subject to the terms and restrictions and secured, on a subordinate basis, by the covenants and in the manner set forth herein for the Notes originally issued hereunder. Except as otherwise provided herein, such refunding notes or other obligations shall be offered for sale upon reasonable and customary terms and conditions.

The proceeds of the refunding Notes or other obligations, after making provision for the payment of the expenses of issuance thereof, shall be deposited in the Notes Debt Service Fund and used solely for the payment of the principal of and interest accrued on the Notes.

ARTICLE IV

NOTES PROCEEDS; FUNDS AND ACCOUNTS

Section 4.01. Establishment of Funds and Accounts. Pursuant to this Article IV, the following special funds or accounts are created with, and shall be held by, the Trustee:

- (1) Notes Construction Trust Funds, and therein:
 - (a) Notes Cost of Issuance Account;
- (2) Notes Debt Service Fund, and therein:
 - (a) Notes Capitalized Interest Account.

In addition, the Trustee shall hold, as a trustee for the Bondholder, the Bond Construction Trust Fund created pursuant to Section 5.01 of the Ordinance, and shall apply the moneys therein in accordance with this Article IV.

Section 4.02. Notes Construction Trust Fund. The Notes Construction Trust Fund shall be segregated from all other funds and accounts of the Trustee or the City and used solely for the purposes provided herein. The Notes Construction Trust Fund and the Notes Cost of Issuance Account herein, shall each be segregated, one from the other.

The Notes Cost of Issuance Account shall be used solely for the payment of the expenses of issuing the Notes. After payment of all such expenses, as certified to the Trustee by an Authorized Officer, the Trustee shall close such account, and any balance remaining in the Notes Cost of Issuance Account shall be transferred to the Notes Construction Trust Fund.

The Trustee shall disburse no moneys from either the Bond Construction Trust Fund or the Notes Construction Trust Fund except to pay Costs of the Project as provided below, or to pay the principal of or interest on the Bonds or the Notes respectively, when due, provided however, that principal of and interest on the Bonds shall not be paid from moneys in the Notes Construction Trust Fund and principal of and interest on the Notes shall not be paid from the Bond Construction Trust Fund.

Section 4.03. Disbursements from the Bond Construction Trust Fund and Notes Construction Trust Fund. Payments for Costs of the Project shall be made monthly. All Costs of the Project (except for costs of issuance of the Notes) shall first be paid from the Bond Construction Trust Fund and, upon depletion thereof, from the Notes Construction Trust Fund.

Disbursements from either the Bond or Notes Construction Trust Funds, except from the Notes Cost of Issuance Account, shall be made only after submission to the Trustee of a certificate, signed by an Authorized Officer and the Consulting Engineers, stating:

(A) The Fund (either the Bond or Notes Construction Fund) from which such disbursement is requested;

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

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

(D) That each of such costs has been otherwise properly incurred; and

(E) That payment for each of the items proposed is then due and owing.

In case any contract provides for the retention of a portion of the contract price, the Trustee shall disburse from the applicable Construction Trust Fund only the net amount remaining after deduction of any such portion. All payments made from the Bond or Notes Construction Trust Fund shall be presumed by the Trustee to be made for the purposes set forth in said certificate, and the Trustee shall not be required to monitor the application of disbursements from the Bond or Notes Construction Trust Fund. The Consulting Engineers shall from

time to time file with the Trustee written statements advising the Trustee of its then authorized representative.

Pending such application, moneys in the Bond Construction Trust Fund and Notes Construction Trust Fund, including any accounts therein, shall be invested and reinvested in accordance with Article V hereof.

Whenever the Trustee shall have received notice pursuant to Section 3.04 hereof that any Grant has been suspended or a stop-work order has been issued, the Trustee shall not make further disbursements from the Bond Construction Trust Fund or the Notes Construction Trust Fund until it shall have received notice of the lifting of such suspension or stop-work order in accordance with such section. If the Trustee shall have received notice pursuant to said Section 3.04 that any Grant has been terminated or annulled, the Trustee shall not make any further disbursements from the Bond Construction Trust Fund or the Notes Construction Trust Fund, and it shall immediately transfer all moneys remaining in the Bond Construction Trust Fund to the Sinking Fund and all moneys remaining in the Notes Construction Trust Fund to the Notes Debt Service Fund. Notwithstanding the foregoing provisions of this paragraph, if the Grant which has been suspended, terminated or withdrawn is a Grant other than the EPA Grant, and the City files with the Trustee a certificate of the Consulting Engineers reciting the conclusion and demonstrating that the Project can be completed and the Notes paid in full without such other Grant, the Trustee shall continue to make disbursements from the Bond Construction Trust Fund and the Notes Construction Trust Fund.

Five (5) days prior to the maturity of the Notes or five (5) days prior to any interest payment thereon, to the extent that sufficient moneys are not anticipated to be available in the Notes Debt Service Fund, including the Notes Capitalized Interest Account therein, to pay the principal of or interest on the Notes, or both, as the same shall become due, the Trustee shall transfer moneys in the Notes Construction Trust Fund to the Notes Debt Service Fund and apply such transferred moneys to such payment.

After completion of the Project, as certified by the Consulting Engineers, the Trustee shall transfer any moneys remaining in the Bond Construction Fund to the Sinking Fund and shall transfer any moneys remaining in the Notes Construction Trust Fund to the Notes Debt Service Fund and hold such transferred moneys for the retirement of the Notes. If no Notes are then Outstanding, moneys remaining in the Notes Construction Trust Fund may be withdrawn by the City to be used for any lawful purpose of the System.

Section 4.04. Notes Debt Service Fund. The Trustee shall segregate all funds and securities in the Notes Debt Service Fund from other deposits and funds of the Trustee and other deposits and funds of the City, including the Notes Construction Trust Fund. The Notes Debt Service Fund and Notes Capitalized Interest Account therein shall each be segregated, one from the other. All moneys in the Notes Dept Service Fund, until payment in full of all principal and interest owing on the Notes at their maturity, shall be held in trust for the Holders of the Notes and the City shall have no rights with respect thereto except with respect to the transfers and deposits specified below and to receive the balance therein after payment of the Notes and the interest thereon and the charges, if any, of the Trustee, the Registrar and the Paying Agent.

Section 4.05. Application of Notes Proceeds. From the moneys received from the sale of the Notes originally issued hereunder, the Trustee shall make the following deposits:

A. The sum of \$ _____ (which includes all interest accrued on the Notes from the date thereof to the date of delivery to the Original Notes Purchaser) and which, together with the earnings thereon and any Grant Receipts which may be available therefor, as hereinabove provided, is estimated to be at least sufficient to pay interest on the Notes until the scheduled maturity thereof, shall be deposited in the Notes Capitalized Interest Account; provided, that interest shall not be paid from the proceeds of the Notes after six (6) months after completion of construction of the Project. Any amount received on account of interest accrued on the Notes from the date thereof to the date of delivery to the Original Notes Purchaser shall be deemed a part of said sum deposited in the Notes Capitalized Interest Account.

B. The sum necessary to pay costs of issuance of the Notes and related costs, shall be deposited in the Notes Cost of Issuance Account.

C. The remaining moneys derived from the sale of the Notes shall be deposited in the Notes Construction Trust Fund.

The Trustee shall deposit the amount of Notes proceeds (including any interest accrued on the Notes from the date thereof to the date of delivery to the Original Notes Purchaser) required as provided above for the purpose of paying interest on the Notes until the maturity thereof in the Notes Capitalized Interest Account, segregated from all other deposits and funds of the Trustee of the City, and shall

promptly invest the moneys in such account in accordance with Article V hereof. At or prior to any interest payment date on the Notes, as shall be reasonably requested by the Paying Agent, the Trustee shall transfer from the Notes Capitalized Interest Account to the Paying Agent in immediately available funds the amount of interest on the Notes then owing. In the event the funds on deposit in the Notes Capitalized Interest Account are insufficient to pay any interest on the Notes coming due, the trustee shall transfer funds, first, from the remainder of the Notes Debt Service Fund, and then from the Notes Construction Trust Fund to make up such deficiency. After payment of all interest owing on the Notes, any excess in the Notes Capitalized Interest Account shall be transferred to the Notes Debt Service Fund and used to pay the principal of the Notes.

Section 4.06. Grant Receipts. All Grant Receipts received by the City prior to the maturity of the Notes shall be promptly paid to the Trustee. The Trustee shall deposit the Grant Receipts as follows:

When the moneys on deposit in the Notes Debt Service Fund are sufficient to pay the entire principal of and interest to maturity on the Notes, all subsequent Grant Receipts shall be deposited by the Trustee in the Notes Construction Trust Fund.

Any Grant Receipts remaining or received after the payment of the Notes in full shall be applied to Costs of the Project, or, if the Project is then complete, as certified by the Consulting Engineers, such Grant Receipts may be withdrawn by the City and used for any lawful purpose of the System.

Section 4.07. Tap Fees. All Tap Fees, if any, shall be deposited by the City, as received, in the Notes Construction Trust Fund.

