CITY OF CHARLES TOWN

WATER REVENUE BONDS, SERIES 1987 A AND SERIES 1987 B

BOND ORDINANCE

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CITY OF CHARLES TOWN

ORDINANCE

ORDINANCE AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF ADDITIONS AND IMPROVEMENTS FOR THE EXISTING WATERWORKS SYSTEM OF THE CITY OF CHARLES TOWN AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE CITY OF NOT MORE THAN $2,400,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 1987 A AND NOT MORE THAN $600,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 1987 B, PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; APPROVING AND RATIFYING A LOAN AGREEMENT AND SUPPLEMENTAL LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT ORDAINED AND ENACTED BY THE COUNCIL OF THE CITY OF CHARLES TOWN:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01. Authority for this Ordinance. This Ordinance (together with any ordinance, order or resolution supplemental hereto or amendatory hereof, the "Bond Legislation") is adopted pursuant to the provisions of Chapter 8, Article 19 of the West Virginia Code of 1931, as amended (the "Act"), and other applicable provisions of law.

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

A. The City of Charles Town (the "Issuer") is a municipal corporation and political subdivision of the State of West Virginia in Jefferson County of said State.

B. The Issuer now owns and operates a public water treatment and distribution system. However, it is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer that there be constructed certain additions, betterments and improvements for such existing waterworks facilities of the Issuer (the "Project") (the existing waterworks facilities, the Project and any further additions thereto or extensions thereof is herein called the "System") at an estimated cost of $2,100,000, in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications have heretofore been filed with the Issuer.

C. The estimated revenues to be derived in each year after completion of the Project from the operation of the System will be sufficient to pay all the costs of the operation and maintenance of said System, the principal of and interest on the Prior Bonds and the Bonds and all Sinking Fund, Reserve Account and other payments provided for herein and in the Prior Ordinance, all as such terms are hereinafter defined.

D. It is deemed necessary for the Issuer to issue its Water Revenue Bonds in the total aggregate principal amount of not more than $3,000,000 in two series, being the Series 1987 A Bonds in the aggregate principal amount of not more than $2,400,000, and the Series 1987 B Bonds in the aggregate principal amount of not more than $600,000 (collectively, the "Bonds"), to finance costs of construction and acquisition of the Project. Said costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest upon the Bonds prior to and during construction or acquisition and for 6 months after completion of construction of the Project; amounts which may be deposited in the Reserve Accounts; engineering, and legal expenses; expenses for estimates of costs and revenues, expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise, administrative expense, commitment fees, fees and expenses of the Authority (as hereinafter defined), discount, initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Bonds and such other expenses as may be necessary or incidental to the financing herein authorized, the construction or acquisition of the Project and the placing of same in operation, and the performance of the things herein required or permitted, in connection with any thereof, provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Bonds or the repayment of indebtedness incurred by the Issuer for such purposes, shall be deemed Costs of the Project, as hereinafter defined.

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

F. It is in the best interests of the Issuer that its Original Bonds (as hereinafter defined) be sold to the Authority (as hereinafter defined) pursuant to the terms and provisions of a loan agreement and a supplemental loan agreement (collectively, the "Loan Agreement") to be entered into between the Issuer and the Authority, in form satisfactory to the Issuer and the Authority, and attached hereto as "Exhibit A," and made a part hereof.

G. There are outstanding certain obligations of the Issuer which will rank prior to the Bonds as to lien and source of and security for payment as follows: (i) Water Revenue Refunding Bonds, dated April 1, 1977, issued in the original aggregate principal amount of $1,315,000, of which $1,235,000 remains Outstanding as of the date of enactment of this Ordinance (the "1977 Bonds"); and (ii) Water Revenue Bonds, dated April 1, 1961, issued in the original aggregate principal amount of $525,000, of which $304,000 remains Outstanding as of the date of this Ordinance (the "1961 Bonds"). The 1977 Bonds and 1961 Bonds are herein collectively called the "Prior Bonds." The Series 1987 A Bonds shall be junior and subordinate to the Prior Bonds and the Series 1987 B Bonds shall be junior and subordinate to the Prior Bonds and the Series 1987 A Bonds as set forth herein.

H. The Issuer 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, or will have so complied prior to issuance 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.

I. The Issuer is a governmental unit which has general taxing powers to finance operations of or facilities of the nature of the Project and System, and the Issuer, all subordinate entities, all entities which issue obligations on behalf of the Issuer, and all entities formed or, to the extent provided under Section 148 of the Code, herein defined, availed of, to avoid the purposes of Section 148(f)(4)(C) of the Code and all other entities benefiting thereby reasonably expect to issue less than $5,000,000 aggregate principal amount of tax-exempt obligations during the calendar year in which the Bond is to be issued.

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Bonds by those who shall be the registered owners of the same from time to time, this Bond

Legislation shall be deemed to be and shall constitute a contract between the Issuer and such Bondholders, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the registered owners of any and all of such Bonds, all which shall be of equal rank and without preference, priority or distinction between any one Bond of a series and any other Bonds of the same series, by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

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

"Act" means Chapter 8, Article 19 of the West Virginia Code of 1931, as amended and in effect on the date of enactment hereof.

"Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser of the Original Bonds, or any other agency of the State of West Virginia that succeeds to the functions of the Authority.

"Authorized Officer" means the Mayor of the Issuer or any acting Mayor duly appointed by the Governing Body.

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

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

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

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

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

"Bonds" means the Original Bonds, and any bonds on a parity therewith authorized to be issued hereunder.

"1977 Bonds" means the Issuer's Water Revenue Refunding Bonds, dated April 1, 1977, issued in the original aggregate principal amount of $1,315,000, of which $1,235,000 remains Outstanding as of the date of enactment of this Ordinance.

"1961 Bonds" means the Issuer's Water Revenue Bonds, dated April 1, 1961, issued in the original aggregate principal amount of $525,000, of which $304,000 remains Outstanding as of the date of enactment of this Ordinance.

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

"Closing Date" means the date upon which there is an exchange of the Bonds for the proceeds representing the purchase of the Bonds by the Authority.

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

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

"Consulting Engineers" means Kelley, Gidley, Blair & Wolfe, Inc., Charleston, West Virginia, or any engineer or firm of engineers that shall at any time hereafter be retained by the Issuer as Consulting Engineers for the System.

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

"Debt Service" means the scheduled amount of interest and amortization of principal payable on the Bonds during the period of computation, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

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

"Excess Investment Earnings" means an amount equal to the sum of:

(A) The excess of

(i) The aggregate amount earned from the Closing Date on all Nonpurpose Investments in which Gross Proceeds of the Series A Bonds are invested [other than amounts attributable to an excess described in this clause (A) of this definition of Excess Investment Earnings], over

(ii) The amount that would have been earned if the Yield on such Nonpurpose Investments [other than amounts attributable to an excess described in this clause (A) of this definition of Excess Investment Earnings] had been equal to the Yield on the Series A Bonds, plus

(B) Any income attributable to the excess described in clause (A) of this definition of Excess Investment Earnings.

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

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

"Governing Body" means the council of the Issuer, as it may now or hereafter be constituted.

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

"Gross Proceeds" means the sum of the following amounts:

(i) Original proceeds, namely, net amounts received by or for the Issuer as a result of the sale of the Series A Bonds, excluding original proceeds which become transferred proceeds (determined in accordance with applicable Regulations) of obligations issued to refund in whole or in part the Series A Bonds;

(ii) Investment proceeds, namely, amounts received at any time by or for the Issuer, such as interest and dividends, resulting from the investment of any original proceeds (as referenced in clause (i) above) or investment proceeds (as referenced in this clause (ii)) in Nonpurpose Investments, increased by any profits and decreased (if necessary, below zero) by any

losses on such investments, excluding investment proceeds which become transferred proceeds (determined in accordance with applicable Regulations) of obligations issued to refund in whole or in part the Series A Bonds;

(iii) Transferred proceeds, namely, original proceeds of any prior obligations, and interest earnings and profits less losses resulting from investment of such original proceeds in Nonpurpose Investments, which are used to discharge the outstanding principal of any prior bonds and which are deemed to become proceeds of the Series A Bonds ratably as original proceeds of the Series A Bonds, and interest earnings and profits resulting from investment of such original proceeds in Nonpurpose Investments, which are used to discharge the outstanding principal of any such prior obligations, all on the date of such ratable discharge;

(iv) Sinking fund proceeds, namely, amounts, other than original proceeds, investment proceeds or transferred proceeds (as referenced in clauses (i) through (iii) above) of the Series A Bonds, which are held in any fund to the extent that the Issuer reasonably expects to use such other fund to pay Debt Service;

(v) Amounts in the Reserve Accounts and in any other fund established as a reasonably required reserve or replacement fund;

(vi) Investment Property pledged as security for payment of Debt Service on the Series A Bonds by the Issuer;

(vii) Amounts, other than as specified in this definition, used to pay Debt Service on the Series A Bonds; and

(viii) Amounts received as a result of investing amounts described in this definition.

"Gross Revenues" means the aggregate gross operating and non-operating revenues of the System, as hereinafter defined, determined in accordance with generally accepted accounting principles, after deduction of prompt payment discounts, if any, and

reasonable provision for uncollectible accounts; provided, that "Gross Revenues" does not include any gains from the sale or other disposition of, or from any increase in the value of, capital assets (including Qualified Investments, as hereinafter defined, purchased pursuant to Article 8.01 hereof) or any Tap Fees, as hereinafter defined.

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

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

"Investment Property" means any security (as said term is defined in Section 165(g)(2)(A) or (B) of the Code), obligation, annuity contract or investment-type property, excluding, however, obligations the interest on which is excluded from gross income, under Section 103 of the Code, for federal income tax purposes.

"Issuer" means the City of Charles Town, in Jefferson County, West Virginia, and, unless the context clearly indicates otherwise, includes the Governing Body of the Issuer.

"Loan Agreement" shall mean, collectively, the Loan Agreement and the Supplemental Loan Agreement, to be entered into between the Authority and the Issuer providing for the purchase of the Original Bonds from the Issuer by the Authority, the forms of which are approved, and the execution and delivery by the Issuer ratified and confirmed by, this Ordinance.

"Mayor" means the Mayor of the Issuer.

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

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

"Nonpurpose Investment" means any Investment Property which is acquired with the Gross Proceeds of the Series A Bonds and is not acquired in order to carry out the governmental purpose of the Bonds.

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

"1977 Ordinance" means the Ordinance enacted by the Issuer on March 7, 1977, authorizing issuance of the 1977 Bonds.

"1961 Ordinance" means the Ordinance enacted by the Issuer on March 6, 1961, authorizing issuance of the 1961 Bonds.

"Original Bonds" or "Bonds originally authorized hereby" or similar phrases mean, collectively, the not more than $2,400,000 in aggregate principal amount of Series 1987 A Bonds and the not more than $600,000 in aggregate principal amount of Series 1987 B Bonds, issued for the purpose of paying a portion of the Costs of the Project and for such other purposes permitted and authorized by this Bond Legislation.

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

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

"Paying Agent" means the bank or banks or other entity designated as such for the Bonds from time to time in the Supplemental Resolution or such entity or authority as may be designated by the Issuer.

"Prior Bonds" means collectively, the 1977 Bonds and the 1961 Bonds.

"Prior Ordinance" means collectively, the 1977 Ordinance and the 1961 Ordinance.

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

"Program" means the Authority's loan program, under which the Authority purchases the water development revenue bonds of local governmental entities satisfying certain legal and other requirements with the proceeds of water development revenue bonds of the Authority.

"Project" means the acquisition and construction of certain additions, betterments and improvements for the Issuer's existing public waterworks system, including storage tanks, water mains and connectors and all necessary appurtenances.

"Purchase Price," for the purpose of computation of the Yield of the Bonds, has the same meaning as the term "issue price" in Sections 1273(b) and 1274 of the Code, and, in general, means the initial offering price of the Series A Bonds to the public (not including bond houses and brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of the Series A Bonds of each maturity is sold or, if the Series A Bonds are privately placed, the price paid by the first buyer of the Series A Bonds or the acquisition cost of the first buyer. "Purchase Price," for purposes

of computing Yield of Nonpurpose Investments, means the fair market value of the Nonpurpose Investments on the date of use of Gross Proceeds of the Series A Bonds for acquisition thereof, or if later, on the date that Investment Property constituting a Nonpurpose Investment becomes a Nonpurpose Investment of the Bonds.

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

(a) Government Obligations;

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

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

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

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

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

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

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

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

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

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

"Regulations" means all applicable regulations promulgated under the Code, or any predecessor thereto.

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

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

"Series 1987 A Bonds" or "Series A Bonds" means the not more than $2,400,000 in aggregate principal amount of Sewer Revenue Bonds, Series 1987 A, of the Issuer.

"Series 1987 A Bonds Reserve Account" means the Series 1987 A Bonds Reserve Account established in the Series 1987 A Bonds Sinking Fund pursuant to Section 5.02 hereof.

"Series 1987 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 1987 A Bonds in any year.

"Series 1987 A Bonds Sinking Fund" means the Series 1987 A Sinking Fund established by Section 5.02 hereof.

"Series 1987 B Bonds" or "Series B Bonds" means the not more than $600,000 in aggregate principal amount of Sewer Revenue Bonds, Series 1987 B, of the Issuer.

"Series 1987 B Bonds Reserve Account" means the Series 1987 B Bonds Reserve Account established in the Series 1987 B Bonds Sinking Fund pursuant to Section 5.02 hereof.

"Series 1987 B Bonds Reserve Requirement" means, as of the date of calculation, the maximum amount of principal which will become due on the Series 1987 B Bonds in any year.

"Series 1987 B Bonds Sinking Fund" means the Series 1987 B Bonds Sinking Fund established by Section 5.02 hereof.

"State" means the State of West Virginia.

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

"Surplus Revenues" means the Net Revenues not required by the Bond Legislation to be set aside and held for the payment of or

security for the Bonds, the Prior Bonds or any other obligations of the Issuer, including the Renewal and Replacement Fund and the Reserve Accounts, the proceeds of which Bonds or other obligations are to be used to pay Costs of the Project.

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

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

"Yield" means that yield which, when used in computing the present worth of all payments of principal and interest (or other payments in the case of Nonpurpose Investments which require payments in a form not characterized as principal and interest) on a Nonpurpose Investment or on the Series A Bonds produces an amount equal to the Purchase Price of such Nonpurpose Investment or the Bonds, all computed as prescribed in applicable Regulations.

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

ARTICLE II

AUTHORIZATION OF 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, at an estimated cost of $2,100,000, in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed in the office of the Governing Body. The proceeds of the Bonds hereby authorized shall be applied as provided in Article VI hereof.

ARTICLE III

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

Section 3.01. Authorization of Bonds. For the purposes of capitalizing interest on the Series 1987 A Bonds, funding a reserve account for each series of Original Bonds, paying Costs of the Project not otherwise provided for and paying certain costs of issuance and related costs, or any of such purposes, there shall be issued negotiable Original Bonds of the Issuer, in an aggregate principal amount of not more than $3,000,000. Said Bonds shall be issued in two series, to be designated respectively, "Sewer Revenue Bonds, Series 1987 A," in the aggregate principal amount of not more than $2,400,000, and "Sewer Revenue Bonds, Series 1987 B," in the aggregate principal amount of not more than $600,000, and shall have such terms as set forth hereinafter and in the Supplemental Resolution. The proceeds of the Bonds remaining after funding of the Reserve Accounts (if funded from Bond proceeds) and capitalization of interest, if any, shall be deposited in the Bond Construction Trust Fund established by Section 5.01 hereof.