ARTICLE V

INVESTMENTS; NON-ARBITRAGE

Section 5.01. Investments. The Trustee shall invest and reinvest any moneys held as a part of the funds and accounts created by this Indenture at the direction of the City in any Qualified Investments to the fullest extent possible under applicable laws, this Indenture, the need for such moneys for the purposes set forth herein and the specific restrictions and provisions set forth in this Article V.

Except as provided below, any investment shall be held in and at all times deemed a part of the fund or account in

which such moneys were originally held, and the interest accruing therein and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. The investments held for any fund or account shall be valued at the lower of cost or then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including the value of accrued interest and giving effect to the amortization of discount. The Trustee shall sell and reduce the 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 Trustee may make any and all investments permitted by this section through its own bond department, unless otherwise directed by the City, and shall not be responsible for any losses from such investments, other than for its own negligence or willful misconduct.

Qualified Investments acquired for the Notes Capitalized Interest Account shall have maturities or be subject to redemption at the option of the holder at least one day prior to the need for the funds by the Trustee for transfer to the Paying Agent.

Section 5.02. Restrictions as to Arbitrage Bonds. The City hereby covenants, and hereby so instructs the Trustee, that it shall not permit at any time or times any of the proceeds of the Notes or any other funds of the City to be used directly or indirectly to acquire any securities or obligations the acquisition of which would cause any Note to be an "arbitrage bond" as defined in Section 103(c)(2) of the Internal Revenue Code, and the Mayor shall deliver his certificate, based upon this covenant, with regard thereto to the Original Notes Purchaser.

ARTICLE VI

DEFAULTS AND REMEDIES

Section 6.01. Event of Default. Each of the following event shall constitute an "Event of Default" with respect to the Notes:

(i) If default occurs in the due and punctual payment of the principal of or interest on any Note; or

(ii) If default occurs in the City's observance of any of the covenants, agreements or conditions on its part relating to the Notes or in this Indenture or any agreement supplemental hereto or in the Notes contained, and such default shall have

continued for a period of 30 days after written notice specifying such default and requiring the same to be remedied shall have been given to the City by the Trustee; the Trustee may give such notice in its discretion and, subject to the provisions of Section 7.03 hereof, shall give such notice at the written request of the Holders of not less than 10% in aggregate principal amount of the Notes then Outstanding; or

(iii) If the City files a petition seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America.

The Trustee shall, within 60 days of giving written notice of default as provided by Subsection B (ii) of this section or within 60 days of such Event of Default, mail by first class United States mail, postage prepaid, a copy of such written notice of default or notice of such Event of Default to each Noteholder, as indicated by the books maintained by the Registrar.

An "Event of Default" with respect to the Bonds (as described in the Ordinance) shall not constitute an Event of Default with respect to the Notes and vice versa.

Section 6.02. Enforcement by Trustee. Upon the happening and continuance of any Event of Default the Trustee may, and upon the written request of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Notes at such time Outstanding shall, upon being satisfactorily indemnified as provided in Section 7.03 hereof, exercise in its own name any or all of the powers of the Noteholders under Section 6.04 and, in particular:

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

(B) By mandamus or other appropriate proceeding enforce all rights of the Noteholders, including the right to require the City to perform its duties under the Act and this Indenture.

(C) Bring suit upon the Notes;

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

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

No remedy by the terms of this Indenture conferred upon or reserved to the Trustee or to the Noteholders 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 Trustee or to the Noteholders of hereunder or now or hereafter existing at law or by statute.

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

Section 6.03. Appointment of Receivers. Upon the occurrence of an Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and the Noteholders under this Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Trust Estate pending such proceedings, with such powers as the court making such appointment shall confer. Notwithstanding the provisions of this section any such receivership shall conform to the terms of Section 9.03 of the Ordinance.

Section 6.04. Enforcement by Holders. Any Holder of an Outstanding Note may exercise any available remedy and bring any appropriate action, suit or proceedings to enforce his rights, including those specified in Section 6.02 hereof, provided that, prior to resorting to any court of law or to any other legal process, either (i) such Noteholder must have given written notice to the City and the Trustee specifying the Event of Default to be complained of and requesting the Trustee to take appropriate action and have offered to indemnify the Trustee for its expenses in taking such action, and the Trustee must have failed to act within a reasonable time, or (ii) such Noteholder must have obtained the written consent of the Trustee to the institution of the action, suit or proceeding proposed, and such action, suit or proceeding is brought for the ratable benefit of all Noteholders.

Anything in this Indenture to the contrary notwithstanding, the Noteholders of a majority in aggregate principal amount of the Notes then Outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of this Indenture, or for the appointment of a receiver or any other proceedings hereunder; provided, that such direction shall not

be otherwise than in accordance with the provisions of law and of this Indenture.

Section 6.05. Possession of Notes by Trustee Not Required. All rights of action (including the right to file proof of claims) under this Indenture or under any of the Notes may be enforced by the Trustee without the possession of any of the Notes or the production thereof in any trial or other proceedings relating thereto, and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any Holders of the Notes, and any recovery of judgment shall be for the equal benefit of all the Holders of the Outstanding Notes.

Section 6.06. Restoration of City and Trustee. In case the Trustee shall have proceeded to enforce any right under this Indenture by the appointment of a receiver, by entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case the City and the Trustee shall be restored to their former position and rights hereunder, and all rights and remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

Section 6.07. Waiver of Event of Default. The Trustee shall waive any Event of Default hereunder and its consequences upon the written request of the Holders of a majority in aggregate principal amount of the Notes then Outstanding; provided, however, that there shall not be waived any default in the payment of (i) the principal of any Outstanding Note at the stated maturity or (ii) any interest when due on any Note.

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

Section 6.08. Right To Enforce Payment of Notes Unimpaired. Nothing in this article shall affect or impair the right of any Noteholder to enforce the payment of the principal of or interest on his Note or the obligation of the City to pay the principal of and interest on each Note to its Holder when due.

ARTICLE VII

FIDUCIARIES

Section 7.01. Appointment of Trustee; Acceptance of Trustee. The Trustee accepts and agrees to execute the trust and duties imposed upon it by this Indenture, but only upon the terms and conditions set forth herein.

Section 7.02. Paying Agent and Registrar. _____, is hereby initially appointed as Paying Agent and Registrar for the Notes, and said bank shall evidence acceptance of such appointment by entering into an agreement setting forth the rights and obligations of the Registrar and Paying Agent, in form satisfactory to the City, provided that, the City may, from time to time, appoint another bank as Registrar or Paying Agent, subject to the requirements of Section 7.12.

Section 7.03. Responsibilities of Fiduciaries. The recitals of facts in this Indenture and the Notes shall be taken as statements of the City, and the Fiduciaries shall not be responsible for their accuracy. The Trustee shall not be deemed to make any representation as to, and shall not incur any liability on account of, the validity of the execution of this Indenture by the City or of any Notes. Notwithstanding the foregoing, the Registrar shall be responsible for any representation in its certificate of authentication and registration of the Notes. The Noteholders shall indemnify any Fiduciary for any acts taken which may involve it in expense or liability or the institution or defense of any action or suit in respect to this Indenture or the Notes or an advance of any of its own moneys. Notwithstanding the foregoing, the Registrar shall be responsible for any representations in its certificate of authentication and registration on the Notes.

The Trustee, prior to the occurrence of an Event of Default and after the remedy of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. In case an Event of Default has occurred and has not been remedied, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and shall use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs. Any provision in this Indenture relating to action taken or to be taken by the Trustee or to evidence upon which the Trustee may rely shall be subject to the provisions of this section.

Any provision of this Indenture relating to action taken or to be taken by any Fiduciary or to evidence upon which such Fiduciary may rely shall be subject to the provisions of this section.

Section 7.04. Evidence on Which Fiduciary May Act. Except as otherwise provided by Section 10.01 hereof, a Fiduciary shall be protected in acting upon any notice, resolution, request, consent, order, certificate, opinion or other document believed by it to be genuine and to have been signed or presented by the proper party or parties. Whenever a Fiduciary shall deem it necessary or desirable that a fact or matter be proved or established prior to taking or suffering any action, such fact or matter, unless other evidence is specifically prescribed, may be deemed to be conclusively proved and established by a certificate of an Authorized Officer, but in its discretion such Fiduciary may instead accept other evidence of such fact or matter.

Section 7.05. Compensation and Expenses. The City shall pay to any Fiduciary from time to time reasonable compensation for all services, and also reimburse its reasonable expenses, charges, legal fees and other disbursements and those of its attorneys, agents and employees, incurred in the performance of its duties hereunder. The City shall indemnify and save harmless the Fiduciary against any liabilities which it may incur in the exercise and performance of its powers and duties and which are not due to its own negligence, default or willful misconduct.

Section 7.06. Certain Permitted Acts. A Fiduciary may become the owner of or may deal in Notes as fully and with the same rights it would have if it were not a Fiduciary. To the extent permitted by law, such Fiduciary may act as depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Noteholders or effect or aid in any reorganization growing out of the enforcement of the Notes or this Indenture, whether or not any such committee shall represent the Holders of a majority in principal amount of the Notes Outstanding.