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

Unless otherwise provided by the Supplemental Resolution, the Original Bonds shall be issued in the form of a single bond for each series, fully registered to the Authority, with a debt service schedule attached, representing the aggregate principal amount of each series, and shall mature in principal installments, all as provided in the Supplemental Resolution. The Bonds of each series shall be exchangeable at the option and expense of the Holder for other fully registered Bonds of the same series in aggregate principal amount equal to the amount of said Bonds then Outstanding and being exchanged, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal

installments of said Bonds; provided, that the Authority shall not be obligated to pay any expenses of such exchange.

Subsequent series of Bonds, if any, shall be issued in fully registered form and in denominations as determined by a Supplemental Resolution. The 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 Issuer by the Mayor, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the City Clerk. In case any one or more of the officers who shall have signed or sealed any of the Bonds shall cease to be such officer of the Issuer before the Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.04. Authentication and Registration. No Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Bond Legislation unless and until the Certificate of Authentication and Registration on such Bond, substantially in the forms set forth in Section 3.09 shall have been manually executed by the Bond Registrar. Any such executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Bond Legislation. The Certificate of Authentication and Registration on any Bond shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

Section 3.05. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder, in accepting any of 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 Holder shall

further be conclusively deemed to have agreed that said Bonds shall be incontestable in the hands of a bona fide holder for value.

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

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

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

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Bond Registrar shall, if so advised by the Issuer, authenticate and deliver, a new Bond of the same series and of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer and the Bond Registrar may incur. All Bonds so surrendered shall be cancelled by the Bond Registrar and held for the account of the Issuer. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified

as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

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

Section 3.08. Bonds Secured by Pledge of Gross Revenues, Junior and Subordinate to Prior Bonds. The payment of the debt service of all the Series 1987 A Bonds shall be secured forthwith equally and ratably with each other, by a lien on the Gross Revenues junior and subordinate to the lien on Gross Revenues in favor of the Holders of the Prior Bonds. The payment of the debt service of all the Series 1987 B Bonds shall also be secured forthwith equally and ratably with each other by a lien on the Gross Revenues derived from the System, but junior and subordinate to the lien on such Gross Revenues in favor of the Holders of the Prior Bonds and the Series 1987 A Bonds. Such Gross 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 Funds, the Reserve Accounts therein and the Renewal and Replacement Fund 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 Bonds shall be in substantially the following forms, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted hereby, or by any Supplemental Resolution adopted prior to the issuance thereof:

[Form of Series 1987 A Bond]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF CHARLES TOWN
WATER REVENUE BOND, SERIES 1987 A

No. AR-____ $_____

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF CHARLES TOWN, a municipal corporation and political subdivision of the State of West Virginia in Jefferson County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the West Virginia Water Development Authority (the "Authority") or registered assigns the sum of _____ ($_____), in installments on October 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 interest on each installment at the rate per annum set forth on said Exhibit A.

The interest rate on each installment shall run from the original date of delivery of this Bond to the Authority and payment therefor, and until payment of such installment, and such interest shall be payable on April 1 and October 1 in each year, beginning _____ 1, 19____. Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent"). The interest on this Bond is payable by check or draft of the Paying Agent mailed to the registered owner hereof at the address as it appears on the books of One Valley Bank, National Association, Charleston, West Virginia, as registrar (the "Registrar") on the 15th day of the month next preceding an interest payment date, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner hereof.

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority, and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement between the Issuer and the Authority, dated _____, 198__.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain additions, betterments and improvements for the existing waterworks facilities of the Issuer (the "Project"); and (ii) to pay certain costs of issuance hereof and related costs. The Bonds of this series (the "Bonds") are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 8, Article 19 of the West Virginia Code of 1931, as amended (the "Act"), and an Ordinance and Supplemental Resolution, duly enacted and adopted, respectively, by the Issuer on _____, 1987 (collectively called the "Bond Legislation"), and are subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

This Bond is issued contemporaneously with the Sewer Revenue Bonds, Series 1987 B, of the Issuer (the "Series 1987 B Bonds"), issued in the aggregate principal amount of $_____, which Series 1987 B Bonds are junior and subordinate with respect to liens and sources of and security for payment to the Bonds.

THIS BOND IS JUNIOR AND SUBORDINATE WITH RESPECT TO LIENS, PLEDGES AND SOURCES OF AND SECURITY FOR PAYMENT TO THE ISSUER'S OUTSTANDING WATER REVENUE REFUNDING BONDS, DATED APRIL 1, 1977, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,315,000 AND WATER REVENUE BONDS, DATED APRIL 1, 1966, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $525,000 (COLLECTIVELY, THE "PRIOR BONDS").

This Bond is payable only from and secured by a pledge of the Gross Revenues (as defined in the Bond Legislation) to be derived from the operation of the System after there has first been paid from said Gross Revenues all payments then due and owing on account of the Prior Bonds, moneys in the Reserve Account (the "Series 1987 A Bonds Reserve Account") created under the Bond Legislation for the Bonds, and unexpended proceeds of the Bonds and the Series 1987 B Bonds. Such Gross Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Gross Revenues, the moneys

in the Series 1987 A Bonds Reserve Account and unexpended proceeds of this Bond and the Series 1987 B Bond. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the amount required to pay the maximum amount due in any year of principal of and interest on the Bonds, the Series 1987 B Bonds, and all other obligations secured by or payable from such revenues prior to or on a parity with the Bonds or the Series 1987 B Bonds, including the Prior Bonds, provided however, that so long as there exists in the Series 1987 A Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest which will become due on the Bonds in any year, and in the respective reserve accounts established for the Series 1987 B Bonds and any other obligations outstanding prior to or on a parity with the Bonds or the Series 1987 B Bonds, including the Prior Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Bond Legislation, only upon the books of the Registrar by the registered owner, or by its attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or its attorney duly authorized in writing.

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

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

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

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

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

IN WITNESS WHEREOF, the CITY OF CHARLES TOWN has caused this Bond to be signed by its Mayor and its corporate seal to be affixed hereon and attested by its Recorder, and has caused this Bond to be dated _____, 1987.

[SEAL]

_____
Mayor

ATTEST:

_____
Recorder

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1987 A Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above as of the date set forth below.

Date: _____

ONE VALLEY BANK, NATIONAL ASSOCIATION,
as 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 within Bond and does hereby irrevocably constitute and appoint _____, Attorney to transfer the said Bond on the books kept for registration of the within Bond of the said Issuer with full power of substitution in the premises.

Dated: _____, _____.

_____

In the presence of:

_____

[Form of Series 1987 B Bond]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF CHARLES TOWN
WATER REVENUE BOND, SERIES 1987 B

No. BR-____ $_____

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF CHARLES TOWN, a municipal corporation and political subdivision of the State of West Virginia in Jefferson County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the West Virginia Water Development Authority (the "Authority") or registered assigns the sum of _____ ($_____), in annual installments on October 1 of each year as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference, without interest.

Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent").

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority, and upon the terms and conditions prescribed by, and otherwise in compliance with, the Supplemental Loan Agreement between the Issuer and the Authority, dated _____, 198__.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain additions, betterments and improvements for the existing waterworks facilities of the Issuer (the "Project"); 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 8, Article 19 of the West Virginia Code of 1931, as amended (the "Act"), and an Ordinance and Supplemental Resolution, duly enacted and adopted, respectively, by the Issuer on _____, 1987 (collectively called the "Bond Legislation"), and is subject to all the terms and

conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

THIS BOND IS JUNIOR AND SUBORDINATE WITH RESPECT TO LIENS, PLEDGES AND SOURCES OF AND SECURITY FOR PAYMENT TO THE ISSUER'S OUTSTANDING WATER REVENUE BONDS, SERIES 1987 A, OF THE ISSUER (THE "SERIES 1987 A BONDS"), ISSUED CONCURRENTLY HEREWITH IN THE AGGREGATE PRINCIPAL AMOUNT OF $_____ AND DESCRIBED IN THE BOND LEGISLATION.

THIS BOND IS ALSO JUNIOR AND SUBORDINATE WITH RESPECT TO LIENS, PLEDGES AND SOURCES OF AND SECURITY FOR PAYMENT TO THE ISSUER'S OUTSTANDING WATER REVENUE REFUNDING BONDS, DATED APRIL 1, 1977, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,315,000 AND WATER REVENUE BONDS, DATED APRIL 1, 1966, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $525,000 (COLLECTIVELY, THE "PRIOR BONDS").

This Bond is payable only from and secured by a pledge of the Gross Revenues (as defined in the Bond Legislation) to be derived from the operation of the System after there has first been paid from said Gross Revenues all payments then due and owing on account of the Prior Bonds and the Series 1987 A Bonds herein described and by all moneys in the Reserve Account (the "Series 1987 B Bonds Reserve Account") created under the Bond Legislation for the Bonds of this Series (the "Bonds"), and unexpended proceeds of the Bonds. Such Gross Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same, except from said special fund provided from the Gross Revenues, the moneys in the Series 1987 B Bonds Reserve Account and unexpended Bond proceeds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the amount required to pay the maximum amount due in any year of principal of and interest, if any, on the

Bonds, the Series 1987 A Bonds and all other obligations secured by or payable from such revenues prior to or on a parity with the Series 1987 A Bonds or the Bonds, including the Prior Bonds, provided however, that so long as there exists in the Series 1987 B Bonds Reserve Account and the reserve account established for the Series 1987 A Bonds, respectively, amounts at least equal to the maximum amount of principal and interest which will become due on the Bonds and the Series 1987 A Bonds in any year, and any reserve account for any such prior or parity obligations, including the Prior Bonds, is funded at least at the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

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

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

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law, shall be applied solely to the payment of the Costs of the Project described in the Bond Legislation, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the registered owners of the Bonds, which lien is subordinate to the lien in favor of the registered owners of the Series 1987 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 Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the revenues of the

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

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

IN WITNESS WHEREOF, the CITY OF CHARLES TOWN has caused this Bond to be signed by its Mayor and its corporate seal to be hereunto affixed hereon and attested by its Recorder, and has caused this Bond to be dated _____, 1987.

[SEAL]

_____
Mayor

ATTEST:

_____
Recorder

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1987 B Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above as of the date set forth below.

Date: _____

ONE VALLEY BANK, NATIONAL ASSOCIATION,
as 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 within Bond and does hereby irrevocably constitute and appoint _____, Attorney to transfer the said Bond on the books kept for registration of the within Bond of the said Issuer with full power of substitution in the premises.

Dated: _____, _____.

_____

In the presence of:

_____

Section 3.10. Sale of Original Bonds; Ratification of 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. The Mayor is specifically authorized and directed to execute the Loan Agreement in the form attached hereto as "Exhibit A" and made a part hereof, and the City Clerk is directed to affix the seal of the Issuer, attest the same and deliver the Loan Agreement to the Authority, and any such prior execution and delivery is hereby authorized, ratified and approved.

ARTICLE IV

[RESERVED]

ARTICLE V

SYSTEM REVENUES AND APPLICATION THEREOF

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

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

(2) Operation and Maintenance Fund (established by the Prior Ordinance);

(3) Depreciation Fund (established by the Prior Ordinance);

(4) Renewal and Replacement Fund; and

(5) Bond Construction Trust Fund.

Section 5.02. Establishment of Funds and Accounts with Commission. The following special funds or accounts are hereby established (or continued if previously established by the Prior Ordinance) with the Commission:

(1) The Sinking Fund established for the Prior Bonds (herein called the "Prior Bonds Sinking Fund");

(2) Series 1987 A Bonds Sinking Fund;

(a) Within the Series 1987 A Bonds Sinking Fund, the Series 1987 A Bonds Reserve Account.

(3) Series 1987 B Bonds Sinking Fund;

(a) Within the Series 1987 B Bonds Sinking Fund, the Series 1987 B Bonds Reserve Account.

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

(1) The Issuer shall first, on or before the 10th day of each month, transfer from the Revenue Fund and remit to the Commission for deposit into the Prior Bonds Sinking Fund such sums as will be sufficient to pay 1/5th of the interest which will mature and become due on the next interest payment date on all the Prior Bonds Outstanding, and shall also, on or before the 10th day of each month, transfer from the Revenue Fund and remit to the Commission for deposit into the Prior Bonds Sinking Fund, such sums as will be sufficient to pay 1/10th of the principal which will mature and become due on the Prior Bonds Outstanding on the next succeeding April 1, all in accordance with the Prior Ordinance. When and so long as there has been accumulated and retained in the Prior Bonds Sinking Fund sufficient moneys to pay the principal of and the interest on the Prior Bonds becoming due in the next succeeding 24 months, the amount which shall be deposited monthly into the Prior Bonds Sinking Fund shall be 1/6th of the interest becoming due on the next interest payment date and 1/12th of the principal of the Bonds maturing on the next principal payment date. Computations for payments into the Prior Bonds Sinking Fund shall be made as of April 1 of each year.

(2) Thereafter, from the moneys remaining in the Revenue Fund, the Issuer shall next, on the first day of each month, commencing 7 months prior to the first date of payment of interest on the Series 1987 A Bonds for which interest has not been capitalized, apportion and set apart out of the Revenue Fund and remit to the Commission, for deposit in the Series 1987 A Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on said Series 1987 A Bonds on the next ensuing semiannual interest payment date; provided, that, in the event the period to elapse between the date of such initial deposit in the Series 1987 A Bonds Sinking Fund and the next semiannual interest payment date is less than 7 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next semiannual interest payment date, the required amount of interest coming due on such date.

(3) The Issuer shall also, on the first day of each month, commencing 13 months prior to the first date of payment of principal on the Series 1987 A Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1987 A Bonds Sinking Fund, a sum equal to 1/12th of the amount of principal which will mature and become due on said Series 1987 A

Bonds on the next ensuing principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1987 A Bonds Sinking Fund and the next annual principal payment date is less than 13 months then such monthly payments shall be increased proportionately to provide, one month prior to the next annual principal payment date, the required amount of principal coming due on such date.

(4) The Issuer shall also, on the first day of each month, commencing 13 months prior to the first date of payment of principal of the Series 1987 A Bonds, if not fully funded upon issuance of the Series 1987 A Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1987 A Bonds Reserve Account, an amount equal to 1/120 of the Series 1987 A Bonds Reserve Requirement; provided, that no further payments shall be made into the Series 1987 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 1987 A Bonds Reserve Requirement.

(5) From the moneys remaining in the Revenue Fund, the Issuer shall next, on the first day of each month, commencing with the month succeeding the first full calendar month after completion of construction of the Project, transfer to the Renewal and Replacement Fund a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of the Series 1987 A Bonds Reserve Account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII hereof. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency repairs, improvements or extensions to the System; provided, that any deficiencies in the Series 1987 A Bonds Reserve Account [except to the extent such deficiency exists because the required payments into such account has not, as of the date of determination of a deficiency, funded such account to the maximum extent required by Subsection 5.03(A)(4)] shall be promptly eliminated with moneys from the Renewal and Replacement Fund.