Section 7.07. Resignation of Trustee. The Trustee may at any time resign and be discharged of its duties and obligations under this Indenture by giving not less than a sixty (60) days' written notice to the City, specifying the date when such resignation shall take effect, and, within twenty (20) days after the giving of such written notice, sending copies of such notice to each Holder of a Note at his address as it appears on the books of the Registrar. Such

resignation shall take effect upon the day specified in such notice unless a successor shall have been previously appointed by the City or the Noteholders, in which event such resignation shall take effect immediately.

Section 7.08. Removal. The Trustee may be removed at any time by the Holders of a majority in principal amount of the Notes then Outstanding by an instrument or concurrent instruments in writing signed and duly acknowledged by such Noteholders or by their attorneys duly authorized in writing and delivered to the City. Copies of such instrument shall be delivered by the City to the Trustee.

Section 7.09. Appointment of Successor. In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee or of its property shall be appointed, or if any public officer or court shall take charge or control of the Trustee or of its property or affairs, a successor may be appointed by the Holders of a majority in principal amount of the Notes then Outstanding, by an instrument or concurrent instruments in writing signed by such Noteholders or their attorneys duly authorized in writing and delivered to such successor Trustee, notification thereof being given to the City and the predecessor Trustee. Pending such appointment, the City shall forthwith appoint a Trustee to fill such vacancy until a successor Trustee shall be appointed by such Noteholders. The City shall mail notice of any such appointment to each Holder of a Note, at his address as it appears on the books of the Registrar, by first class United States mail, certified or registered, within twenty (20) days after such appointment. Any successor Trustee appointed by the City shall, immediately and without further act, be superseded by a Trustee appointed by such Noteholders. If in a proper case no appointment of a successor Trustee shall be made within forty-five (45) days after the Trustee shall have given to the City written notice of resignation or after the occurrence of any other event requiring such appointment, the Trustee or any Noteholder may apply to any court of competent jurisdiction to appoint a successor. Any Trustee appointed under the provisions of this section shall be a bank, trust company or national banking association doing business and having its principal office in the State, having trust powers and authorized to perform the duties imposed upon it by this Indenture and insured by FDIC.

Section 7.10. Transfer of Rights and Property to Successor. Any predecessor Trustee shall pay over, assign and deliver any moneys and Qualified Investments or assets of the trust estate held by it to its successor.

Section 7.11. Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party, or any company to which the Trustee or any public officer or court may sell or transfer all or substantially all of its corporate trust business, shall be the successor to such Trustee without the execution or filing of any paper or the performance of any further act; provided, however, that such company shall be a bank, trust company or national banking association meeting the requirements set forth in Section 7.09.

Section 7.12. Additional and Successor Paying Agents and Registrars. A. The City may at any time, with the approval of the Original Notes Purchaser and pursuant to Section 9.01 hereof, appoint one or more other Paying Agents having the qualifications hereinafter set forth as an additional or successor Paying Agent and appoint another Registrar, having the qualifications hereinafter set forth, as a successor Registrar.

B. Any Paying Agent or the Registrar may at any time resign and be discharged of the duties and obligations created by this Indenture by giving at least 60 days written notice to the City, the Trustee and the other Paying Agents, if any. Any Paying Agent or the Registrar may be removed at any time by an instrument filed with such Paying Agent or the Registrar, as the case may be, and the Trustee and signed by the City.

Any successor or additional Paying Agent and any successor Registrar must be a bank, trust company or national banking association authorized by law to perform all the duties imposed upon it by the Indenture. Such successor or additional Paying Agent or successor Registrar shall signify its acceptance of the duties and obligations imposed upon it pursuant hereto by executing and delivering to the City a written acceptance thereof.

C. In the event of the resignation or removal of any Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys held by it as Paying Agent to its successor, or, if there be no successor, to the Trustee. In the event of the resignation or removal of the Registrar, such registrar shall deliver the registration books of the City to its successor or, if there be no successor, to the Trustee. If the position of Paying Agent or Registrar shall become vacant for any reason, the City shall, within 30 days thereafter, appoint a bank, trust company or national banking association located in the same city as such Paying Agent or the Registrar to fill

such vacancy; provided, however, that, if the City shall fail to appoint such Paying Agent or Registrar within said period, the Trustee shall, in its discretion, make such appointment or serve as such.

D. Any bank, trust company or national banking association with or into which any Paying Agent or the Registrar may be merged or consolidated, or to which the assets and business of such Paying Agent or Registrar may be sold, shall be deemed the successor of such Paying Agent or Registrar, as the case may be, for the purposes of this Indenture.

E. Notice of the appointment of successor or additional Paying Agents or fiscal agents or of a successor Registrar shall be given in the same manner as provided by Section 7.09 hereof with respect to the appointment of a successor Trustee.

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

Section 7.13. Adoption of Authentication. In case any of the Notes shall have been authenticated but not delivered, any successor Registrar may adopt a certificate of authentication and registration executed by any predecessor Registrar and deliver such Notes so authenticated and registered, and, in case any Notes shall have been prepared but not authenticated and registered, any successor Registrar may authenticate and register such Notes in the name of the predecessor Registrar or in its own name.

ARTICLE VIII

DEFEASANCE: DISCHARGE OF INDENTURE

Section 8.01. Defeasance; Discharge of Indenture. If the City shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all Notes the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Indenture, then this Indenture and the pledges of Grant Receipts, the Surplus Revenues and other moneys and securities pledged hereunder, and all covenants, agreements and other obligations of the City on behalf of the Holders of the Notes made hereunder, shall thereupon cease, terminate and become void and be discharged and satisfied.

Notes for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Paying Agent at the same or earlier time, shall be sufficient, to pay as and when due the respective principal of and interest on such Notes shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Notes 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 Trustee either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same or earlier time, shall be sufficient, to pay when due the principal of and interest due and to become due on said Notes on and prior to the maturity date thereof. Neither securities nor moneys deposited with the Trustee pursuant to this section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and interest on said Notes; provided, any cash received from such principal or interest payments on such securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal of and interest to become due on said Notes on and prior to such maturity date thereof, and interest earned from such reinvestments shall be paid over to the City as received by the Trustee, free and clear of any trust, lien or pledge. For the purpose of this section, securities shall mean and include only Government Obligations.

ARTICLE IX

SUPPLEMENTAL INDENTURE

Section 9.01. Supplemental Indentures Not Requiring Consent of Holders. The City and the Trustee may without the consent of, or notice to, any of the Noteholders enter into an indenture or indentures supplemental to this Indenture, as shall not be inconsistent with the terms and provisions hereof, for any one or more of the following purposes:

(A) To specify, determine or authorize any matters and things concerning the Notes or the proceeds thereof which are not contrary to or inconsistent with this Indenture;

(B) To authorize a series of refunding notes or other obligations, and to specify, determine or authorize any matters and things concerning any such refunding notes or other obligations or the proceeds thereof which are not contrary to or inconsistent with this Indenture;

(C) To impose additional covenants or agreements to be observed by the City which are not contrary to or inconsistent with this Indenture.

(D) To impose other limitations or restrictions upon the City;

(E) To surrender any right, power or privilege reserved to or conferred upon the City by this Indenture;

(F) To confirm, as further assurance, any pledge of or lien upon the Grant Receipts or any other moneys, securities or funds;

(G) To cure any ambiguity, omission or defect in this Indenture;

(H) To modify or amend any of the terms or provisions of this Indenture if no Notes are Outstanding at the time of such modification or amendment; and

(I) To modify or amend any of the terms or provisions of this Indenture, provided that such modification by its terms shall not take effect until all Notes Outstanding on the date of adoption of such modification or amendment shall have ceased to be Outstanding.

Section 9.02. Amendment by Consent of Registered Owners. Except for the supplemental indentures allowed under Section 9.01 hereof, this Indenture or any indenture supplemental hereto and the rights and obligations of the City, the Trustee and the Noteholders may be modified or amended only with the written consent of the Holders of sixty percent (60%) in aggregate principal amount of the Notes then Outstanding, which must be filed with the Trustee before any such modification or amendment may become effective. No such modification or amendment shall extend the maturity of or reduce the interest rate on, or otherwise alter the terms of payment of the principal of or interest on, any Note without the express written consent of the Holder or such Note, nor reduce the percentage of Notes required for consent to any such modification or amendment.

ARTICLE X

MISCELLANEOUS

Section 10.01. Evidence of Signatures of Holders and Ownership of Notes. Any request, consent, revocation of consent or other instrument which this Indenture may require or permit to be signed and executed by Noteholders may be in one or more instrument of similar tenor, and shall be signed or executed by such Noteholders in person or by their attorneys duly authorized in writing. Proof of the execution of any such instrument, or of an instrument appointing or authorizing any such attorney shall be sufficient for any purpose of this Indenture if made in the following manner, or in any manner satisfactory to the Trustee, which may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

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

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

C. The amount of Notes held by any person executing any such instrument as a Holder, the numbers and other identification thereof, and the date of his holding such Note shall be determined by the books of the Registrar.

Any request, consent or other instrument executed by the Noteholder shall bind all future Noteholders in respect of anything done or suffered to be done hereunder by the City or the Trustee in accordance therewith.

Section 10.02. Preservation and Inspection of Documents. All reports, certificates, statements and other documents received by the Trustee under the provisions of this Indenture shall be retained in its possession and shall be available at all reasonable times for the inspection of the City or any Noteholder, and their agents and their representatives, any of whom may make copies thereof, but any such reports, certificates, statements or other documents may, at the election of the Trustee, be destroyed or otherwise disposed of at any time after such date as the pledge created by this Indenture shall be discharged as provided in Section 8.01 hereof.

Section 10.03. Cancellation of Notes. All Notes purchased or paid shall, if surrendered to the City, be cancelled and delivered to the Registrar, or, if surrendered to the Registrar, be cancelled by it. No such Notes shall be deemed Outstanding under this Indenture, and no Notes shall be issued in lieu thereof. All such Notes shall be cancelled and upon order of the City shall be destroyed, and a certificate evidencing such destruction shall be delivered to the City.

Section 10.04. Failure to Present Notes. Anything in this Indenture to the contrary notwithstanding, any moneys held by the Trustee or a Paying Agent in trust for the payment and discharge of any of the Notes which remain unclaimed for one (1) year after the date on which such Notes have become due and payable, shall at the written request of the City be paid by the Paying Agent to the City as its absolute property and free from trust, and said Paying Agent shall thereupon be released and discharged with respect thereto, and the Holders of such Notes shall look only to the City for the payment of such Notes; provided, however, that, before making any such payment to the City, the Paying Agent shall at the expense of the City cause to be published at least once in an authorized newspaper designated in a resolution supplemental hereto a notice that such moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than thirty (30) days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned to the City.

Section 10.05. Notices, Demands and Requests. Unless otherwise expressly provided, all notices, demands and requests to be given or made hereunder to or by the City, the Trustee, the Consulting Engineers or the Original Notes Purchaser shall be in writing and shall be properly made if sent by United States mail, postage prepaid, and addressed as follows or if hand-delivered to the individual to whom such notice, demand or request is required to be directed as indicated below:

A. City

City of Buckhannon
City Hall
Main and Florida Streets
Buckhannon, West Virginia 26201
Attention: Mayor

B. Trustee

Attention: Corporate Trust Department

C. Consulting Engineers

Kelley, Gidley, Blair & Wolfe
P. O. Box 2986
Charleston, West Virginia 25330
Attention:

D. Original Notes Purchaser

Young, Moore & Company, Inc.
1500 Kanawha Valley Building
Charleston, West Virginia 25301
Attention: Harry S. Moore

and

Russell, Rea & Zappala, Inc.
Two Northshore Center
Pittsburgh, PA 15212
Attention: Chuck Gomulka

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

Section 10.06. No Personal Liability. No officer or employee of the City shall be individually or personally liable for the payment of the principal of or the interest on any Note, but nothing herein contained shall relieve any such official or employee from the performance of any official duty provided by law or this Indenture.

Section 10.07. Law Applicable. The laws of the State shall govern the construction of this Indenture and of all Notes issued hereunder.

Section 10.08. Parties Interested Herein. Nothing in this Indenture expressed or implied is intended or shall be construed to confer upon, or give to, any person or corporation, other than the City, the Trustee, the Paying Agent, the Noteholders and the Original Notes Purchaser, any right, remedy or claim under or by reason of this Indenture. All the covenants, stipulations, promises and agreements contained in this Indenture by and on behalf of the City shall be for the sole and exclusive benefit of the City, the Trustee, the Paying Agent, the Noteholders and the Original Notes Purchaser.

Section 10.09. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Indenture shall be held invalid, such invalidity shall not affect any of the remaining provisions of this Indenture.

Section 10.10. Table of Contents and Headings. The Table of Contents and headings of the articles, sections and subsections hereof are for convenience only and shall neither control or affect in any way the meaning or construction of any of the provisions hereof.

Section 10.11. Counterparts. This Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the CITY OF BUCKHANNON has caused this Indenture to be executed on its behalf by the Mayor and has caused the seal of the City to be hereunto affixed and duly attested by the City Recorder; and _____, as Trustee, to evidence its acceptance of the trusts created hereunder, has caused this Indenture to be executed in its name by its duly authorized officer and its corporate seal to be hereunto affixed and duly attested, all as of the date and year first above written.

CITY OF BUCKHANNON

[SEAL]

By _____
Mayor

ATTEST:

By _____
City Recorder

STATE OF WEST VIRGINIA,

COUNTY OF _____, to-wit:

I, _____, a Notary Public of
said County, do certify that _____,
as Mayor and _____, as City Recorder, who
signed the foregoing Trust Indenture, bearing date as of the
_____, for the City of Buckhannon, a municipal
corporation in Upshur County, West Virginia, have this day in
my said county, before me, acknowledged the said writing to be
the act and deed of said municipal corporation.

Given under my hand and seal this _____ day
of _____, 1986.

My commission expires: _____.

Notary Public

[SEAL]

_____ as Trustee

[SEAL]

By _____
Its _____

ATTEST:

By _____
Its _____

STATE OF WEST VIRGINIA,

COUNTY OF _____, to-wit:

I, _____, a Notary Public of
said County, do certify that _____,
as Vice President, and _____, Authorized
Representative, who signed the foregoing Trust Indenture,
bearing date as of the _____, for and on
behalf of _____, a banking corporation,
have this day in my said county, before me, acknowledged the
said writing to be the act and deed of said banking corporation.

Given under my hand and seal this _____ day
of _____, 1986.

My commission expires: _____

Notary Public

[SEAL]

EXHIBIT A

[FORM OF FRONT OF NOTE]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
COUNTY OF UPSHUR
CITY OF BUCKHANNON
SEWERAGE SYSTEM GRANT ANTICIPATION NOTE,
SERIES 1986

INTEREST RATE: _____ MATURITY DATE: _____ CUSIP NO.: _____

REGISTERED OWNER: _____

PRINCIPAL AMOUNT: \$ _____

KNOW ALL MEN BY THESE PRESENTS: That the City of Buckhannon, a municipal corporation organized and existing under the laws of and a political subdivision of, the State of West Virginia (the "City"), for value received, hereby promises to pay (but only from the sources pledged therefor as hereinafter mentioned) to the Registered Owner identified above, or registered assigns, on the Maturity Date identified above, unless redeemed prior thereto, as hereinafter provided, the Principal Amount identified above, and to pay interest at the annual Interest Rate identified above semiannually on _____ 1 and _____ 1 of each year, from the interest payment date next preceding the date of registration of this Note (unless this Note is registered as of an interest payment date, in which event it shall bear interest from the date of registration hereof, or unless this Note is registered prior to _____ 1, 19____, in which event it shall bear interest from _____ 1, 19____) until payment of such principal sum is made in full. The principal (or redemption price) hereof is payable in any coin or currency which, on the date of payment of principal, is legal tender for the payment of public and private debts in the United States of America upon surrender of this Note at the office of _____ (the "Registrar"). Interest hereon is payable by check or draft mailed to the Registered Owner hereof at the address shown on the registry books maintained by the Registrar as of the 15th day of the month next preceding such interest payment date.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS NOTE SET FORTH ON THE REVERSE HEREOF, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH HERE.

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 Note exist, have happened and have been performed in due time, form and manner as required by the laws and Constitution of the State of West Virginia applicable thereto, and that the issuance of this Note and the Notes of the issue of which this Note is one is not in violation of any constitutional, statutory or charter provision or limitation of indebtedness.

This Note, under the provisions of the Act, is and has the qualities and incidents of a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but may only be transferred by transfer of registration hereof with the Registrar.

This Note is under the Act, exempt from taxes imposed by the State of West Virginia and any county, municipality, political subdivision or agency thereof and the interest thereon is exempt from personal income taxation by the State of West Virginia.

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

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

IN WITNESS WHEREOF, the CITY OF BUCKHANNON has caused this Note to be signed by its Mayor and its corporate seal or a facsimile thereof to be imprinted hereon and attested by the signature of its City Recorder in the manner provided in the Indenture, as of this _____ day of _____, 1986.

CITY OF BUCKHANNON

[SEAL]

(Facsimile Signature
Mayor

ATTEST:

(Facsimile Signature
City Recorder

(FORM OF REGISTRAR'S CERTIFICATE OF
AUTHENTICATION AND REGISTRATION)

This Note is one of the fully registered Grant Anticipation Notes described in the within-mentioned Ordinance and Indenture.

Date of Registration: _____.