(6) The Issuer shall next, on the first day of each month, commencing 13 months prior to the first date of payment of principal on the Series 1987 B Bonds, apportion

and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1987 B Bonds Sinking Fund, a sum equal to 1/12th of the amount of principal which will mature and become due on said Series 1987 B Bonds on the next ensuing principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1987 B Bonds Sinking Fund and the next annual principal payment date is less than 13 months then such monthly payments shall be increased proportionately to provide, one month prior to the next annual principal payment date, the required amount of principal coming due on such date.

(7) The Issuer shall next, on the first day of each month, commencing 13 months prior to the first date of payment of principal of the Series 1987 B Bonds, if not fully funded upon issuance of the Series 1987 B Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1987 B Bonds Reserve Account, an amount equal to 1/120 of the Series 1987 B Bonds Reserve Requirement; provided, that no further payments shall be made into the Series 1987 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 1987 B Bonds Reserve Requirement.

(8) The Issuer shall next, each month, transfer from the Revenue Fund into the Operation and Maintenance Fund established by the Prior Ordinance and hereby continued, an amount sufficient to pay all reasonable and proper expenses of operation, maintenance and repair of the System for the current month and from which disbursements shall be made only for that purpose. If in any month for any reason there is a failure to transfer and pay the required amount into the Operation and Maintenance Fund, then the amount of any deficiency shall be added to the amount otherwise required to be transferred and paid into said Fund in the next succeeding month. Fixed annual charges, such as insurance and costs of major repairs and maintenance, may be computed and set up on an annual basis and 1/12th of the amount thereof may be accumulated in said Fund each month.

(9) Thereafter, from the revenues remaining in the Revenue Fund, the Issuer shall next, each month, pay into the Depreciation Fund, established by the Prior Ordinance and hereby continued with the Depository Bank, the sum of $750, in addition to the $325 required by Subsection (3)

of Section 6 of the 1961 Ordinance, until the amount in the Depreciation Fund shall aggregate $85,000 and whenever the amount in the Depreciation Fund is less than $85,000, the said monthly payments shall be resumed until such aggregate sum of $85,000 is in the Depreciation Fund; provided, that if the amount in the Depreciation Fund exceeds $25,000, only $750 a month shall be required to be transferred thereto. The moneys in the Depreciation Fund shall be used first to restore any deficiency in the Prior Bonds Sinking Fund resulting from inadequate revenues to make the required deposits into the Sinking Fund, and shall next be used only for the replacement, renewal, improvement, betterment or extension of capital assets of the waterworks.

Moneys in the Series 1987 A Bonds Sinking Fund and the Series 1987 B Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest, if any, on the respective series of Bonds as the same shall become due. Moneys in the Series 1987 A Bonds Reserve Account and the Series 1987 B Bonds Reserve Account shall be used only for the purpose of paying principal of and interest, if any, on the respective series of Bonds, as the same shall come due, when other moneys in the attendant Sinking Fund are insufficient therefor, and for no other purpose.

All investment earnings on moneys in the several Sinking Funds and Reserve Accounts shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall, during construction of the Project, be deposited in the Bond Construction Trust Fund, and following completion of construction of the Project, shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payments, if any, due on the respective Series of Bonds, and then to the next ensuing principal payments due thereon.

Any withdrawals from the Series 1987 A Bonds Reserve Account which result in a reduction in the balance of the Series 1987 A Bonds Reserve Account to below the Series 1987 A Bonds Reserve Requirement shall be subsequently restored from the first Gross Revenues available after all required payments to the Series 1987 A Bonds Sinking Fund for payment of debt service on the Bonds have been made in full.

Any withdrawals from the Series 1987 B Bonds Reserve Account which result in a reduction in the balance of the

Series 1987 B Bonds Reserve Account to below the Series 1987 B Bonds Reserve Requirement shall be subsequently restored from the first Gross Revenues available after all required payments to the Series 1987 A Bonds Sinking Fund, the Series 1987 A Bonds Reserve Account, the Renewal and Replacement Fund and the Series 1987 B Bonds Sinking Fund have been made in full.

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

The Issuer shall not be required to make any further payments into the Series 1987 A Bonds Sinking Fund, or the Series 1987 B Bonds Sinking Fund or into the Reserve Accounts therein when the aggregate amount of funds in said respective Sinking Funds and Reserve Accounts are at least equal to the aggregate principal amount of the respective Bonds issued pursuant to this Bond Legislation then Outstanding and all interest to accrue until the respective maturities thereof.

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 Issuer 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 Bond Legislation.

Moneys in the Reserve Accounts shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

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

B. Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinbefore provided, are current and there remains in said Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into the Sinking Funds, including the Reserve Accounts therein and the sinking funds established for the Prior Bonds, and the Depreciation Fund and Renewal and Replacement Fund during the following month or such other period as required by law, such excess shall be considered Surplus Revenues. Surplus Revenues may be used for any lawful purpose of the System.

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

H. All Tap Fees shall be deposited by the Issuer, as received, in the Bond Construction Trust Fund, and following

completion of the Project, shall be deposited in the Revenue Fund and may be used for any lawful purpose of the System.

ARTICLE VI

BOND PROCEEDS; FUNDS AND ACCOUNTS

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

A. From the proceeds of the Series 1987 A Bonds there shall first be paid any and all borrowings by the Issuer made for the purpose of temporarily financing a portion of the Costs of the Project, including interest accrued thereon to the date of such payment.

B. From the proceeds of the Series 1987 A Bonds, there shall next be deposited with the Commission in the Series 1987 A Bonds Sinking Fund, the amount, if any, specified in the Supplemental Resolution as capitalized interest; provided, that such amount may not exceed the amount necessary to pay interest on the Series 1987 A Bonds for the period commencing on the date of issuance of the Bonds and ending 6 months after the estimated date of completion of construction of the Project.

C. Next, from the proceeds of the Series 1987 A Bonds, there shall first be credited to the Bond Construction Trust Fund and then be deposited with the Commission in the Series 1987 A Bonds Reserve Account and from the proceeds of the Series 1987 B Bonds, there shall be deposited with the Commission in the Series 1987 B Reserve Account the respective sums, if any, set forth in the Supplemental Resolution for funding of the Reserve Accounts.

D. 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 in the manner set forth in Section 6.02.

E. The Depository Bank shall act as a trustee and fiduciary for the Bondholder 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 Bond Legislation. 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 Series 1987 A Bonds, and thereafter for the Series 1987 B Bonds.

Section 6.02. Disbursements From the Bond Construction Trust Fund. Payments for Costs of the Project shall be made monthly.

Disbursements from the Bond Construction Trust Fund, except for the costs of issuance of the Original Bonds which shall be made upon request of the Issuer, shall be made only after submission to the Depository Bank of a certificate, signed by an Authorized Officer and the Consulting Engineers, stating:

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

(B) 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;

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

(D) 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 Depository Bank shall disburse from the Bond Construction Trust Fund only the net amount remaining after deduction of any such portion. All payments made from the Bond Construction Trust Fund shall be presumed by the Depository Bank to be made for the purposes set forth in said certificate, and the Depository Bank shall not be required to monitor the application of disbursements from the Bond Construction Trust Fund. The Consulting Engineers shall from time to time file with the Depository Bank written statements advising the Depository Bank of its then authorized representative.

Pending such application, moneys in the Bond Construction Trust Fund, including any accounts therein, shall be invested and reinvested in Qualified Investments at the direction of the Issuer.

After completion of the Project, as certified by the Consulting Engineers, the Depository Bank shall transfer any moneys remaining in the Bond Construction Trust Fund to the Series 1987 A Bonds Reserve Account, and when fully funded to the Series 1987 B Bonds Reserve Account, and when both Reserve Accounts are fully funded, shall return such remaining moneys to the Issuer for deposit in the Revenue Fund. The Issuer shall thereafter, apply such moneys in full, first to the next ensuing interest payments, if any, due on

the respective Series of Bonds and thereafter to the next ensuing principal payments due thereon.

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

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

Section 7.02. Bonds not to be Indebtedness of the Issuer. The Bonds shall not be or constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness, but shall be payable solely from the funds pledged for such payment by this Bond Legislation. No Holder or Holders of any Bonds, shall ever have the right to compel the exercise of the taxing power of the Issuer to pay said Bonds or the interest thereon.

Section 7.03. Bonds Secured by Subordinate Pledge of Gross Revenues. The payment of the debt service of the Series 1987 A Bonds issued hereunder shall be secured forthwith equally and ratably by a lien on the Gross Revenues derived from the operation of the System junior and subordinate to the lien in favor of the Holders of the Prior Bonds and payment of the debt service of the Series 1987 B Bonds issued hereunder shall be secured forthwith equally and ratably by a lien on said Gross Revenues, junior and subordinate to the lien on said Gross Revenues in favor of the Holders of both the Prior Bonds and the Series 1987 A Bonds. The revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Prior Bonds and the Bonds and to make the payments into the Sinking Funds, including the Reserve Accounts therein, and all other payments provided for in the Bond Legislation are hereby irrevocably pledged, in the manner provided herein, to the payment of the principal of and interest on the Bonds as the same become due, and for the other purposes provided in the Bond Legislation.

Section 7.04. Initial Schedule of Rates and Charges. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth in the ordinance of the Issuer enacted March 2, 1987.

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 Bonds Outstanding, or to effectively defease this Ordinance in accordance with Section 10.01 hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Bonds, immediately be remitted to the Commission for deposit in the Sinking Funds, and, with the written permission of the Authority, or in the event the Authority is no longer a Bondholder, the Issuer shall direct the Commission to apply such proceeds to the payment of principal at maturity of and interest on the Bonds. Any balance remaining after the payment of all the Bonds and interest thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, is not in excess of $10,000, the Issuer shall, by resolution, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Renewal and Replacement Fund. If the amount to be received from such sale, lease or other disposition of said property, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, shall be in excess of $10,000 but not in excess of $50,000, the Issuer shall first, determine upon consultation with the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then, if it be so advised, by resolution duly adopted, authorize such sale, lease or other disposition of such property upon public bidding. The proceeds derived from any such sale, lease or other disposition of such property, aggregating during such Fiscal Year in excess of $10,000 and not in excess of $50,000, shall with the written consent of the Authority, be remitted by the Issuer to the Commission for deposit in the Sinking Fund and shall be applied only to the purchase of Bonds of the last maturities then Outstanding at prices not greater than the par value thereof plus 3% of such par value. Such payment of such proceeds into the Sinking Fund or the Renewal and Replacement Fund shall not reduce the amounts required

to be paid into said funds by other provisions of this Bond Legislation. No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases, or other dispositions of such properties, shall be in excess of $50,000 and insufficient to pay all Bonds then Outstanding without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of over 50% in amount of the Bonds then Outstanding and the Consulting Engineers. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 7.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. Except as provided in this Section 7.06 and in Section 7.07B, the Issuer shall not issue any other obligations whatsoever payable from the revenues of the System, which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Bonds; provided, however, that additional Bonds on a parity with the Series 1987 B Bonds only may be issued as provided for in Section 7.07 hereof. All obligations issued by the Issuer after the issuance of the Bonds and payable from the revenues of the System, except such additional parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on and source of and security for payment from such revenues and in all other respects, to the Series 1987 A Bonds and the Series 1987 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.

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

Section 7.07. Parity Bonds. A. No Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of any Bonds pursuant to this Bond Legislation, except under the conditions and in the manner herein provided.

All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 1987 B Bonds. No Parity Bonds shall be

issued which shall be payable out of the revenues of the System on a parity with the Series 1987 A Bonds, unless the Series 1987 B Bonds are no longer outstanding.

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

No Parity Bonds shall be issued at any time, however, unless there has been procured and filed with the City Clerk 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 12 consecutive months, within the 18 months immediately preceding the date of the actual issuance of such Parity Bonds, plus the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the completion of the improvements to be financed by such Parity Bonds, shall not be less than 115% of the largest aggregate amount that will mature and become due in any succeeding Fiscal Year for principal of and interest on the following:

(1) The Prior Bonds and any other obligations with a lien on the Gross Revenues prior to that of the Bonds;

(2) The Bonds then Outstanding;

(3) Any Parity Bonds theretofore issued pursuant to the provisions contained in this Ordinance then Outstanding; and

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

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

The Net Revenues actually derived from the System during the 12-consecutive-month period hereinabove referred to may be

adjusted by adding to such Net Revenues such additional Net Revenues which would have been received, in the opinion of the 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 adopted by the Issuer, the period for appeal of which has expired prior to issuance of such Parity Bonds.

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

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

All 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.

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on the revenues of the System is subject to the prior and superior liens of the Series 1987 A Bonds and the Series 1987 B Bonds on such revenues. The Issuer shall not issue any obligations whatsoever payable from the revenues of the System, or any part thereof, which rank prior to or, except in the manner and under the conditions provided in this section, equally, as to lien on and source of and security for payment from such revenues, with the Series 1987 A Bonds or the Series 1987 B Bonds.

No Parity Bonds shall be issued any time, however, unless all the payments into the respective funds and accounts provided for in this Bond Legislation with respect to the Bonds then Outstanding,

and any other payments provided for in this Bond Legislation, shall have been made in full as required to the date of delivery of such Parity Bonds, and the Issuer shall then be in full compliance with all the covenants, agreements and terms of this Bond Legislation.

B. Notwithstanding the foregoing, or any provision of Section 7.06 to the contrary, additional Bonds may be issued solely for the purpose of completing the Project as described in the application to the Authority submitted as of the date of the Loan Agreement without regard to the restrictions set forth in this Section 7.07, if there is first obtained by the Issuer the written consent of the Authority to the issuance of bonds on a parity with the Bonds.

Section 7.08. Books and Records. The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and any Holder of a Bond or Bonds issued pursuant to this Bond Legislation 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 Issuer relating thereto.

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

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

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

(B) A balance sheet statement showing all deposits in all the funds and accounts provided for in this Bond

Legislation and the Indenture with respect to said Bonds and the status of all said funds and accounts.

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

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants and shall mail upon request, and make available generally, the report of said Independent Certified Public Accountants, or a summary thereof, to any Holder or Holders of Bonds or and shall file said report with the Authority, or any other original purchaser of the Bonds.

Section 7.09. Rates. Equitable rates or charges for the use of and service rendered by the System have been established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the City Clerk, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from said System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all reasonable expenses of operation, repair and maintenance of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the Bonds and all other obligations secured by or payable from such revenues prior to or on a parity with the Bonds, including the Prior Bonds; provided that, in the event that amounts equal to or in excess of the Reserve Requirements are on deposit respectively in the Reserve Accounts and reserve accounts for obligations prior to or on a parity with the Bonds (including the Prior Bonds) are funded at least at the requirement therefor, such balance each year need only equal at least 110% of the maximum amount required in any year for payment of principal of and interest on the Bonds and all other obligations secured by or payable from such revenues prior to or on a parity with the Bonds.

Section 7.10. Operating Budget and Audit. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced

budget of the estimated expenditures for operation and maintenance of the System during the succeeding Fiscal Year. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by the Consulting Engineers, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of 10% of the amount of such budget shall be made except upon the further certificate of the Consulting Engineers that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Authority and to any Holder of any Bonds who shall file his or her address with the Issuer and request in writing that copies of all such budgets and resolutions be furnished him or her and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to any Holder of any Bonds or anyone acting for and in behalf of such Holder of any Bonds.