Registrar

By _____
Authorized Officer

(FORM OF REVERSE OF GAN)

This Note is one of an issue of Grant Anticipation Notes (the "Notes") in the aggregate principal amount of \$ _____, of like tenor and effect, except as to number and denomination, issued (i) to finance a portion of the costs of the construction and acquisition of certain improvements, extensions and additions to the existing sewerage facilities of the City (the "Project") (the Project, together with the existing sewerage system of the City and any improvements and extensions thereto, is hereinafter referred to as the "System") pending receipt by the City of certain grant proceeds from the United States Environmental Protection Agency (the "EPA") and other federal, state and local agencies (collectively, as received after the date of issuance of the Notes, the "Grant Receipts"); (ii) to pay interest on the Notes when due; and (iii) to pay certain costs of issuance thereof and related costs, and is issued in anticipation of such Grant Receipts. This Note is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 16, Article 13 of the Code of West Virginia, 1931, as amended (the "Act"), and an Ordinance and Supplemental Resolutions duly adopted by the City (collectively, the "Ordinance"), and is issued and secured pursuant to the terms of a Trust Indenture (the "Indenture") dated as of _____ 1, 1986, between the City and _____, as trustee (the "Trustee"), and is subject to all the terms and conditions of said Indenture.

The Notes are subject to redemption at the option of the City prior to maturity, in whole, but not in part, at any time on or after _____ 1, 19____, at a redemption price equal to the principal amount thereof, plus accrued interest to the date of redemption, without premium. Notice of any such redemption shall be given by the Registrar by certified or registered mail to the Registered Owner of the Notes to be redeemed at the address on registry books maintained by the Registrar, not less than 30 days prior to the date fixed for redemption price and the place or places where payment of the redemption price will be made. Failure to send such notice or error therein shall not invalidate the call for redemption.

This Note is a special obligation of the City, secured by the Indenture and payable solely from (i) the Grant Receipts; (ii) other moneys, including investment income and unexpended Note proceeds, held in the funds and accounts established with respect to the Notes by the Indenture; (iii) the Surplus Revenues, if any, of the System, as such term is defined in the

Indenture; and (iv) the net proceeds of any refunding notes or other obligations issued for the purpose of paying the principal of or interest on the Notes.

If, 30 days prior to the maturity hereof, the funds deposited for payment are insufficient to pay the entire principal of an interest to be accrued on the Notes to the date of maturity, the City has covenanted to use its best efforts to sell refunding notes or other obligations in an amount which will provide next proceeds sufficient to replenish such deficiency, but only upon the conditions and as described in the Indenture, to which reference is made for a further description of the security for the Notes.

Interest on this Note is payable from certain proceeds of the sale hereof, to be held for such purpose by the Trustee, together with the earnings thereon and certain other moneys available therefor. All moneys received from the sale of the Notes shall be applied solely to the payment of certain costs of the Project, as defined in the Indenture, including payment of any indebtedness incurred by the City for such purposes which is required to be paid from the moneys received from the sale of such Notes, to the appurtenant capitalized interest account and to the payment of certain costs of issuance and related costs, and the Indenture creates a lien upon such moneys, until so applied, in favor of the Registered Owners of the Notes.

This Note does not constitute a corporate indebtedness of the City within the meaning of any constitutional or statutory provisions or limitations, nor shall the City be obligated to pay the same or the interest hereon except from the sources specified above. The general funds of the City are not liable, and neither the full faith and credit nor the taxing power of the City is pledged for the payment of the principal or interest on this Note.

Under the Indenture, the City has entered into certain covenants on behalf of the Registered Owners of the Notes, for the terms of which reference is made to said Indenture. The City has covenanted not to issue any obligations with a lien on or otherwise payable from any source of payment pledged for the Notes prior to or on a party with the lien on behalf of the Notes so long as any of the Notes are outstanding. Remedies provided the Trustee on behalf of the Registered Owner of this Note, and to said Registered Owner, are exclusively as provided in the Indenture, to which reference is here made for a detailed description thereof.

The Notes of the issue of which this Note is one are issuable only as fully registered Notes in denominations of \$5,000 and any integral multiple thereof. Registration of this Note may be transferred, or this Note may be exchanged, at the office of the Registrar by the Registered Owner hereof in person or by his, her or its attorney duly authorized in writing, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in the Indenture, and upon surrender and cancellation of this Note. Upon such transfer or exchange a new Note or Notes, of authorized denomination or denominations, for the like aggregate principal amount, shall be issued, to the transferee in the case of transfer, in exchange therefor.

[FORM OF ASSIGNMENT]

For value received, the undersigned Registered Owner do(es) hereby sell, assign and transfer unto _____

(name, address and social security number or other identifying number of assignee) the within-mentioned Note and irrevocably constitute(s) and appoint(s) _____ to transfer the same on the books kept for registration of the within Note, with full power of substitution in the premises.

Dated: _____

Registered Owner

(NOTE: The signature must correspond with the name of the Registered Owner as it appears upon the front of this Note in every particular, without alteration or enlargement or any change whatever.)

SPECIMEN

[Form of Series 1986 B Bond]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF BUCKHANNON
SEWER REVENUE BONDS, SERIES 1986 B

No. R- _____

\$ _____

KNOW ALL MEN BY THESE PRESENTS: That the City of Buckhannon, a municipal corporation of the State of West Virginia in Upshur County of said State, (the "City"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to West Virginia Water Development Authority or registered assigns (the "Payee") the sum of _____ (\$ _____), in _____ equal installments of \$ _____ each, on _____ 1 of each year as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference, with a final maturity of this Bond on the 1st day of _____, _____, all with no interest thereon.

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, through _____, as registrar and paying agent (the "Registrar").

This Bond may be redeemed prior to its stated date of maturity in whole or in part of any time, but only with the express written consent of West Virginia Water Development Authority.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain extensions, improvements and additions to the existing public sewerage facilities of the City and the financing of the cost not otherwise provided, therein (the "Project") (the Project, together with the existing sewerage system of the City and any improvements and extensions thereto, is hereinafter referred to as the "System") and (ii) to pay certain costs of issuance hereof and related costs. This Bond is issued under the

authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13 of the Code of West Virginia, 1931, as amended (the "Act"), and the Ordinance duly enacted by the City on the _____ day of _____, 1986, as supplemented on _____, 19____, (collectively the "Ordinance"), and is subject to all the terms and conditions thereof. The Ordinance 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 Ordinance.

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Ordinance) to be derived from the operation of the System after there has first been paid from said Net Revenues all payments then due and owing on the Series 1960 Bonds and the Series 1986 A Bonds herein described, moneys in the Reserve Account created under the Ordinance for the Bonds of this Series (the "Series 1986 B Bonds Reserve Account"), and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which have been issued and remain outstanding or may be issued pursuant to the Act both of which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the City within the meaning of any constitutional or statutory provisions or limitations, nor shall the City be obligated to pay the same except from said special fund provided from the Net Revenues, the moneys in the Series 1986 B Bonds Reserve Account and unexpended Bond proceeds. Pursuant to the Ordinance, the City 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 to provide for the proper and reasonable expenses of operation, repair, replacements and maintenance of the System, and to leave a balance of each year equal to at least 115% of the amount required to pay the maximum amount due in any ensuing fiscal year of principal of and interest on all obligations payable from such revenues, provided however, that so long as there exists in the Series 1986 B Bonds Reserve Account and the reserve account established for the Series A Bonds sufficient moneys to pay the maximum amount of principal and interest which will become due on all obligations payable from such net revenues which may be issued in any succeeding fiscal year, such percentage may be reduced to 110%. The City has entered into certain further covenants with the Registered Owners of the Bonds for the terms of which reference is made to the Ordinance. Remedies provided the Registered Owners of the Bonds are exclusively as provided

in the Ordinance, to which reference is here made for a detailed description thereof.

This Bond is transferable, as provided in the Ordinance, only upon the books of the Bond Registrar, kept for that purpose at the office of the Bond Registrar by the Payee, 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 Payee or its attorney duly authorized in writing.

This Bond, under the provision of the Act is, and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia.

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law, shall be applied solely to the payment of the Costs of the Project described in the Ordinance or to the appurtenant Sinking Fund, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the Holder of this Bond.

This Bond and the interest thereon is exempt from all taxation by the State of West Virginia or any County, Municipality, political subdivision or agency thereof.

THIS BOND IS JUNIOR AND SUBORDINATE WITH RESPECT TO SOURCES OF AND SECURITY FOR PAYMENT TO THE OUTSTANDING SEWER REVENUE BONDS, SERIES 1960 AND SERIES 1986 A, OF THE CITY, THE LATTER BEING ISSUED CONCURRENTLY HERewith AND DESCRIBED IN THE ORDINANCE (THE "SERIES 1986 A BONDS").

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 City, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the revenues of the System has been pledged to and will be set aside into said special fund by the City for the prompt payment of the principal of and interest on this Bond.

All provisions of the Ordinance, resolutions and statues 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 CITY OF BUCKHANNON has caused this Bond to be signed by its Mayor and its corporate seal to be hereto affixed or imprinted hereon and attested by its City Recorder, and has caused this Bond to be dated _____, 1986.

[SEAL]

Mayor

ATTEST:

City Recorder

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1986 B Bonds described in the within-mentioned Ordinance and has been duly registered in the name of the registered owner set forth below:

Dated: _____, _____,
as Bond Registrar

By: _____
Its Authorized Officer

EXHIBIT A

SCHEDULE OF ANNUAL DEBT SERVICE

[Form of Assignment]

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

_____ the Sewer Revenue Bond, Series 1986 B, dated _____ of the City of Buckhannon, West Virginia 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 City with full power of substitution in the premises.

Dated: _____, _____

In the presence of:

CERTIFICATE OF REGISTRAR

The Central National Bank of Buckhannon, Buckhannon, West Virginia (the "Registrar") as Registrar under an ordinance between them and The City of Buckhannon, West Virginia (the "Issuer") enacted February 20, 1986 and supplemented by Supplemental Resolution adopted March 6, 1986 (collectively the "Ordinance"), hereby certifies as follows:

1. It is lawfully empowered by its by-laws, and a resolution, a copy of which is attached to execute and accept the trust contemplated and provided under the Ordinance.

2. Acting by Robert R. Post, Executive Vice President and Executive Officer for The Central National Bank of Buckhannon, it's authorized representative, he has duly authenticated in aggregate total amount, \$3,251,790 The City of Buckhannon, West Virginia Sewer Revenue Bonds, Series 1986 A and B.

3. Such person indicated above was at the time of the enactment of the Ordinance and the execution and authentication of the Bonds, and is now, the duly elected, qualified and acting incumbent of his respective office, and pursuant to authorization from the Board of Directors of The Central National Bank, as evidenced by such bank's by-laws, a copy of

the pertinent portion of which is attached hereto indicating that such person, in his official capacity, is authorized to accept the trust created by the Ordinance and to authenticate the Bonds for and on behalf of such bank, as Registrar.

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

Name and Title

Signature

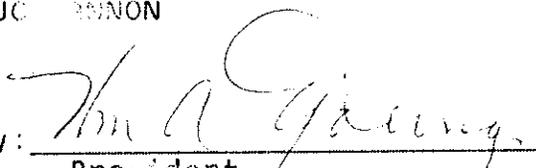
Robert R. Post
The Central National Bank,
Authorized Representative

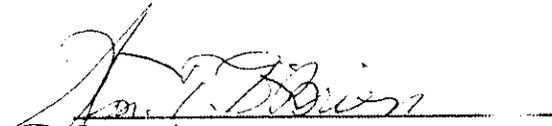


5. The seal of The Central National Bank is the same seal of which impression appears below and on the Bonds.

IN WITNESS, The Central National Bank has caused this Certificate to be executed by a duly authorized officer on the day, month and year below noted.

THE CENTRAL NATIONAL BANK OF
BUCARON

By: 
President


Secretary
Chairman of Board

Dated March 12, 1956

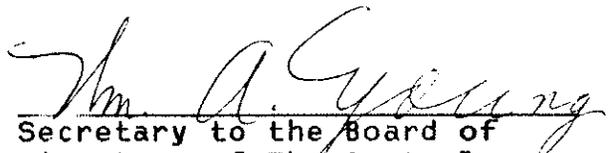
RESOLUTION

I, Wm. A. Young, Secretary to the Board of Directors of The Central National Bank, Buckhannon, West Virginia, do hereby certify that in accordance with action taken by the Board of Directors at a regular meeting duly called and held on March 3, 1986 at which a quorum was present and voting, the following authorization was granted and is still in full force and effect and has not been rescinded or modified and it is consistent with the by-laws of the Bank:

BE IT RESOLVED, That The Central National Bank is hereby authorized to act as the "Registrar" under an Ordinance dated as of February 20, 1986 and to be supplemented by Supplemental Resolution to be adopted March 6, 1986 by the City of Buckhannon, West Virginia with respect to the City of Buckhannon, West Virginia Sewer Revenue Bonds. In connection therewith, The Central National Bank is authorized to exercise all powers vested in the Registrar by the aforesaid Ordinance and through any of its authorized agents to authenticate the Bonds and execute all related documents and instruments and writings without necessity of countersignature and furnish such certificates and opinions of counsel as may be requisite in the premises and perform all duties vested in the Registrar. In addition to those officers of The Central National Bank who have heretofore been authorized to act as its agent, Robert R. Post, Exec., VP, Authorized Representative, is hereby specially authorized to act as an agent of The Central National Bank with respect to this bond issue and to execute such documents and instruments as shall be necessary in connection therewith.

IN WITNESS WHEREOF, I have hereunto affixed my hand and the seal of THE CENTRAL NATIONAL BANK, this 4th day of March, 1986.

(CORPORATE SEAL)


Wm. A. Young
Secretary to the Board of
Directors of The Central
National Bank

SUPPLEMENTAL LOAN AGREEMENT

THIS SUPPLEMENTAL LOAN AGREEMENT, Made and entered into in several counterparts, by and between the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY, a governmental instrumentality and body corporate of the State of West Virginia (the "Authority"), and the governmental agency designated below (the "Governmental Agency").

W I T N E S S E T H:

WHEREAS, pursuant to the provisions of Chapter 20, Article 5C, of the Code of West Virginia, 1931, as amended (the "Act"), the Authority is empowered to make loans to governmental agencies for the acquisition or construction of water development projects by such governmental agencies and to issue water development revenue bonds of the State of West Virginia (the "State") to finance, in whole or in part, by loans to governmental agencies, one or more water development projects, all subject to such provisions and limitations as are contained in the Act;

WHEREAS, the Governmental Agency constitutes a governmental agency as defined by the Act;

WHEREAS, the Governmental Agency is authorized and empowered by the statutes of the State to construct, operate and improve a water development project, as defined by the Act, and to finance the cost of constructing or acquiring the same by borrowing money to be evidenced by revenue bonds, including supplemental, subordinate revenue bonds, issued by the Governmental Agency;

WHEREAS, the Governmental Agency intends to construct or is constructing such a water development project at the location and as more particularly described and set forth in the Application, as hereinafter defined (the "Project");

WHEREAS, the Governmental Agency has completed and filed with the Authority an Application for a Construction Loan with attachments and exhibits and an Amended Application for a Construction Loan also with attachments and exhibits (together, as further revised and supplemented, the "Application"), which Application is incorporated herein by this reference;

WHEREAS, on or prior to the date hereof, the Governmental Agency and the Authority entered a loan agreement with respect to the purchase by the Authority of certain Local Bonds of the Governmental Agency, all as more specifically described in Exhibit A attached hereto and incorporated herein by reference (the "Loan Agreement").

WHEREAS, having reviewed the Application and made all findings required by Section 5 of the Act, and having available sufficient funds therefore, the Authority is willing to lend the Governmental Agency the amount set forth on Schedule X attached hereto and incorporated herein by reference, through the purchase of supplemental, subordinate revenue bonds of the Governmental Agency with certain available funds of the Authority (other than the proceeds of certain water development revenue bonds of the State issued by the Authority pursuant to and in accordance with the provisions of the Act and a general resolution adopted by the Authority on May 22, 1985, as supplemented), subject to the Governmental Agency's satisfaction of certain legal and other requirements of the Authority's supplemental water development loan program (the "Supplemental Program") as hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and the mutual agreements hereinafter contained, the Governmental Agency and the Authority hereby agree as follows:

ARTICLE I

Definitions; Loan Agreement

1.1 Capitalized terms used and not otherwise defined herein shall have the meanings respectively given them by the Loan Agreement.

1.2 Except where the context clearly indicates otherwise, the terms "Authority," "water development revenue bond," "cost," "governmental agency," "water development project," "wastewater facility" and "water facility" have the definitions and meanings ascribed to them in the Act.

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

1.4 "Supplemental Loan" means the loan to be made by the Authority to the Governmental Agency through the purchase of Supplemental Bonds, as hereinafter defined, pursuant to this Supplemental Loan Agreement.

1.5 "Supplemental Bonds" means the revenue bonds to be issued by the Governmental Agency pursuant to the provisions of the Local Statute, to evidence the Supplemental Loan and to be purchased by the Authority with certain available funds (other than the proceeds of its water development revenue bonds), the lien of which on the revenues of the System is junior, subordinate and inferior to that of the Local Bonds, all in accordance with the provisions of this Supplemental Loan Agreement.

1.6 Additional terms and phrases are defined in this Supplemental Loan Agreement as they are used.

1.7 This Supplemental Loan Agreement is supplemental to the Loan Agreement, the terms of which are incorporated herein by reference.

ARTICLE II

The Project and the System

2.1 The Project shall generally consist of the construction and acquisition of the facilities described in the Application, to be constructed in accordance with plans, specifications and designs prepared for the Governmental Agency by the Consulting Engineers, the Authority having found, to the extent applicable, that the Project is consistent with the applicable comprehensive plan of water management approved by the Director of the West Virginia Department of Natural Resources (or in the process of preparation by such Director), has been approved by the West Virginia Department of Health and is consistent with the standards set by the West Virginia Water Resources Board for the waters of the State affected thereby.

2.2 Subject to the terms, conditions and provisions of this Supplemental Loan Agreement and of the Local Act, the Governmental Agency has acquired, or shall do all things necessary to acquire, the proposed site of the Project and shall do all things necessary to construct the Project in accordance with the plans, specifications and designs prepared for the Governmental Agency by the Consulting Engineers.