In addition, the Issuer 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 Issuer is in compliance with the terms and provisions of this Bond Legislation and the Loan Agreement.

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

Section 7.12. Enforcement of Collections. The Issuer will diligently enforce and collect all fees, rentals or other charges for the services and facilities of the System, and take all steps, actions and proceedings for the enforcement and collection of such fees, rentals or other charges which shall become delinquent to the full extent permitted or authorized by the Act, the rules of the Issuer, the rules and regulations of the Public Service Commission of West Virginia and other laws of the State of West Virginia.

Whenever any fees, rates, rentals or other charges for the services and facilities of the System shall remain unpaid for a

period of 30 days after the same shall become due and payable, the property and the owner thereof, as well as the user of the services and facilities, shall be delinquent until such time as all such rates and charges are fully paid. To the extent authorized by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, rates, rentals and other charges, if not paid, when due, shall become a lien on the premises served by the System. The Issuer further covenants and agrees that, it will, to the full extent permitted by law and the rules and regulations promulgated by the Public Service Commission of West Virginia, discontinue and shut off the services of the System to all users of the services of the System delinquent in payment of charges for the services of the System and will not restore such services until all delinquent charges for the services of the System, plus reasonable interest and penalty charges for the restoration of service, have been fully paid and shall take all further actions to enforce collections to the maximum extent permitted by law.

Section 7.13. No Free Services. The Issuer will not render or cause to be rendered any free services of any nature by the System, nor will any preferential rates be established for users of the same class; and in the event the Issuer, or any department, agency, instrumentality, officer or employee of the Issuer shall avail itself or themselves of the facilities or services provided by the System, or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer and any such department, agency, instrumentality, officer or employee. The revenues so received shall be deemed to be revenues derived from the operation of the System, and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 7.14. Insurance and Construction Bonds. A. The Issuer hereby covenants and agrees that so long as any of the Bonds remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance with a reputable insurance carrier or carriers as is customarily carried with respect to works and properties similar to the System. Such insurance shall initially cover the following risks and be in the following amounts:

(1) FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE, on all above-ground insurable portions of the System in an amount equal to the actual cost thereof. In time of war the Issuer will also carry and maintain insurance to the extent available against the risks and hazards of war. The proceeds of all such insurance policies shall be placed in the Renewal and Replacement Fund and used only for the repairs and

restoration of the damaged or destroyed properties or for the other purposes provided herein for said Renewal and Replacement Fund. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance (fire and extended coverage) to protect the interests of the Issuer, the Authority, the prime contractor and all subcontractors as their respective interests may appear, in accordance with the Loan Agreement, during construction of the Project in the full insurable value thereof, such insurance to be made payable to the order of the Authority, the Issuer, the contractors and subcontractors, as their interests may appear.

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

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

(4) FLOOD INSURANCE, to the extent available at reasonable cost to the Issuer.

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

B. The Issuer shall also require all contractors engaged in the construction of the Project to carry such worker's compensation coverage for all employees working on the Project and public liability insurance, vehicular liability insurance and property damage insurance in amounts adequate for such purposes and as is customarily carried with respect to works and properties similar to the Project. Such insurance shall be made payable to the order of the Authority, the Issuer, the prime contractor and all subcontractors, as their interests may appear.

Section 7.15. Connections. To the extent permitted by the laws of the State and rules and regulations of the Public Service Commission of West Virginia, the Issuer shall require every owner, tenant or occupant of any house, dwelling or building intended to be served by the System to connect thereto.

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

Section 7.17. Tax Covenants. The Issuer hereby further covenants and agrees as follows:

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

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

C. FEDERAL GUARANTEE PROHIBITION. The Issuer shall not take any action or permit or suffer any action to be taken if the

result of the same would be to cause the Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code and Regulations promulgated thereunder.

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

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

ARTICLE VIII

INVESTMENT OF FUNDS; NON ARBITRAGE

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

Except as otherwise herein provided, any investment shall be held in and at all times deemed a part of the fund or account in which such moneys were originally held, and the interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. The investments held for any fund or account shall be valued at the lower of cost or then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including the value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held in the "Consolidated Fund." The Commission, the Depository Bank, or such other bank or national banking association, 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 Depository Bank, or such other bank or national banking association, as the case may be, may make any and all investments permitted by this section through its own bond department and shall not be responsible for any losses from such investments, other than for its own negligence or willful misconduct.

Section 8.02. Arbitrage. The Issuer covenants that (i) it will restrict the use of the proceeds of the Bonds in such manner and to such extent as may be necessary, in view of the Issuer's reasonable expectations at the time of issuance of the Bonds, so that the Bonds will not constitute "arbitrage bonds" under Section 148 of the Code and Regulations, and (ii) it will take all actions that may be required of it (including, without implied limitation, the timely filing of a Federal information return with respect to the Bonds) so that the interest on the Bonds will be and remain excluded from gross income for Federal income tax purposes,

and will not take any actions which would adversely affect such exclusion.

Section 8.03. Rebate of Excess Investment Earnings to the United States. In accordance with Section 148(f)(4)(C) of the Code, the Issuer covenants that it is a governmental unit with general taxing powers; that the Bonds are not private activity bonds as defined in Section 141 of the Code; that 95% or more of the Net Proceeds of the Bonds are to be used for local governmental activities of the Issuer (or of a governmental unit the jurisdiction of which is entirely within the jurisdiction of the Issuer); and that the aggregate face amount of all the tax-exempt obligations (other than private activity bonds as defined in Section 141 of the Code) issued by the Issuer during the calendar year in which the Bonds are issued will not exceed $5,000,000, determined in accordance with Section 148(f)(4)(C) of the Code and the Regulations promulgated thereunder. For purposes of this Section 8.03 and for purposes of applying Section 148(f)(4)(C) of the Code, the Issuer and all entities which issue obligations on behalf of the Issuer shall be treated as one issuer; all obligations issued by a subordinate entity shall, for purposes of applying this Section 8.03 and Section 148(f)(4)(C) of the Code to any other entity to which such entity is subordinate, be treated as issued by such other entity; and an entity formed (or, to the extent provided by the Secretary, as set forth in the Code, availed of) to avoid the purposes of such Section 148(f)(4)(C) of the Code and all other entities benefiting thereby shall be treated as one issuer.

Notwithstanding the foregoing, if in fact the Issuer is subject to the rebate requirements of Section 148(f) of the Code, and not exempted from such requirements, the Issuer shall take the following actions:

A. CREATION OF FUNDS. There are hereby created, to be held by the Depository Bank as separate funds distinct from all other funds and accounts held by the Depository Bank under this Bond Legislation, the Earnings Fund and the Rebate Fund. All interest earnings and profits on amounts in all funds and accounts established under this Bond Legislation, other than (i) interest earnings and profits on any funds referenced in Subsection C(5) of this Section if such earnings in any Bond Year are less than $100,000, (ii) interest earnings and profits on amounts in funds and accounts which do not constitute Gross Proceeds, and (iii) interest earnings and profits on the Rebate Fund shall, upon receipt by the Depository Bank, be deposited in the Earnings Fund. In addition, all interest earnings and profits on Gross Proceeds in funds held by the Issuer shall, upon receipt, be paid to the Depository Bank for deposit in the Earnings Fund. Annually, on the last day of each Bond Year or on the preceding business day in the event that such

last day is not a business day, the Depository Bank shall transfer from the Earnings Fund to the Rebate Fund for purposes of ultimate payment to the United States an amount equal to Excess Investment Earnings, all as more particularly described in this Section. Following the transfer referenced in the preceding sentence, the Depository Bank shall transfer all amounts remaining in the Earnings Fund to be used for the payment of Debt Service on the next interest payment date and for such purpose, Debt Service due from the Issuer on such date shall be credited by an amount equal to the amount so transferred.

B. DUTIES OF ISSUER IN GENERAL. The Issuer shall calculate Excess Investment Earnings in accordance with Subsection C and shall assure payment of an amount equal to Excess Investment Earnings to the United States in accordance with Subsections D and E.

C. CALCULATION OF EXCESS INVESTMENT EARNINGS. Within 30 days following the last day of the first Bond Year, the Issuer shall calculate, and shall provide written notice to the Original Purchaser and Depository Bank of, the Excess Investment Earnings referenced in clause (A) of the definition of Excess Investment Earnings. Thereafter, within 30 days following the last day of each Bond Year and within 30 days following the date of the retirement of the Bond, the Issuer shall calculate, and shall provide written notice to the Purchaser and Depository Bank of, the amount of Excess Investment Earnings. Said calculations shall be made or caused to be made by the Issuer in accordance with the following:

(1) Except as provided in (2), in determining the amount described in clause A(i) of the definition of Excess Investment Earnings, the aggregate amount earned on Nonpurpose Investments shall include (i) all income realized under federal income tax accounting principles (whether or not the person earning such income is subject to federal income tax) with respect to such Nonpurpose Investments and with respect to the reinvestment of investment receipts from such Nonpurpose Investments (without regard to the transaction costs incurred in acquiring, carrying, selling or redeeming such Nonpurpose Investments), including, but not limited to, gain or loss realized on the disposition of such Nonpurpose Investments (without regard to when such gains are taken into account under Section 453 of the Code relating to taxable year of inclusion of gross income), and income under Section 1272 of the Code (relating to original issue discount) and (ii) any unrealized gain or loss as of the date of retirement of the Bonds in the event that any Nonpurpose Investment is retained after such date.

(2) In determining the amount described in clause (A) of the definition of Excess Investment Earnings, Investment Property shall be treated as acquired for its fair market value at the time it becomes a Nonpurpose Investment, so that gain or loss on the disposition of such Investment Property shall be computed with reference to such fair market value as its adjusted basis.

(3) In determining the amount described in clause (A)(ii) of the definition of Excess Investment Earnings, the Yield on the Bonds shall be determined based on the actual Yield of the Bonds during the period between the Closing Date of the Bonds and the date the computation is made (with adjustments for original issue discount or premium).

(4) In determining the amount described in clause (B) of the definition of Excess Investment Earnings, all income attributable to the excess described in clause (A) of said definition must be taken into account, whether or not that income exceeds the Yield of the Bond, and no amount may be treated as "negative arbitrage."

(5) In determining the amount of Excess Investment Earnings, there shall be excluded any amount earned on any fund or account which is used primarily to achieve a proper matching of revenues and Debt Service within each Bond Year and which is depleted at least once a year except for a reasonable carryover amount not in excess of the greater of 1 year's earnings on such fund or account or 1/12th of annual Debt Service as well as amounts earned on said earnings if the gross earnings on such fund or account for the Bond Year is less than $100,000.

D. PAYMENT TO THE UNITED STATES. The Issuer shall direct the Depository Bank to pay from the Rebate Fund an amount equal to Excess Investment Earnings to the United States in installments with the first payment to be made not later than 30 days after the end of the 5th Bond Year and with subsequent payments to be made not later than 5 years after the preceding payment was due. The Issuer shall assure that each such installment is in an amount equal to at least 90% of the Excess Investment Earnings with respect to the Gross Proceeds as of the close of the computation period. Not later than 60 days after the retirement of the Bonds, the Issuer shall direct the Depository Bank to pay from the Rebate Fund to the United States 100% of the theretofore unpaid Excess Investment Earnings in the Rebate Fund. In the event that

there are any amounts remaining in the Rebate Fund following the payment required by the preceding sentence, the Depository Bank shall pay said amounts to the Issuer to be used for any lawful purpose of the System. The Issuer shall remit payments to the United States at the address prescribed by the Regulations as the same may be in time to time in effect with such reports and statements as may be prescribed by such Regulations. In the event that, for any reason, amounts in the Rebate Fund are insufficient to make the payments to the United States which are required by this Subsection D, the Issuer shall assure that such payments are made by the Issuer to the United States, on a timely basis, from any funds lawfully available therefor.

E. FURTHER OBLIGATIONS OF ISSUER. The Issuer shall assure that Excess Investment Earnings are not paid or disbursed except as required in this Section. To that end the Issuer shall assure that investment transactions are on an arm's length basis and that Nonpurpose Investments are acquired at their fair market value. In the event that Nonpurpose Investments consist of certificates of deposit or investment contracts, investment in such Nonpurpose Investments shall be made in accordance with the procedures described in applicable Regulations as from time to time in effect. The Depository Bank shall keep the moneys in the Earnings Fund and Rebate Fund invested and reinvested to the fullest extent practicable in Government Obligations with maturities consonant with the required use thereof and investment profits and earnings shall be credited to the account of such fund on which earned.

F. MAINTENANCE OF RECORDS. The Issuer shall keep, and retain for a period of 6 years following the retirement of the Bonds, records of the determinations made pursuant to this Section 8.03.

G. INDEPENDENT CONSULTANTS. In order to provide for the administration of this Section 8.03, the Issuer and the Depository Bank (at the expense of the Issuer) may provide for the employment of independent attorneys, accountants or consultants compensated on such reasonable basis as the Issuer or the Depository Bank may deem appropriate.

H. FURTHER AGREEMENT. Notwithstanding the foregoing, the Issuer further covenants to comply with all Regulations from time to time in effect and applicable to the Bonds, as may be necessary in order to fully comply with Section 148(f) of the Code.

ARTICLE IX

DEFAULT AND REMEDIES

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

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

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

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

Section 9.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of a Bond may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his or her rights and, in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Registered Owners including the right to require the Issuer to perform its duties under the Act and the Bond Legislation relating thereto, including but not limited to, the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Bonds, (iv) by action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Registered Owners of the Bonds, and (v) by action or bill in equity enjoin any acts in violation of the Bond Legislation with respect to the Bonds, or the rights of such Registered Owners, provided however, that all rights and remedies of the Holders of the Bonds shall be subject to those of the Holders of the Prior Bonds, and all rights and remedies of the Holders of the Series 1987 B Bonds shall be subject to those of the Holders of the Series 1987 A Bonds.

Section 9.03. Appointment of Receiver. Any Registered Owner of a Bond may, by proper legal action, compel the performance

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

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

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

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

Any receiver appointed as provided herein shall hold and operate the System in the name of the Issuer and for the joint

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

ARTICLE X

DEFEASANCE

Section 10.01. Defeasance of Series 1987 A Bonds. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all Series 1987 A Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then with respect to the Series 1987 A Bonds only, the pledge of Gross Revenues and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 1987 A Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Series 1987 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 either at maturity or at the next redemption date, the principal installments of and interest on such Series 1987 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 1987 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 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 1987 A Bonds on and prior to the next redemption date or 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 1987 A 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 Bonds on and prior to the next redemption date or the maturity dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer 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 10.02. Defeasance of Series 1987 B Bonds. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all Series 1987 B Bonds, the principal due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then with respect to the Series 1987 B Bonds only, the pledge of Gross Revenues and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 1987 B Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Series 1987 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 either at maturity or at the next redemption date the principal installments of such Series 1987 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 1987 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 said Series 1987 B Bonds on and prior to the next redemption date or 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 1987 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 said Bonds on and prior to the next redemption date or the maturity dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer 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.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Amendment or Modification of Bond Legislation. No material modification or amendment of this Bond Legislation, or of any resolution amendatory or supplemental hereto, that would materially and adversely affect the respective rights of Registered Owners of the Bonds shall be made without the consent in writing of the Registered Owners of 66-2/3% or more in principal amount of the Prior Bonds, the Series 1987 A Bonds and the Series 1987 B Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of any Bond or Bonds or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest 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 required for consent to the above-permitted amendments or modifications. Notwithstanding the foregoing, this Bond Legislation may be amended without the consent of any Bondholder as may be necessary to assure compliance with Section 148(f) of the Code relating to rebate requirements or otherwise as may be necessary to assure exemption from federal income taxation of interest on the Bonds.

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

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

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

Section 11.05. Conflicting Provisions Repealed. All ordinances, orders or resolutions and or parts thereof in conflict with the provisions of this Ordinance are, to the extent of such

conflict, hereby repealed, provided that, in the event of any conflict between this Ordinance and the Prior Ordinance, the Prior Ordinance shall control (unless less restrictive), so long as the Prior Bonds or any portion thereof are Outstanding.

Section 11.06. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the 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, City Clerk and members of the the Governing Body were at all times when any actions in connection with this Ordinance occurred and are duly in office and duly qualified for such office.

Section 11.07. Effective Date. This Ordinance shall take effect immediately following public hearing hereon.

Section 11.08. Statutory Notice and Public Hearing. Upon adoption hereof, an abstract of this Bond Legislation determined by the Governing Body to contain sufficient information as to give notice of the contents hereof shall be published once a week for 2 successive weeks within a period of fourteen consecutive days, with at least 6 full days intervening between each publication, in the Spirit of Jefferson Advocate, a qualified newspaper published in the City of Charles Town, together with a notice stating that this Bond Legislation has been adopted and that the Issuer contemplates the issuance of the Bond, and that any person interested may appear before the City Council upon a date certain, not less than ten days subsequent to the date of the first publication of this Bond Legislation and notice, and present protests, and that a certified copy of the Ordinance is on file with the Governing Body for review

by interested persons during office hours of the Governing Body. At such hearing, all objections and suggestions shall be heard and the Governing Body shall take such action as it shall deem proper in the premises.

Passed on First Reading	-	October 26, 1987
Passed on Second Reading	-	November 2, 1987
Passed on Final Reading Following Public Hearing	-	November 16, 1987

Mayor

Rufus W. Park

Recorder

CERTIFICATION

Certified a true copy of an Ordinance duly enacted by the Council of the CITY OF CHARLES TOWN on this 16th day of November, 1987.

Dated Nov. 18, 1987.

[SEAL]

Rufus W. Park
Recorder

11/17/87
CHATN2-A

"EXHIBIT A"

[Included as Document Nos. 3 and 4 of Bond Transcript]

CITY OF CHARLES TOWN

WATER REVENUE BONDS, SERIES 1988 A AND SERIES 1988 B

BOND ORDINANCE

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05/18/88
CTWTR2-B

CITY OF CHARLES TOWN

ORDINANCE

ORDINANCE AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF ADDITIONS AND IMPROVEMENTS FOR THE EXISTING WATERWORKS SYSTEM OF THE CITY OF CHARLES TOWN AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE CITY OF NOT MORE THAN $3,500,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 1988 A AND NOT MORE THAN $1,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 1988 B, PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; APPROVING AND RATIFYING A LOAN AGREEMENT AND SUPPLEMENTAL LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT ORDAINED AND ENACTED BY THE COUNCIL OF THE CITY OF CHARLES TOWN:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01. Authority for this Ordinance. This Ordinance (together with any ordinance, order or resolution supplemental hereto or amendatory hereof, the "Bond Legislation") is adopted pursuant to the provisions of Chapter 8, Article 19 of the West Virginia Code of 1931, as amended (the "Act"), and other applicable provisions of law.

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

A. The City of Charles Town (the "Issuer") is a municipal corporation and political subdivision of the State of West Virginia in Jefferson County of said State.

B. The Issuer now owns and operates a public water treatment and distribution system. However, it is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer that there be constructed certain additions, betterments and improvements for such existing waterworks facilities of the Issuer (the "Project") (the existing waterworks facilities, the Project and any further additions thereto or extensions thereof is herein called the "System") at an estimated cost of $3,362,000, in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications have heretofore been filed with the Issuer.

C. The estimated revenues to be derived in each year after completion of the Project from the operation of the System will be sufficient to pay all the costs of the operation and maintenance of said System, the principal of and interest on the Prior Bonds and the Bonds and all Sinking Fund, Reserve Account and other payments provided for herein and in the Prior Ordinance, all as such terms are hereinafter defined.

D. It is deemed necessary for the Issuer to issue its Water Revenue Bonds in the total aggregate principal amount of not more than $4,500,000 in two series, being the Series 1988 A Bonds in the aggregate principal amount of not more than $3,500,000, and the Series 1988 B Bonds in the aggregate principal amount of not more than $1,000,000 (collectively, the "Bonds"), to finance costs of construction and acquisition of the Project. Said costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest upon the Bonds prior to and during construction or acquisition and for 6 months after completion of construction of the Project; amounts which may be deposited in the Reserve Accounts; engineering, and legal expenses; expenses for estimates of costs and revenues, expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise, administrative expense, commitment fees, fees and expenses of the Authority (as hereinafter defined), discount, initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Bonds and such other expenses as may be necessary or incidental to the financing herein authorized, the construction or acquisition of the Project and the placing of same in operation, and the performance of the things herein required or permitted, in connection with any thereof, provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Bonds or the repayment of indebtedness incurred by the Issuer for such purposes, shall be deemed Costs of the Project, as hereinafter defined.

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

F. It is in the best interests of the Issuer that its Original Bonds (as hereinafter defined) be sold to the Authority (as hereinafter defined) pursuant to the terms and provisions of a loan agreement and a supplemental loan agreement (collectively, the "Loan Agreement") to be entered into between the Issuer and the Authority, in form satisfactory to the Issuer and the Authority, and attached hereto as "Exhibit A," and made a part hereof.

G. There are outstanding certain obligations of the Issuer which will rank prior to or on parity with the Bonds as to lien and source of and security for payment as follows:

(i) Water Revenue Bonds, dated April 1, 1961, issued in the original aggregate principal amount of $525,000, of which $288,000 remains Outstanding as of the date of this Ordinance (the "1961 Bonds");

(ii) Water Revenue Refunding Bonds, dated April 1, 1977, issued in the original aggregate principal amount of $1,315,000, of which $1,225,000 remains Outstanding as of the date of enactment of this Ordinance (the "1977 Bonds");

(iii) Water Revenue Bonds, Series 1987 A, dated November 18, 1987, issued in the original aggregate principal amount of $1,686,371, of which $1,686,371 remains outstanding as of the date of enactment of this Ordinance (the "1987 A Bonds"); and

(iv) Water Revenue Bonds, Series 1987 B, dated November 18, 1987, issued in the original aggregate principal amount of $413,629, of which $413,629 remains Outstanding as of the date of enactment of this Ordinance (the "1987 B Bonds).

The 1977 Bonds, the 1961 Bonds, the 1987 A Bonds and the 1987 B Bonds are herein collectively called the "Prior Bonds." The Series 1988 A Bonds shall be junior and subordinate to the 1961 Bonds and the 1977 Bonds, and on parity with the 1987 A Bonds. The Series 1988 B Bonds shall be junior and subordinate to the 1961 Bonds, the 1977 Bonds, the 1987 A Bonds and the Series 1988 A Bonds, and on parity with the 1987 B Bonds.

H. The Issuer 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, or will have so complied prior to issuance 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.

I. The Issuer has received (or will receive prior to issuance of the Bonds) the written consent of the Authority to issuance of the Series 1988 A Bonds on parity with the 1987 A Bonds and the Series 1988 B Bonds on parity with the 1987 B Bonds.

J. The Issuer is a governmental unit which has general taxing powers to finance operations of or facilities of the nature of the Project and System, and the Issuer, all subordinate entities, all entities which issue obligations on behalf of the Issuer, and all entities formed or, to the extent provided under Section 148 of the Code, herein defined, availed of, to avoid the purposes of Section 148(f)(4)(C) of the Code and all other entities benefiting thereby reasonably expect to issue less than $5,000,000 aggregate principal amount of tax-exempt obligations during the calendar year in which the Bond is to be issued.

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

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

"Act" means Chapter 8, Article 19 of the West Virginia Code of 1931, as amended and in effect on the date of enactment hereof.

"Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser of the Original Bonds, or any other agency of the State of West Virginia that succeeds to the functions of the Authority.

"Authorized Officer" means the Mayor or City Manager of the Issuer or any acting Mayor or City Manager duly appointed by the Governing Body.

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

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

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

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

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

"Bonds" means the Original Bonds, and any bonds on a parity therewith authorized to be issued hereunder.

"1961 Bonds" means the Issuer's Water Revenue Bonds, dated April 1, 1961, issued in the original aggregate principal amount of $525,000, of which $288,000 remains Outstanding as of the date of enactment of this Ordinance.

"1977 Bonds" means the Issuer's Water Revenue Refunding Bonds, dated April 1, 1977, issued in the original aggregate principal amount of $1,315,000, of which $1,225,000 remains Outstanding as of the date of enactment of this Ordinance.

"1987 A Bonds" means the Issuer's Water Revenue Bonds, Series 1987 A, dated November 18, 1987, issued in the original aggregate principal amount of $1,686,371, of which $1,686,371 remains Outstanding as of the date of enactment of this Ordinance.

"1987 B Bonds" means the Issuer's Water Revenue Bonds, Series 1987 B, dated November 18, 1987, issued in the original aggregate principal amount of $413,629, of which $413,629 remains Outstanding as of the date of enactment of this Ordinance.

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

"Closing Date" means the date upon which there is an exchange of the Bonds for the proceeds representing the purchase of the Bonds by the Authority.

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

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

"Consulting Engineers" means Kelley, Gidley, Blair & Wolfe, Inc., Charleston, West Virginia, or any engineer or firm of engineers that shall at any time hereafter be retained by the Issuer as Consulting Engineers for the System.

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

"Debt Service" means the scheduled amount of interest and amortization of principal payable on the Bonds during the period of computation, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

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

"Excess Investment Earnings" means an amount equal to the sum of:

(A) The excess of

(i) The aggregate amount earned from the Closing Date on all Nonpurpose Investments in which Gross Proceeds of the Series A Bonds are invested [other than amounts attributable to an excess described in this clause (A) of this definition of Excess Investment Earnings], over

(ii) The amount that would have been earned if the Yield on such Nonpurpose Investments [other than amounts attributable to an excess described in this clause (A) of this definition of Excess Investment Earnings] had been equal to the Yield on the Series A Bonds, plus

(B) Any income attributable to the excess described in clause (A) of this definition of Excess Investment Earnings.

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

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

"Governing Body" means the council of the Issuer, as it may now or hereafter be constituted.

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

"Gross Proceeds" means the sum of the following amounts:

(i) Original proceeds, namely, net amounts received by or for the Issuer as a result of the sale of the Series A Bonds, excluding original proceeds which become transferred proceeds (determined in accordance with applicable Regulations) of obligations issued to refund in whole or in part the Series A Bonds;

(ii) Investment proceeds, namely, amounts received at any time by or for the Issuer, such as interest and dividends, resulting from the investment of any original proceeds (as referenced in clause (i) above) or investment proceeds (as referenced in this clause (ii)) in Nonpurpose Investments, increased by any profits and decreased (if necessary, below zero) by any losses on such investments, excluding investment proceeds which become transferred proceeds (determined in accordance with applicable Regulations) of obligations issued to refund in whole or in part the Series A Bonds;

(iii) Transferred proceeds, namely, original proceeds of any prior obligations, and interest earnings and profits less losses resulting from investment of such original proceeds in Nonpurpose Investments, which are used to discharge the outstanding principal of any prior bonds and which are deemed to become proceeds of the Series A Bonds ratably as original proceeds of the Series A Bonds, and interest earnings and profits resulting from investment of such original proceeds in Nonpurpose Investments, which are used to discharge the outstanding principal of any such prior obligations, all on the date of such ratable discharge;

(iv) Sinking fund proceeds, namely, amounts, other than original proceeds, investment proceeds or transferred proceeds (as referenced in clauses (i) through (iii) above) of the Series A Bonds, which are held in any fund to the extent that the Issuer reasonably expects to use such other fund to pay Debt Service;

(v) Amounts in the Reserve Accounts and in any other fund established as a reasonably required reserve or replacement fund;

(vi) Investment Property pledged as security for payment of Debt Service on the Series A Bonds by the Issuer;

(vii) Amounts, other than as specified in this definition, used to pay Debt Service on the Series A Bonds; and

(viii) Amounts received as a result of investing amounts described in this definition.

"Gross Revenues" means the aggregate gross operating and non-operating revenues of the System, as hereinafter defined, determined in accordance with generally accepted accounting principles, after deduction of prompt payment discounts, if any, and reasonable provision for uncollectible accounts; provided, that "Gross Revenues" does not include any gains from the sale or other disposition of, or from any increase in the value of, capital assets (including Qualified Investments, as hereinafter defined, purchased pursuant to Article 8.01 hereof) or any Tap Fees, as hereinafter defined.

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

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

"Investment Property" means any security (as said term is defined in Section 165(g)(2)(A) or (B) of the Code), obligation, annuity contract or investment-type property, excluding, however, obligations the interest on which is excluded from gross income, under Section 103 of the Code, for federal income tax purposes.

"Issuer" means the City of Charles Town, in Jefferson County, West Virginia, and, unless the context clearly indicates otherwise, includes the Governing Body of the Issuer.

"Loan Agreement" shall mean, collectively, the Loan Agreement and the Supplemental Loan Agreement, to be entered into between the Authority and the Issuer providing for the purchase of the Original Bonds from the Issuer by the Authority, the forms of which are approved, and the execution and delivery by the Issuer ratified and confirmed by, this Ordinance.

"Mayor" means the Mayor of the Issuer.

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

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

"Nonpurpose Investment" means any Investment Property which is acquired with the Gross Proceeds of the Series A Bonds and is not acquired in order to carry out the governmental purpose of the Bonds.

"Operating Expenses" means the reasonable, proper and necessary costs of repair, maintenance and operation of the System

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

"1961 Ordinance" means the Ordinance enacted by the Issuer on March 6, 1961, authorizing issuance of the 1961 Bonds.

"1977 Ordinance" means the Ordinance enacted by the Issuer on March 7, 1977, authorizing issuance of the 1977 Bonds.

"1987 Ordinance" means the Ordinance enacted by the Issuer on November 16, 1987, authorizing issuance of the 1987 A and 1987 B Bonds.

"Original Bonds" or "Bonds originally authorized hereby" or similar phrases mean, collectively, the not more than $3,500,000 in aggregate principal amount of Series 1988 A Bonds and the not more than $1,000,000 in aggregate principal amount of Series 1988 B Bonds, issued for the purpose of paying a portion of the Costs of the Project and for such other purposes permitted and authorized by this Bond Legislation.

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

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

"Paying Agent" means the bank or banks or other entity designated as such for the Bonds from time to time in the Supplemental Resolution or such entity or authority as may be designated by the Issuer.

"Prior Bonds" means collectively, the 1961 Bonds, the 1977 Bonds, the 1987 A Bonds and the 1987 B Bonds.