2.3 All real estate and interests in real estate and all personal property constituting the Project and the Project site heretofore or hereafter acquired shall at all times be and remain the property of the Governmental Agency, subject to any mortgage lien or other security interest as is provided for in the Local Statute.

2.4 The Governmental Agency agrees that the Authority and its duly authorized agents shall have the right at all

reasonable times to enter upon the Project site and Project facilities and to examine and inspect the same. The Governmental Agency further agrees that the Authority and its duly authorized agents shall, prior to, at and after completion of construction and commencement of operation of the Project, have such rights of access to the System site and System facilities as may be reasonably necessary to accomplish all of the powers and rights of the Authority in respect of the System pursuant to the pertinent provisions of the Act.

2.5 The Governmental Agency shall keep complete and accurate records of the cost of acquiring the Project site and the costs of constructing, acquiring and installing the Project. The Governmental Agency shall permit the Authority, acting by and through its Director or his duly authorized representatives, to inspect all books, documents, papers and records relating to the Project at any and all reasonable times for the purpose of audit and examination, and the Governmental Agency shall submit to the Authority such documents and information as it may reasonably require in connection with the construction, acquisition and installation of the Project and the administration of the Supplemental Loan or of State and federal grants or other sources of financing for the Project.

2.6 The Governmental Agency agrees that it will permit the Authority and its agents to have access to the records of the Governmental Agency pertaining to the operation and maintenance of the System at any reasonable time following completion of construction of the Project and commencement of operation thereof.

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

2.8 The Governmental Agency shall require that each of its contractors and all subcontractors maintain, during the life of the construction contract, workers' compensation coverage, public liability insurance, property damage insurance and vehicle liability insurance in amounts and on terms satisfactory to the Authority. Until the Project facilities are completed and accepted by the Governmental Agency, the Governmental Agency or (at the option of the Governmental Agency) the contractor shall maintain builder's risk insurance (fire and extended coverage) on a one hundred percent (100%) basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Authority, the Governmental Agency, the prime contractor and all subcontractors, as their interests may appear.

2.9 The Governmental Agency shall provide and maintain competent and adequate resident engineering services satisfactory to the Authority covering the supervision and inspection of the development and construction of the Project, and bearing the responsibility of assuring that construction conforms to the plans, specifications and designs prepared by the Consulting Engineers, which have been approved by all necessary governmental bodies. Such resident engineer shall certify to the Authority and the Governmental Agency at the completion of construction that construction is in accordance with the approved plans, specifications and designs, or amendments thereto, approved by all necessary governmental bodies.

2.10 The Governmental Agency agrees that it will at all times provide operation and maintenance of the System to comply with all State and federal standards. The Governmental Agency agrees that qualified operating personnel properly certified by the State will be retained to operate the System during the entire term of this Supplemental Loan Agreement.

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

ARTICLE III

Conditions to Supplemental Loan; Issuance of Supplemental Bonds

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

(a) The Governmental Agency shall have performed and satisfied all of the terms and conditions to be performed and satisfied by it in this Supplemental Loan Agreement;

(b) The Governmental Agency shall have authorized the issuance of and delivered to the Authority for purchase the Supplemental Bonds described in this Article III and in Article IV hereof and shall have delivered to the Authority for purchase the Local Bonds in accordance with the Loan Agreement;

(c) The Governmental Agency shall have received bids for the construction of the Project which are in an amount and otherwise compatible with the plan of financing described in the Application, and the Authority shall have received a certificate of the Consulting Engineers to such effect;

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

(e) The Governmental Agency shall have obtained all requisite orders of and approvals from the Public Service Commission of West Virginia (the "PSC") necessary for the issuance of the Supplemental Bonds, construction of the Project and imposition of rates and charges and shall have taken any other action required for the imposition of such rates and charges (imposition of such rates and charges is not, however, required to be effective until completion of construction of the Project), and the Authority shall have received an opinion of counsel to the Governmental Agency, which may be local counsel to the Governmental Agency, bond counsel or special PSC counsel, to such effect;

(f) Such rates and charges for the System shall be sufficient to comply with the provisions of Subsection 4.1(b)(ii) hereof, and the Authority shall have received a certificate of the accountants for the Governmental Agency, or such other person or firm experienced in the finances of governmental agencies and satisfactory to the Authority, to such effect; and

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

3.2 Subject to the terms and provisions of this Supplemental Loan Agreement, the rules and regulations promulgated by the Authority or any other appropriate State agency and any applicable rules, regulations and procedures promulgated from time to time by the federal government, it is hereby agreed that the Authority shall make the Supplemental

Loan to the Governmental Agency and the Governmental Agency shall accept the Supplemental Loan from the Authority, and in furtherance thereof it is agreed that the Governmental Agency shall sell to the Authority and the Authority shall make the Supplemental Loan by purchasing the Supplemental Bonds in the principal amount and at the price set forth in Schedule X hereto. The Supplemental Bonds shall have such further terms and provisions as described in Article IV hereof.

3.3 The Supplemental Loan shall be secured and shall be repaid in the manner hereinafter provided in this Supplemental Loan Agreement.

3.4 The Supplemental Loan will be made only in conjunction with the Loan. The Supplemental Bond shall be delivered to the Authority, at the offices of the Authority, simultaneously with the delivery of the Local Bond to the Authority.

3.5 The Governmental Agency understands and acknowledges that it is one of several governmental agencies which have applied to the Authority for loans to finance water development projects and that the obligation of the Authority to make any such loan is subject to the Governmental Agency's fulfilling all of the terms and conditions of this Supplemental Loan Agreement and the Loan Agreement on or prior to the Date of Loan Closing and to the right of the Authority to make such loans to other governmental agencies under the conditions and in the manner described in the Loan Agreement. The Governmental Agency further understands and acknowledges that the Authority's obligation to make the Supplemental Loan is subject to the availability on the Date of Loan Closing of funds legally available therefor.

ARTICLE IV

Supplemental Bonds; Security for Supplemental Loan;
Repayment of Supplemental Loan; No Interest on
Supplemental Loan; Fees and Charges

4.1 The Governmental Agency shall, as one of the conditions of the Authority to make the Supplemental Loan, authorize the issuance of and issue the Supplemental Bonds pursuant to an official action of the Governmental Agency in accordance with the Local Statute, which shall, as enacted, contain provisions and covenants in substantially the form as follows:

(a) That the revenues generated from the operation of the System will be used monthly, in the order of priority listed, as set forth on Schedule Y attached hereto and

incorporated herein by reference. The gross revenues of the System shall always be used for purposes of the System.

(b) Covenants substantially as follows:

(i) That the Supplemental Bonds shall be secured by the revenues from the System, as more fully set forth in Schedules X and Y attached hereto, subject to the prior and senior security therefrom granted to the Local Bonds;

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

(iii) That the Governmental Agency will complete the Project and operate and maintain the System in good condition;

(iv) That the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Local Bonds and Supplemental Bonds outstanding, with further restrictions on the disposition of portions of the System as are normally contained in such covenants;

(v) That the Governmental Agency shall not issue any other obligations payable from the revenues of the System which rank prior to, or equally, as to lien and security with the Supplemental Bonds, except the Local Bonds and bonds on a parity with the Supplemental Bonds, which parity bonds shall only be issued if net revenues of the System prior to issuance of such parity bonds, plus reasonably projected revenues from rate increases and the improvements to be financed by such parity bonds, shall not be less than one hundred fifteen percent (115%) of the maximum debt service in any succeeding year on all Supplemental Bonds and parity bonds theretofore and then being issued and on the Local Bonds and any other obligations secured by or payable from the revenues of the System prior to the Supplemental Bonds; provided, however, that additional parity Local Bonds and additional parity Supplemental Bonds may be issued to complete the Project, as described in the Application as of the date hereof, without regard to the foregoing;

(vi) That the Governmental Agency will carry such insurance as is customarily carried with respect to works and properties similar to the System;

(vii) That the Governmental Agency will not render any free services of the System;

(viii) That any bond owner may, by proper legal action, compel the performance of the duties of the Governmental Agency under the Local Act, including the making and collection of sufficient rates or charges for services rendered by the System, and shall also have, in the event of a default in payment of principal or interest on the Supplemental Bonds, the right to obtain the appointment of a receiver to administer the System as provided by law, subject to the prior and senior rights of the owner or owners of the Local Bonds;

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

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

(xi) That the Governmental Agency shall annually cause the records of the System to be audited by an independent certified public accountant and shall submit the report of said audit to the Authority, which shall include a statement that the Governmental Agency is in compliance with the terms and provisions of the Local Act and this Supplemental Loan Agreement;

(xii) That the Governmental Agency shall annually adopt a detailed budget of the estimated expenditures for operation and maintenance of the System during the succeeding fiscal year;

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

(xiv) That the proceeds of the Supplemental Bonds, except for accrued interest and capitalized interest, if any, must be deposited in a construction fund on which the owner of the Supplemental Bonds shall have a lien until such proceeds are applied to the construction of the Project (including the repayment of any incidental interim financing for non-construction costs), provided that said construction fund may be the one established for the Local Bonds, which shall have a prior and senior lien thereon; and

(xv) That, as long as the Authority is the owner of any of the Supplemental Bonds, the Governmental Agency shall not authorize redemption of any Supplemental Bonds by it without the written consent of the Authority.