"Prior Ordinance" means collectively, the 1961 Ordinance, the 1977 Ordinance and the 1987 Ordinance.

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

"Program" means the Authority's loan program, under which the Authority purchases the water development revenue bonds of local governmental entities satisfying certain legal and other requirements with the proceeds of water development revenue bonds of the Authority.

"Project" means the acquisition and construction of certain additions, betterments and improvements for the Issuer's existing public waterworks system, including storage tanks, water mains and connectors and all necessary appurtenances.

"Purchase Price," for the purpose of computation of the Yield of the Bonds, has the same meaning as the term "issue price" in Sections 1273(b) and 1274 of the Code, and, in general, means the initial offering price of the Series A Bonds to the public (not including bond houses and brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of the Series A Bonds of each maturity is sold or, if the Series A Bonds are privately placed, the price paid by the first buyer of the Series A Bonds or the acquisition cost of the first buyer. "Purchase Price," for purposes

of computing Yield of Nonpurpose Investments, means the fair market value of the Nonpurpose Investments on the date of use of Gross Proceeds of the Series A Bonds for acquisition thereof, or if later, on the date that Investment Property constituting a Nonpurpose Investment becomes a Nonpurpose Investment of the Bonds.

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

(a) Government Obligations;

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

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

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

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

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

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

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

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

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

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

"Regulations" means all applicable regulations promulgated under the Code, or any predecessor thereto.

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

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

"Series 1988 A Bonds" or "Series A Bonds" means the not more than $3,500,000 in aggregate principal amount of Water Revenue Bonds, Series 1988 A, of the Issuer.

"Series 1988 A Bonds Reserve Account" means the Series 1988 A Bonds Reserve Account established in the Series 1988 A Bonds Sinking Fund pursuant to Section 5.02 hereof.

"Series 1988 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 1988 A Bonds in the then current or any succeeding year.

"Series 1988 A Bonds Sinking Fund" means the Series 1988 A Sinking Fund established by Section 5.02 hereof.

"Series 1988 B Bonds" or "Series B Bonds" means the not more than $1,000,000 in aggregate principal amount of Water Revenue Bonds, Series 1988 B, of the Issuer.

"Series 1988 B Bonds Reserve Account" means the Series 1988 B Bonds Reserve Account established in the Series 1988 B Bonds Sinking Fund pursuant to Section 5.02 hereof.

"Series 1988 B Bonds Reserve Requirement" means, as of the date of calculation, the maximum amount of principal which will become due on the Series 1988 B Bonds in the then current or any succeeding year.

"Series 1988 B Bonds Sinking Fund" means the Series 1988 B Bonds Sinking Fund established by Section 5.02 hereof.

"State" means the State of West Virginia.

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

"Surplus Revenues" means the Net Revenues not required by the Bond Legislation to be set aside and held for the payment of or security for the Bonds, the Prior Bonds or any other obligations of the Issuer, including the Depreciation Fund, the Renewal and Replacement Fund and the Reserve Accounts, the proceeds of which Bonds or other obligations are to be used to pay Costs of the Project.

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

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

"Yield" means that yield which, when used in computing the present worth of all payments of principal and interest (or other payments in the case of Nonpurpose Investments which require payments in a form not characterized as principal and interest) on a Nonpurpose Investment or on the Series A Bonds produces an amount equal to the Purchase Price of such Nonpurpose Investment or the Bonds, all computed as prescribed in applicable Regulations.

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

ARTICLE II

AUTHORIZATION OF 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, at an estimated cost of $3,362,000, in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed in the office of the Governing Body. The proceeds of the Bonds hereby authorized shall be applied as provided in Article VI hereof.

ARTICLE III

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

Section 3.01. Authorization of Bonds. For the purposes of capitalizing interest on the Series 1988 A Bonds, funding a reserve account for each series of Original Bonds, paying Costs of the Project not otherwise provided for and paying certain costs of issuance and related costs, or any of such purposes, there shall be issued negotiable Original Bonds of the Issuer, in an aggregate principal amount of not more than $4,500,000. Said Bonds shall be issued in two series, to be designated respectively, "Water Revenue Bonds, Series 1988 A," in the aggregate principal amount of not more than $3,500,000, and "Water Revenue Bonds, Series 1988 B," in the aggregate principal amount of not more than $1,000,000, and shall have such terms as set forth hereinafter and in the Supplemental Resolution. The proceeds of the Bonds remaining after funding of the Reserve Accounts (if funded from Bond proceeds) and capitalization of interest, if any, shall be deposited in the Bond Construction Trust Fund established by Section 5.01 hereof.

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

Unless otherwise provided by the Supplemental Resolution, the Original Bonds shall be issued in the form of a single bond for each series, fully registered to the Authority, with a debt service schedule attached, representing the aggregate principal amount of each series, and shall mature in principal installments, all as provided in the Supplemental Resolution. The Bonds of each series shall be exchangeable at the option and expense of the Holder for other fully registered Bonds of the same series in aggregate principal amount equal to the amount of said Bonds then Outstanding and being exchanged, with principal installments or maturities, as

applicable, corresponding to the dates of payment of principal installments of said Bonds; provided, that the Authority shall not be obligated to pay any expenses of such exchange.

Subsequent series of Bonds, if any, shall be issued in fully registered form and in denominations as determined by a Supplemental Resolution. The 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 Issuer by the Mayor, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the City Clerk. In case any one or more of the officers who shall have signed or sealed any of the Bonds shall cease to be such officer of the Issuer before the Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.04. Authentication and Registration. No Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Bond Legislation unless and until the Certificate of Authentication and Registration on such Bond, substantially in the forms set forth in Section 3.09 shall have been manually executed by the Bond Registrar. Any such executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Bond Legislation. The Certificate of Authentication and Registration on any Bond shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

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

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

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

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

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Bond Registrar shall, if so advised by the Issuer, authenticate and deliver, a new Bond of the same series and of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer and the Bond Registrar may incur. All Bonds so surrendered shall be cancelled by the Bond Registrar and held for the account of the Issuer. If any such Bond shall have matured or be about to mature, instead of issuing a

substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

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

Section 3.08. Bonds Secured by Pledge of Gross Revenues; Lien Positions with Respect to Prior Bonds. The payment of the debt service of all the Series 1988 A Bonds shall be secured forthwith equally and ratably with each other, by a lien on the Gross Revenues junior and subordinate to the lien on Gross Revenues in favor of the Holders of the 1961 Bonds and the 1977 Bonds, and on parity with the lien on Gross Revenues in favor of the Holders of the 1987 A Bonds. The payment of the debt service of all the Series 1988 B Bonds shall be secured forthwith equally and ratably with each other by a lien on the Gross Revenues junior and subordinate to the lien on Gross Revenues in favor of the Holders of the 1961 Bonds, the 1977 Bonds, the 1987 A Bonds and the Series 1988 A Bonds and on parity with the lien on Gross Revenues in favor of the Holders of the 1987 B Bonds. Such Gross 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 Funds, the Reserve Accounts therein and the Renewal and Replacement Fund 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 Bonds shall be in substantially the following forms, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted hereby, or by any Supplemental Resolution adopted prior to the issuance thereof:

[Form of Series 1988 A Bond]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF CHARLES TOWN
WATER REVENUE BOND, SERIES 1988 A

No. AR-____ $_____

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF CHARLES TOWN, a municipal corporation and political subdivision of the State of West Virginia in Jefferson County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the West Virginia Water Development Authority (the "Authority") or registered assigns the sum of _____ ($_____), in installments on October 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 interest on each installment at the rate per annum set forth on said Exhibit A.

The interest rate on each installment shall run from the original date of delivery of this Bond to the Authority and payment therefor, and until payment of such installment, and such interest shall be payable on April 1 and October 1 in each year, beginning _____ 1, 19____. Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent"). The interest on this Bond is payable by check or draft of the Paying Agent mailed to the registered owner hereof at the address as it appears on the books of One Valley Bank, National Association, Charleston, West Virginia, as registrar (the "Registrar") on the 15th day of the month next preceding an interest payment date, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner hereof.

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority, and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement between the Issuer and the Authority, dated _____, 198__.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain additions, betterments and improvements for the existing waterworks facilities of the Issuer (the "Project"); and (ii) to pay certain costs of issuance hereof and related costs. The Bonds of this series (the "Bonds") are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 8, Article 19 of the West Virginia Code of 1931, as amended (the "Act"), and an Ordinance and Supplemental Resolution, duly enacted and adopted, respectively, by the Issuer on _____, 1988 (collectively called the "Bond Legislation"), and are subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

This Bond is issued concurrently with the Water Revenue Bonds, Series 1988 B, of the Issuer (the "Series 1988 B Bonds"), issued in the aggregate principal amount of $_____, which Series 1988 B Bonds are junior and subordinate with respect to liens and sources of and security for payment to the Bonds.

THIS BOND IS JUNIOR AND SUBORDINATE WITH RESPECT TO LIENS, PLEDGES AND SOURCES OF AND SECURITY FOR PAYMENT TO THE ISSUER'S OUTSTANDING WATER REVENUE BONDS, DATED APRIL 1, 1961, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $525,000 (THE "1961 BONDS") AND WATER REVENUE REFUNDING BONDS, DATED APRIL 1, 1977, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,315,000 (THE "1977 BONDS"), IS ON PARITY WITH RESPECT TO LIENS, PLEDGES AND SOURCES OF AND SECURITY FOR PAYMENT WITH THE ISSUER'S OUTSTANDING WATER REVENUE BONDS, SERIES 1987 A, DATED NOVEMBER 18, 1987, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,686,371 (THE "1987 A BONDS") (COLLECTIVELY, THE "PRIOR BONDS").

This Bond is payable only from and secured by a pledge of the Gross Revenues (as defined in the Bond Legislation) on a parity basis with the 1987 A Bonds to be derived from the operation of the System after there has first been paid from said Gross Revenues all payments then due and owing on account of the 1961 Bonds and the 1977 Bonds, moneys in the Reserve Account (the "Series 1988 A Bonds Reserve Account") created under the Bond Legislation for the Bonds, and unexpended proceeds of the Bonds and the Series 1988 B Bonds.

Such Gross Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Gross Revenues, the moneys in the Series 1988 A Bonds Reserve Account and unexpended proceeds of this Bond and the Series 1988 B Bond. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the amount required to pay the maximum amount due in any year of principal of and interest on the Bonds, the Series 1988 B Bonds, and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds or the Series 1988 B Bonds, including the Prior Bonds, provided however, that so long as there exists in the Series 1988 A Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for the Series 1988 B Bonds and any other obligations outstanding prior to or on a parity with the Bonds or the Series 1988 B Bonds, including the Prior Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Bond Legislation, only upon the books of the Registrar by the registered owner, or by its attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or its attorney duly authorized in writing.

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

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

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

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

IN WITNESS WHEREOF, the CITY OF CHARLES TOWN has caused this Bond to be signed by its Mayor and its corporate seal to be affixed hereon and attested by its Recorder, and has caused this Bond to be dated _____, 1988.

[SEAL]

_____
Mayor

ATTEST:

_____
Recorder

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1988 A Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above as of the date set forth below.

Date: _____

ONE VALLEY BANK, NATIONAL ASSOCIATION,
as 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 within Bond and does hereby irrevocably constitute and appoint _____, Attorney to transfer the said Bond on the books kept for registration of the within Bond of the said Issuer with full power of substitution in the premises.

Dated: _____, _____.

_____

In the presence of:

_____

[Form of Series 1988 B Bond]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF CHARLES TOWN
WATER REVENUE BOND, SERIES 1988 B

No. BR-____ $_____

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF CHARLES TOWN, a municipal corporation and political subdivision of the State of West Virginia in Jefferson County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the West Virginia Water Development Authority (the "Authority") or registered assigns the sum of _____ ($_____), in annual installments on October 1 of each year as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference, without interest.

Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent").

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority, and upon the terms and conditions prescribed by, and otherwise in compliance with, the Supplemental Loan Agreement between the Issuer and the Authority, dated _____, 198__.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain additions, betterments and improvements for the existing waterworks facilities of the Issuer (the "Project"); 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 8, Article 19 of the West Virginia Code of 1931, as amended (the "Act"), and an Ordinance and Supplemental Resolution, duly enacted and adopted, respectively, by the Issuer on _____, 1988 (collectively called the "Bond Legislation"), and is subject to all the terms and

conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

THIS BOND IS JUNIOR AND SUBORDINATE WITH RESPECT TO LIENS, PLEDGES AND SOURCES OF AND SECURITY FOR PAYMENT TO CERTAIN OUTSTANDING WATER REVENUE BONDS OF THE ISSUER AS FOLLOWS:

(i) WATER REVENUE BONDS, DATED APRIL 1, 1961, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $525,000 (THE "1961 BONDS");

(ii) WATER REVENUE REFUNDING BONDS, DATED APRIL 1, 1977, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,315,000 (THE "1977 BONDS");

(iii) WATER REVENUE BONDS, SERIES 1987 A, DATED NOVEMBER 18, 1987, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,686,371 (THE "1987 A BONDS"); AND

(iv) WATER REVENUE BONDS, SERIES 1988 A, ISSUED CONCURRENTLY HEREWITH IN THE AGGREGATE PRINCIPAL AMOUNT OF $_____ AND DESCRIBED IN THE BOND LEGISLATION (THE "SERIES 1988 A BONDS").

THIS BOND IS ON PARITY WITH RESPECT TO LIENS, PLEDGES AND SOURCES OF AND SECURITY FOR PAYMENT WITH THE ISSUER'S WATER REVENUE BONDS, SERIES 1987 B, DATED NOVEMBER 18, 1987, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $413,629 (THE "SERIES 1987 B BONDS").

THE 1987 A BONDS, 1987 B BONDS, THE 1977 BONDS AND THE 1961 BONDS ARE HEREIN COLLECTIVELY CALLED THE "PRIOR BONDS."

This Bond is payable only from and secured by a pledge of the Gross Revenues (as defined in the Bond Legislation) on a parity basis with the 1987 B Bonds to be derived from the operation of the System after there has first been paid from said Gross Revenues all payments then due and owing on account of the 1961 Bonds, the 1977 Bonds, the 1987 A Bonds and the Series 1988 A Bonds herein described and from moneys in the Reserve Account (the "Series 1988 B

Bonds Reserve Account") created under the Bond Legislation for the Bonds of this Series (the "Bonds"), and unexpended proceeds of the Bonds. Such Gross Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same, except from said special fund provided from the Gross Revenues, the moneys in the Series 1988 B Bonds Reserve Account and unexpended Bond proceeds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the amount required to pay the maximum amount due in the then current or any succeeding year of principal of and interest, if any, on the Bonds, the Series 1988 A Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Series 1988 A Bonds or the Bonds, including the Prior Bonds, provided however, that so long as there exists in the Series 1988 B Bonds Reserve Account and the reserve account established for the Series 1988 A Bonds, respectively, amounts at least equal to the maximum amount of principal and interest which will become due on the Bonds and the Series 1988 A Bonds in any year, and any reserve account for any such prior or parity obligations, including the Prior Bonds, is funded at least at the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

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

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

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law, shall be applied solely to the payment of the Costs of the Project described in the Bond Legislation, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the registered owners of the Bonds, which lien is subordinate to the lien in favor of the registered owners of the Series 1988 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 Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the revenues of the System has been pledged to and will be set aside into said special fund by the Issuer for the prompt payment of the principal of this Bond.

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

IN WITNESS WHEREOF, the CITY OF CHARLES TOWN has caused this Bond to be signed by its Mayor and its corporate seal to be hereunto affixed hereon and attested by its Recorder, and has caused this Bond to be dated _____, 1988.

[SEAL]

_____
Mayor

ATTEST:

_____
Recorder

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1988 B Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above as of the date set forth below.

Date: _____

ONE VALLEY BANK, NATIONAL ASSOCIATION,
as 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 within Bond and does hereby irrevocably constitute and appoint _____, Attorney to transfer the said Bond on the books kept for registration of the within Bond of the said Issuer with full power of substitution in the premises.

Dated: _____, _____.

_____

In the presence of:

_____

Section 3.10. Sale of Original Bonds; Ratification of 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. The Mayor is specifically authorized and directed to execute the Loan Agreement in the form attached hereto as "Exhibit A" and made a part hereof, and the City Clerk is directed to affix the seal of the Issuer, attest the same and deliver the Loan Agreement to the Authority, and any such prior execution and delivery is hereby authorized, ratified and approved.

ARTICLE IV

[RESERVED]

ARTICLE V

SYSTEM REVENUES AND APPLICATION THEREOF

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

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

(2) Operation and Maintenance Fund (established by the Prior Ordinance);

(3) Depreciation Fund (established by the Prior Ordinance);

(4) Renewal and Replacement Fund (established by the Prior Ordinance); and

(5) Bond Construction Trust Fund.

Section 5.02. Establishment of Funds and Accounts with Commission. The following special funds or accounts are hereby established (or continued if previously established by the Prior Ordinance) with the Commission:

(1) The Sinking Funds established for the 1961 Bonds, the 1977 Bonds, the 1987 A Bonds and the 1987 B Bonds (herein collectively called the "Prior Bonds Sinking Funds");

(2) Series 1988 A Bonds Sinking Fund;

(a) Within the Series 1988 A Bonds Sinking Fund, the Series 1988 A Bonds Reserve Account.

(3) Series 1988 B Bonds Sinking Fund;

(a) Within the Series 1988 B Bonds Sinking Fund, the Series 1988 B Bonds Reserve Account.

Section 5.03. System Revenues; Flow of Funds. A. The entire Gross Revenues derived from the operation of the System shall be deposited upon receipt in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in this Bond

Legislation and shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner herein provided.

(1) The Issuer shall first, on or before the dates specified in the Prior Ordinance, transfer from the Revenue Fund and remit to the Commission for deposit into the Prior Bonds Sinking Funds such sums as are prescribed and in the priority set forth in the Prior Ordinance.

(2) Thereafter, from the moneys remaining in the Revenue Fund, the Issuer shall next, on the first day of each month, commencing 7 months prior to the first date of payment of interest on the Series 1988 A Bonds for which interest has not been capitalized, apportion and set apart out of the Revenue Fund and remit to the Commission, for deposit in the Series 1988 A Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on said Series 1988 A Bonds on the next ensuing semiannual interest payment date; provided, that, in the event the period to elapse between the date of such initial deposit in the Series 1988 A Bonds Sinking Fund and the next semiannual interest payment date is less than 7 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next semiannual interest payment date, the required amount of interest coming due on such date.

(3) The Issuer shall next, on the first day of each month, commencing 13 months prior to the first date of payment of principal on the Series 1988 A Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1988 A Bonds Sinking Fund, a sum equal to 1/12th of the amount of principal which will mature and become due on said Series 1988 A Bonds on the next ensuing principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1988 A Bonds Sinking Fund and the next annual principal payment date is less than 13 months then such monthly payments shall be increased proportionately to provide, one month prior to the next annual principal payment date, the required amount of principal coming due on such date.

(4) The Issuer shall next, on the first day of each month, commencing 13 months prior to the first date of payment of principal of the Series 1988 A Bonds, if not fully funded upon issuance of the Series 1988 A Bonds, apportion and set apart out of the Revenue Fund and remit

to the Commission for deposit in the Series 1988 A Bonds Reserve Account, an amount equal to 1/120 of the Series 1988 A Bonds Reserve Requirement; provided, that no further payments shall be made into the Series 1988 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 1988 A Bonds Reserve Requirement.

(5) From the moneys remaining in the Revenue Fund, the Issuer shall next, on the first day of each month, commencing with the month succeeding the first full calendar month after completion of construction of the Project, transfer to the Renewal and Replacement Fund established by the 1987 Ordinance and contained herein, a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of the Series 1988 A Bonds Reserve Account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII hereof. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency repairs, improvements or extensions to the System; provided, that any deficiencies in the Series 1988 A Bonds Reserve Account [except to the extent such deficiency exists because the required payments into such account has not, as of the date of determination of a deficiency, funded such account to the maximum extent required by Subsection 5.03(A)(4)] shall be promptly eliminated with moneys from the Renewal and Replacement Fund.

(6) The Issuer shall next, on the first day of each month, commencing 13 months prior to the first date of payment of principal on the Series 1988 B Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1988 B Bonds Sinking Fund, a sum equal to 1/12th of the amount of principal which will mature and become due on said Series 1988 B Bonds on the next ensuing principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1988 B Bonds Sinking Fund and the next annual principal payment date is less than 13 months then such monthly payments shall be increased proportionately to provide, one month prior to the next annual principal payment date, the required amount of principal coming due on such date.

(7) The Issuer shall next, on the first day of each month, commencing 13 months prior to the first date of payment of principal of the Series 1988 B Bonds, if not fully funded upon issuance of the Series 1988 B Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1988 B Bonds Reserve Account, an amount equal to 1/120 of the Series 1988 B Bonds Reserve Requirement; provided, that no further payments shall be made into the Series 1988 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 1988 B Bonds Reserve Requirement.

(8) The Issuer shall next, each month, transfer from the Revenue Fund into the Operation and Maintenance Fund established by the Prior Ordinance and hereby continued, an amount sufficient to pay all reasonable and proper expenses of operation, maintenance and repair of the System for the current month and from which disbursements shall be made only for that purpose. If in any month for any reason there is a failure to transfer and pay the required amount into the Operation and Maintenance Fund, then the amount of any deficiency shall be added to the amount otherwise required to be transferred and paid into said Fund in the next succeeding month. Fixed annual charges, such as insurance and costs of major repairs and maintenance, may be computed and set up on an annual basis and 1/12th of the amount thereof may be accumulated in said Fund each month.

(9) Thereafter, from the revenues remaining in the Revenue Fund, the Issuer shall next, each month, pay into the Depreciation Fund, established by the Prior Ordinance and hereby continued with the Depository Bank, the sum of $750, in addition to the $325 required by Subsection (3) of Section 6 of the 1961 Ordinance, until the amount in the Depreciation Fund shall aggregate $85,000 and whenever the amount in the Depreciation Fund is less than $85,000, the said monthly payments shall be resumed until such aggregate sum of $85,000 is in the Depreciation Fund; provided, that if the amount in the Depreciation Fund exceeds $25,000, only $750 a month shall be required to be transferred thereto. The moneys in the Depreciation Fund shall be used first to restore any deficiency in the Prior Bonds Sinking Fund resulting from inadequate revenues to make the required deposits into the Sinking Fund, and shall next be used only for the replacement, renewal, improvement, betterment or extension of capital assets of the waterworks.

Moneys in the Series 1988 A Bonds Sinking Fund and the Series 1988 B Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest, if any, on the respective series of Bonds as the same shall become due. Moneys in the Series 1988 A Bonds Reserve Account and the Series 1988 B Bonds Reserve Account shall be used only for the purpose of paying principal of and interest, if any, on the respective series of Bonds, as the same shall come due, when other moneys in the attendant Sinking Fund are insufficient therefor, and for no other purpose.

All investment earnings on moneys in the several Sinking Funds and Reserve Accounts shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall, during construction of the Project, be deposited in the Bond Construction Trust Fund, and following completion of construction of the Project, shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payments, if any, due on the respective Series of Bonds, and then to the next ensuing principal payments due thereon.

Any withdrawals from the Series 1988 A Bonds Reserve Account which result in a reduction in the balance of the Series 1988 A Bonds Reserve Account to below the Series 1988 A Bonds Reserve Requirement shall be subsequently restored from the first Gross Revenues available after all required payments to the Prior Bonds Sinking Funds and the Series 1988 A Bonds Sinking Fund for payment of debt service on the Prior Bonds and Series 1988 A Bonds have been made in full.

Any withdrawals from the Series 1988 B Bonds Reserve Account which result in a reduction in the balance of the Series 1988 B Bonds Reserve Account to below the Series 1988 B Bonds Reserve Requirement shall be subsequently restored from the first Gross Revenues available after all required payments to the Prior Bonds Sinking Funds, the Series 1988 A Bonds Sinking Fund, the Series 1988 A Bonds Reserve Account, the Renewal and Replacement Fund and the Series 1988 B Bonds Sinking Fund have been made in full.

As and when additional Bonds ranking on a parity with the Bonds are issued, provision shall be made for additional payments into the respective Sinking Fund sufficient to pay the interest on such additional parity Bonds and accomplish retirement thereof at maturity and to

accumulate a balance in the appropriate Reserve Account in an amount equal to the maximum provided and required to be paid into the concomitant Sinking Fund in any year for account of the Bonds of such series, including such additional Bonds which by their terms are payable from such Sinking Fund.

The Issuer shall not be required to make any further payments into the Series 1988 A Bonds Sinking Fund, or the Series 1988 B Bonds Sinking Fund or into the Reserve Accounts therein when the aggregate amount of funds in said respective Sinking Funds and Reserve Accounts are at least equal to the aggregate principal amount of the respective Bonds issued pursuant to this Bond Legislation then Outstanding and all interest to accrue until the respective maturities thereof.

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 Issuer 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 Bond Legislation.

Moneys in the Reserve Accounts shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

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

B. Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinbefore provided, are current and there remains in said Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into the Sinking Funds, including the Reserve Accounts therein and the sinking funds established for the

Prior Bonds, and the Depreciation Fund and Renewal and Replacement Fund during the following month or such other period as required by law, such excess shall be considered Surplus Revenues. Surplus Revenues may be used for any lawful purpose of the System.

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

H. All Tap Fees shall be deposited by the Issuer, as received, in the Bond Construction Trust Fund, and following completion of the Project, shall be deposited in the Revenue Fund and may be used for any lawful purpose of the System.

I. In the event that moneys in the Revenue Fund may be inadequate to permit the Issuer to make all of the deposits required by this Section 5.03, the principal of and interest on the 1987 A Bonds and the Series 1988 A Bonds shall be paid pro-rata, in accordance with the respective Outstanding principal amounts thereof, and the 1987 B Bonds and the Series 1988 B Bonds shall also be paid pro-rata, in accordance with the respective Outstanding principal amounts thereof.

ARTICLE VI

BOND PROCEEDS; FUNDS AND ACCOUNTS

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

A. From the proceeds of the Series 1988 A Bonds, there shall first be deposited with the Commission in the Series 1988 A Bonds Sinking Fund, the amount, if any, specified in the Supplemental Resolution as capitalized interest; provided, that such amount may not exceed the amount necessary to pay interest on the Series 1988 A Bonds for the period commencing on the date of issuance of the Bonds and ending 6 months after the estimated date of completion of construction of the Project.

B. Next, from the proceeds of the Series 1988 A Bonds, there shall be deposited with the Commission in the Series 1988 A Bonds Reserve Account and from the proceeds of the Series 1988 B Bonds, there shall be deposited with the Commission in the Series 1988 B Reserve Account the respective sums, if any, set forth in the Supplemental Resolution for funding of the Reserve Accounts.

C. Next, from the proceeds of the Series 1988 A Bonds, there shall first be credited to the Bond Construction Trust Fund and then paid, any and all borrowings by the Issuer made for the purpose of temporarily financing a portion of the Costs of the Project, including interest accrued thereon to the date of such payment.

D. 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 in the manner set forth in Section 6.02.

E. The Depository Bank shall act as a trustee and fiduciary for the Bondholder 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 Bond Legislation. 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 Series 1988 A Bonds, and thereafter for the Series 1988 B Bonds.

Section 6.02. Disbursements From the Bond Construction Trust Fund. Payments for Costs of the Project shall be made monthly.

Except as provided in Section 6.01 hereof, disbursements from the Bond Construction Trust Fund, except for the costs of issuance of the Original Bonds which shall be made upon request of the Issuer, shall be made only after submission to the Depository Bank of a certificate, signed by an Authorized Officer and the Consulting Engineers, stating:

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

(B) 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;

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

(D) 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 Depository Bank shall disburse from the Bond Construction Trust Fund only the net amount remaining after deduction of any such portion. All payments made from the Bond Construction Trust Fund shall be presumed by the Depository Bank to be made for the purposes set forth in said certificate, and the Depository Bank shall not be required to monitor the application of disbursements from the Bond Construction Trust Fund. The Consulting Engineers shall from time to time file with the Depository Bank written statements advising the Depository Bank of its then authorized representative.

Pending such application, moneys in the Bond Construction Trust Fund, including any accounts therein, shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

After completion of the Project, as certified by the Consulting Engineers, the Depository Bank shall transfer any moneys remaining in the Bond Construction Trust Fund to the Series 1988 A Bonds Reserve Account, and when fully funded to the Series 1988 B Bonds Reserve Account, and when both Reserve Accounts are fully funded, shall return such remaining moneys to the Issuer for deposit in the Revenue Fund. The Issuer shall thereafter, apply such moneys

in full, first to the next ensuing interest payments, if any, due on the respective Series of Bonds and thereafter to the next ensuing principal payments due thereon. Notwithstanding the foregoing, if the Authority tenders any of its Series 1988 B Bonds to the Issuer pursuant to the provisions of the Supplemental Loan Agreement, such moneys shall be applied to the purchase of such Series 1988 B Bonds.

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

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

Section 7.02. Bonds not to be Indebtedness of the Issuer. The Bonds shall not be or constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness, but shall be payable solely from the funds pledged for such payment by this Bond Legislation. No Holder or Holders of any Bonds, shall ever have the right to compel the exercise of the taxing power of the Issuer to pay said Bonds or the interest thereon.

Section 7.03. Bonds Secured by Subordinate Pledge of Gross Revenues; Lien Positions with Respect to Prior Bonds. The payment of the debt service of the Series 1988 A Bonds issued hereunder shall be secured forthwith equally and ratably by a lien on the Gross Revenues derived from the operation of the System junior and subordinate to the lien in favor of the Holders of the 1961 Bonds and the 1977 Bonds, and on parity with the Holders of the 1987 A Bonds. Payment of the debt service of the Series 1988 B Bonds issued hereunder shall be secured forthwith equally and ratably by a lien on said Gross Revenues, junior and subordinate to the lien on said Gross Revenues in favor of the Holders of the 1961 Bonds, the 1977 Bonds, the 1987 A Bonds and the Series 1988 A Bonds, and on parity with the Holders of the 1987 B Bonds. The revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Prior Bonds and the Bonds and to make the payments into the Sinking Funds, including the Reserve Accounts therein, and all other payments provided for in the Bond Legislation are hereby irrevocably pledged, in the manner provided herein, to the payment of the principal of and interest on the Bonds as the same become due, and for the other purposes provided in the Bond Legislation.