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

4.2 The Supplemental Loan shall be secured by the pledge and assignment by the Governmental Agency, as effected by the Local Act, of the fees, charges and other revenues of the Governmental Agency from the System as further set forth by and subject only to the prior and senior security therefrom for the Local Bonds and to such reservations and exceptions as are

described in Schedules X and Y hereto or are otherwise expressly permitted in writing by the Authority.

4.3 The principal of the Supplemental Loan shall be repaid by the Governmental Agency annually on the day and in the years provided in Schedule X hereto.

4.4 The Supplemental Loan shall not bear interest.

4.5 The Supplemental Bonds shall be delivered to the Authority in fully registered form, transferable and exchangeable as provided in the Local Act at the expense of the Governmental Agency.

4.6 The Governmental Agency agrees to pay from time to time, as required by the Authority, the Governmental Agency's allocable share of the reasonable administrative expenses of the Authority relating to the Supplemental Program, which administrative expenses shall be as determined by the Authority.

ARTICLE V

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

5.1 The Governmental Agency hereby irrevocably covenants and agrees to comply with all of the terms, conditions and requirements of this Supplemental Loan Agreement and the Local Act. The Governmental Agency hereby further irrevocably covenants and agrees that, as one of the conditions of the Authority to make the Supplemental Loan, it has fixed and collected, or will fix and collect, the rates, fees and other charges for the use of the System, as set forth in the Local Act and in compliance with the provisions of Subsection 4.1(b)(ii) hereof.

5.2 In the event, for any reason, the schedule of rates, fees and charges initially established for the System in connection with the Local Bonds and the Supplemental Bonds shall prove to be insufficient to produce the minimum sums set forth in the Local Act, the Governmental Agency, 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 so as to provide funds sufficient to produce the minimum sums set forth in the Local Act and as required by this Supplemental Loan Agreement.

5.3 In the event the Governmental Agency defaults in the payment of any fees due to the Authority pursuant to Section

4.6 hereof, the amount of such default shall bear interest at the rate of five percent (5%) per annum, from the date of the default until the date of the payment thereof.

5.4 The Governmental Agency hereby irrevocably covenants and agrees with the Authority that, in the event of any default hereunder by the Governmental Agency, the Authority may exercise any or all of the rights and powers granted under Section 6a of the Act, including without limitation the right to impose, enforce and collect directly charges upon users of the System.

ARTICLE VI

Other Agreements of the Governmental Agency

6.1 The Governmental Agency hereby acknowledges to the Authority its understanding of the provisions of the Act, vesting in the Authority certain powers, rights and privileges with respect to water development projects in the event of default by governmental agencies in the terms and covenants of loan agreements, and the Governmental Agency hereby covenants and agrees that, if the Authority should hereafter have recourse to said rights and powers, the Governmental Agency shall take no action of any nature whatsoever calculated to inhibit, nullify, void, delay or render negatory such actions of the Authority in the due and prompt implementation of this Supplemental Loan Agreement.

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

ARTICLE VII

Miscellaneous

7.1 Additional definitions, additional terms and provisions of the Supplemental Loan and additional covenants and agreements of the Governmental Agency are set forth in Schedule Z attached hereto and incorporated herein by reference, with the same effect as if contained in the text of this Supplemental Loan Agreement.

7.2 Schedules X, Y and Z shall be attached to this Supplemental Loan Agreement at the time of execution hereof by the Authority and shall be approved by an official action of the Governmental Agency supplementing the Local Act, a certified copy of which official action shall be submitted to the Authority.

7.3 If any provision of this Supplemental Loan Agreement shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such provision shall not affect any of the remaining provisions of this Supplemental Loan Agreement, and this Supplemental Loan Agreement shall be construed and enforced as if such invalid or unenforceable provision had not been contained herein.

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

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

7.6 This Supplemental Loan Agreement merges and supersedes all prior negotiations, representations and agreements between the parties hereto relating to the Supplemental Loan and constitutes the entire agreement between the parties hereto in respect thereof.

7.7 By execution and delivery of this Supplemental Loan Agreement, the Governmental Agency specifically recognizes that it is hereby agreeing to sell its Supplemental Bonds to the Authority and that such obligation may be specifically

enforced or subject to a similar equitable remedy by the Authority.

7.8 This Supplemental Loan Agreement shall terminate upon the earlier of:

(i) termination by the Authority of the Loan Agreement pursuant to Subsections 7.8(i) or (ii) thereof;

(ii) termination by the Authority pursuant to Section 6.2 hereof; or

(iii) payment in full of the principal of the Supplemental Loan and of any fees and charges owed by the Governmental Agency to the Authority.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Loan Agreement to be executed by their respective duly authorized officers as of the date executed below by the Governmental Agency, but this Supplemental Loan Agreement shall not be binding on the Authority until executed by it.

[Proper Name of Governmental Agency]

(SEAL)

By _____
Its _____

Attest:

Date: _____

Its _____

WEST VIRGINIA WATER DEVELOPMENT
AUTHORITY

(SEAL)

By _____
Director

Attest:

Date: _____

Secretary-Treasurer

EXHIBIT A

LOAN AGREEMENT

Date:

Principal Amount of Local Bonds:

EXHIBIT B

[Opinion of Bond Counsel for Governmental Agency]

[To Be Dated as of Date of Loan Closing]

West Virginia Water Development Authority
1201 Dunbar Avenue
Dunbar, West Virginia 25064

Gentlemen:

We are bond counsel to _____
(the "Governmental Agency"), a _____
_____.

We have examined a certified copy of proceedings and other papers relating to (i) the authorization of a loan agreement, dated _____, 19__ (the "Supplemental Loan Agreement"), between the Governmental Agency and the West Virginia Water Development Authority (the "Authority"), and (ii) the issue of a series of supplemental, subordinate revenue bonds of the Governmental Agency, dated _____, 19__ (the "Supplemental Bonds"), to be purchased by the Authority in accordance with the provisions of the Supplemental Loan Agreement. The Supplemental Bonds are in the principal amount of \$_____, issued in the form of one bond registered as to principal to the Authority, without interest thereon, with principal payable in installments on October 1 in each of the years, as follows:

<u>Year</u>	<u>Installment</u>
-------------	--------------------

The Supplemental Loan Agreement is supplemental to a loan agreement dated _____, _____, also between the Governmental Agency and the Authority (the "Loan Agreement"). The Supplemental Bonds are junior, subordinate and inferior as to lien and source of and security for payment to the bonds issued pursuant to the Loan Agreement (the "Local Bonds"), which Local Bonds are issued simultaneously herewith.

The Supplemental Bonds are issued, together with the Local Bonds, for the purpose of _____ and paying certain issuance and other costs in connection therewith.

We have also examined the applicable provisions of _____ of the Code of West Virginia, 1931, as amended (the "Local Statute"), under which the Supplemental Bonds are issued, and the Supplemental Loan Agreement that has been undertaken, including all schedules and exhibits to the Supplemental Loan Agreement. The Supplemental Bonds have been authorized by a bond _____ (the "Local Act") duly enacted by the Governmental Agency, which contains provisions and covenants substantially in the form of those set forth in Section 4.1 of the Supplemental Loan Agreement. The Supplemental Bonds are subject to redemption prior to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Local Act and the Supplemental Loan Agreement.

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

1. The Supplemental Loan Agreement has been duly authorized by and executed on behalf of the Governmental Agency and is a valid and binding special obligation of the Governmental Agency enforceable in accordance with the terms thereof.

2. The Supplemental Loan Agreement inures to the benefit of the Authority and cannot be amended so as to affect adversely the rights of the Authority or diminish the obligations of the Governmental Agency without the consent of the Authority.

3. The Governmental Agency is a duly organized and presently existing _____, with full power and authority to construct and acquire the Project and to operate and maintain the System referred to in the Supplemental Loan Agreement and to issue and sell the Supplemental Bonds, all under the Local Statute and other applicable provisions of law.

4. The Governmental Agency has legally and effectively enacted the Local Act and all other necessary _____ in connection with the issuance and sale of the Supplemental Bonds.

5. The Supplemental Bonds are valid and legally enforceable special obligations of the Governmental Agency, payable from the [net] revenues of the System referred to in the Local Act and secured by a lien on and pledge of the [net] revenues of said System, all in accordance with the terms of the Supplemental Bonds and the Local Act, and have been duly issued and delivered to the Authority. Said lien and pledge are junior, subordinate and inferior to that created for the Local Bonds [and _____].

6. The Governmental Agency has reserved the right to issue additional bonds ranking on a parity with the Supplemental Bonds, as provided in the Local Act.

7. The Supplemental Bonds are, by statute, exempt

No opinion is given herein as to the enforceability of remedies with respect to the Supplemental Bonds under any applicable bankruptcy, insolvency, moratorium or other laws affecting creditors' rights.

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

Very truly yours,