Section 7.04. Initial Schedule of Rates and Charges. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth in the ordinance of the Issuer enacted April 4, 1988.

Section 7.05. Sale of the System. Except as otherwise required by law, the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Bonds Outstanding, or to effectively defease this Ordinance in accordance with Section 10.01 hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Bonds, immediately be remitted to the Commission for deposit in the Sinking Funds, and, with the written permission of the Authority, or in the event the Authority is no longer a Bondholder, the Issuer shall direct the Commission to apply such proceeds to the payment of principal at maturity of and interest on the Bonds. Any balance remaining after the payment of all the Bonds and interest thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

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

Commission for deposit in the Sinking Fund and shall be applied only to the purchase of Bonds of the last maturities then Outstanding at prices not greater than the par value thereof plus 3% of such par value. Such payment of such proceeds into the Sinking Fund or the Renewal and Replacement Fund shall not reduce the amounts required to be paid into said funds by other provisions of this Bond Legislation. No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases, or other dispositions of such properties, shall be in excess of $50,000 and insufficient to pay all Bonds then Outstanding without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of over 50% in amount of the Bonds then Outstanding and the Consulting Engineers. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 7.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. Except as provided in this Section 7.06 and in Section 7.07B, the Issuer shall not issue any other obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Bonds; provided, however, that additional Bonds on a parity with the Series 1988 B Bonds only may be issued as provided for in Section 7.07 hereof. All obligations issued by the Issuer after the issuance of the Bonds and payable from the revenues of the System, except such additional parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on and source of and security for payment from such revenues and in all other respects, to the Series 1988 A Bonds and the Series 1988 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.

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

Section 7.07. Parity Bonds. A. No Parity Bonds, payable out of the revenues of the System, shall be issued after the

issuance of any Bonds pursuant to this Bond Legislation, except under the conditions and in the manner herein provided.

All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 1988 B Bonds. No Parity Bonds shall be issued which shall be payable out of the revenues of the System on a parity with the Series 1988 A Bonds, unless the Series 1988 B Bonds are no longer outstanding.

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

No Parity Bonds shall be issued at any time, however, unless there has been procured and filed with the City Clerk 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 12 consecutive months, within the 18 months immediately preceding the date of the actual issuance of such Parity Bonds, plus the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the completion of the improvements to be financed by such Parity Bonds, shall not be less than 115% of the largest aggregate amount that will mature and become due in any succeeding Fiscal Year for principal of and interest on the following:

(1) The Prior Bonds and any other obligations with a lien on the Gross Revenues prior to that of the Bonds;

(2) The Bonds then Outstanding;

(3) Any Parity Bonds theretofore issued pursuant to the provisions contained in this Ordinance then Outstanding; and

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

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

of the Consulting Engineers, which shall be filed in the office of the City Clerk prior to the issuance of such Parity Bonds.

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

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

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

All 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.

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on the revenues of the System is subject to the prior and superior liens of the Series 1988 A Bonds and the Series 1988 B Bonds on such revenues. The Issuer shall not issue any obligations whatsoever payable from the revenues of the System, or any part thereof, which rank prior to or, except in the manner and under the conditions provided in this section, equally, as to lien on and

source of and security for payment from such revenues, with the Series 1988 A Bonds or the Series 1988 B Bonds.

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

B. Notwithstanding the foregoing, or any provision of Section 7.06 to the contrary, additional Bonds may be issued solely for the purpose of completing the Project as described in the application to the Authority submitted as of the date of the Loan Agreement without regard to the restrictions set forth in this Section 7.07, if there is first obtained by the Issuer the written consent of the Authority to the issuance of bonds on a parity with the Bonds.

Section 7.08. Books and Records. The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and any Holder of a Bond or Bonds issued pursuant to this Bond Legislation 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 Issuer relating thereto.

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

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

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

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

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

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants and shall mail upon request, and make available generally, the report of said Independent Certified Public Accountants, or a summary thereof, to any Holder or Holders of Bonds or and shall submit said report with the Authority, or any other original purchaser of the Bonds. Such audit report submitted to the Authority shall include a statement that the Issuer is in compliance with the terms and provisions of the Loan Agreement and this Bond Legislation.

Section 7.09. Rates. Equitable rates or charges for the use of and service rendered by the System have been established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the City Clerk, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from said System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all reasonable expenses of operation, repair and maintenance of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds, including the Prior Bonds; provided that, in the event that amounts equal to or in excess of the Reserve Requirements are on deposit respectively in the Reserve Accounts and reserve accounts for obligations prior to or on a parity with the Bonds (including the Prior Bonds) are funded

at least at the requirement therefor, such balance each year need only equal at least 110% of the maximum amount required in any year for payment of principal of and interest on the Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds. In any event, the Issuer shall not reduce the rates or charges for services set forth in the rate ordinance described in Section 7.04.

Section 7.10. Operating Budget and Audit. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated expenditures for operation and maintenance of the System during the succeeding Fiscal Year. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by the Consulting Engineers, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of 10% of the amount of such budget shall be made except upon the further certificate of the Consulting Engineers that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Authority and to any Holder of any Bonds who shall file his or her address with the Issuer and request in writing that copies of all such budgets and resolutions be furnished him or her and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to any Holder of any Bonds or anyone acting for and in behalf of such Holder of any Bonds.

In addition, the Issuer 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 Issuer is in compliance with the terms and provisions of this Bond Legislation and the Loan Agreement.

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

Section 7.12. Enforcement of Collections. The Issuer will diligently enforce and collect all fees, rentals or other charges for the services and facilities of the System, and take all steps, actions and proceedings for the enforcement and collection of such fees, rentals or other charges which shall become delinquent to the full extent permitted or authorized by the Act, the rules of the Issuer, the rules and regulations of the Public Service Commission of West Virginia and other laws of the State of West Virginia.

Whenever any fees, rates, rentals or other charges for the services and facilities of the System shall remain unpaid for a period of 30 days after the same shall become due and payable, the property and the owner thereof, as well as the user of the services and facilities, shall be delinquent until such time as all such rates and charges are fully paid. To the extent authorized by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, rates, rentals and other charges, if not paid, when due, shall become a lien on the premises served by the System. The Issuer further covenants and agrees that, it will, to the full extent permitted by law and the rules and regulations promulgated by the Public Service Commission of West Virginia, discontinue and shut off the services of the System to all users of the services of the System delinquent in payment of charges for the services of the System and will not restore such services until all delinquent charges for the services of the System, plus reasonable interest and penalty charges for the restoration of service, have been fully paid and shall take all further actions to enforce collections to the maximum extent permitted by law.

Section 7.13. No Free Services. The Issuer will not render or cause to be rendered any free services of any nature by the System, nor will any preferential rates be established for users of the same class; and in the event the Issuer, or any department, agency, instrumentality, officer or employee of the Issuer shall avail itself or themselves of the facilities or services provided by the System, or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer and any such department, agency, instrumentality, officer or employee. The revenues so received shall be deemed to be revenues derived from the operation of the System, and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 7.14. Insurance and Construction Bonds. A. The Issuer hereby covenants and agrees that so long as any of the Bonds remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance with a reputable insurance carrier or carriers as is customarily carried with respect to works

and properties similar to the System. Such insurance shall initially cover the following risks and be in the following amounts:

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

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

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

(4) FLOOD INSURANCE, to the extent available at reasonable cost to the Issuer.

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

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

Section 7.15. Connections. To the extent permitted by the laws of the State and rules and regulations of the Public Service Commission of West Virginia, the Issuer shall require every owner, tenant or occupant of any house, dwelling or building intended to be served by the System to connect thereto.

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

Section 7.17. Tax Covenants. The Issuer hereby further covenants and agrees as follows:

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

used for a Private Business Use related to the governmental use of the Project, or if the Bonds are for the purpose of financing more than one project, a portion of the Project, and shall not exceed the proceeds used for the governmental use of that portion of the Project to which such Private Business Use is related.

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

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

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

E. FURTHER ACTIONS. The Issuer will take any and all actions that may be required of it (including those deemed necessary by the Authority) so that the interest on the Bonds will be and remain excludable from gross income for federal income tax purposes, and will not take any actions or fail to take any actions (including those determed by the Authority) which would adversely affect such exclusion.

Section 7.18. Statutory Mortgage Lien. For the further protection of the Holders of the Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, shall take effect immediately upon delivery of the Bonds and shall be for the equal benefit of all Holders of each respective series of Bonds, provided however, that the statutory mortgage lien in favor of the Holders of the Series 1988 A Bonds shall be senior to the statutory mortgage lien in favor of the Holders of the Series 1988 B Bonds.

ARTICLE VIII

INVESTMENT OF FUNDS; NON ARBITRAGE

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

Except as otherwise herein provided, any investment shall be held in and at all times deemed a part of the fund or account in which such moneys were originally held, and the interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. The investments held for any fund or account shall be valued at the lower of cost or then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including the value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held in the "Consolidated Fund." The Commission, the Depository Bank, or such other bank or national banking association, 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 Depository Bank, or such other bank or national banking association, as the case may be, may make any and all investments permitted by this section through its own bond department and shall not be responsible for any losses from such investments, other than for its own negligence or willful misconduct.

Section 8.02. Arbitrage. The Issuer covenants that (i) it will restrict the use of the proceeds of the Bonds in such manner and to such extent as may be necessary, in view of the Issuer's reasonable expectations at the time of issuance of the Bonds, so that the Bonds will not constitute "arbitrage bonds" under Section 148 of the Code and Regulations, and (ii) it will take all actions that may be required of it (including, without implied limitation, the timely filing of a Federal information return with respect to the Bonds) so that the interest on the Bonds will be and remain excluded from gross income for Federal income tax purposes,

and will not take any actions which would adversely affect such exclusion.

Section 8.03. Rebate of Excess Investment Earnings to the United States. In accordance with Section 148(f)(4)(C) of the Code, the Issuer covenants that it is a governmental unit with general taxing powers; that the Bonds are not private activity bonds as defined in Section 141 of the Code; that 95% or more of the Net Proceeds of the Bonds are to be used for local governmental activities of the Issuer (or of a governmental unit the jurisdiction of which is entirely within the jurisdiction of the Issuer); and that the aggregate face amount of all the tax-exempt obligations (other than private activity bonds as defined in Section 141 of the Code) issued by the Issuer during the calendar year in which the Bonds are issued will not exceed $5,000,000, determined in accordance with Section 148(f)(4)(C) of the Code and the Regulations promulgated thereunder. For purposes of this Section 8.03 and for purposes of applying Section 148(f)(4)(C) of the Code, the Issuer and all entities which issue obligations on behalf of the Issuer shall be treated as one issuer; all obligations issued by a subordinate entity shall, for purposes of applying this Section 8.03 and Section 148(f)(4)(C) of the Code to any other entity to which such entity is subordinate, be treated as issued by such other entity; and an entity formed (or, to the extent provided by the Secretary, as set forth in the Code, availed of) to avoid the purposes of such Section 148(f)(4)(C) of the Code and all other entities benefiting thereby shall be treated as one issuer.

Notwithstanding the foregoing, if in fact the Issuer is subject to the rebate requirements of Section 148(f) of the Code, and not exempted from such requirements, the Issuer shall take the following actions:

A. CREATION OF FUNDS. There are hereby created, to be held by the Depository Bank as separate funds distinct from all other funds and accounts held by the Depository Bank under this Bond Legislation, the Earnings Fund and the Rebate Fund. All interest earnings and profits on amounts in all funds and accounts established under this Bond Legislation, other than (i) interest earnings and profits on any funds referenced in Subsection C(5) of this Section if such earnings in any Bond Year are less than $100,000, (ii) interest earnings and profits on amounts in funds and accounts which do not constitute Gross Proceeds, and (iii) interest earnings and profits on the Rebate Fund shall, upon receipt by the Depository Bank, be deposited in the Earnings Fund. In addition, all interest earnings and profits on Gross Proceeds in funds held by the Issuer shall, upon receipt, be paid to the Depository Bank for deposit in the Earnings Fund. Annually, on or before the 30th day following the end of each Bond Year or on the preceding business day

in the event that such last day is not a business day, or such earlier date as may be required under the Code, the Depository Bank shall transfer from the Earnings Fund to the Rebate Fund for purposes of ultimate payment to the United States an amount equal to Excess Investment Earnings, all as more particularly described in this Section. Following the transfer referenced in the preceding sentence, the Depository Bank shall transfer all amounts remaining in the Earnings Fund to be used for the payment of Debt Service on the next interest payment date and for such purpose, Debt Service due from the Issuer on such date shall be credited by an amount equal to the amount so transferred.

B. DUTIES OF ISSUER IN GENERAL. The Issuer shall calculate Excess Investment Earnings in accordance with Subsection C and shall assure payment of an amount equal to Excess Investment Earnings to the United States in accordance with Subsections D and E.

C. CALCULATION OF EXCESS INVESTMENT EARNINGS. Within 30 days following the last day of the first Bond Year, the Issuer shall calculate, and shall provide written notice to the Authority and Depository Bank of, the Excess Investment Earnings referenced in clause (A) of the definition of Excess Investment Earnings. Thereafter, within 30 days following the last day of each Bond Year and within 30 days following the date of the retirement of the Bond, the Issuer shall calculate, and shall provide written notice to the Authority and Depository Bank of, the amount of Excess Investment Earnings. Said calculations shall be made or caused to be made by the Issuer in accordance with the following:

(1) Except as provided in (2), in determining the amount described in clause A(i) of the definition of Excess Investment Earnings, the aggregate amount earned on Nonpurpose Investments shall include (i) all income realized under federal income tax accounting principles (whether or not the person earning such income is subject to federal income tax) with respect to such Nonpurpose Investments and with respect to the reinvestment of investment receipts from such Nonpurpose Investments (without regard to the transaction costs incurred in acquiring, carrying, selling or redeeming such Nonpurpose Investments), including, but not limited to, gain or loss realized on the disposition of such Nonpurpose Investments (without regard to when such gains are taken into account under Section 453 of the Code relating to taxable year of inclusion of gross income), and income under Section 1272 of the Code (relating to original issue discount) and (ii) any unrealized gain or loss as of the date of

retirement of the Bonds in the event that any Nonpurpose Investment is retained after such date.

(2) In determining the amount described in clause (A) of the definition of Excess Investment Earnings, Investment Property shall be treated as acquired for its fair market value at the time it becomes a Nonpurpose Investment, so that gain or loss on the disposition of such Investment Property shall be computed with reference to such fair market value as its adjusted basis.

(3) In determining the amount described in clause (A)(ii) of the definition of Excess Investment Earnings, the Yield on the Bonds shall be determined based on the actual Yield of the Bonds during the period between the Closing Date of the Bonds and the date the computation is made (with adjustments for original issue discount or premium).

(4) In determining the amount described in clause (B) of the definition of Excess Investment Earnings, all income attributable to the excess described in clause (A) of said definition must be taken into account, whether or not that income exceeds the Yield of the Bond, and no amount may be treated as "negative arbitrage."

(5) In determining the amount of Excess Investment Earnings, there shall be excluded any amount earned on any fund or account which is used primarily to achieve a proper matching of revenues and Debt Service within each Bond Year and which is depleted at least once a year except for a reasonable carryover amount not in excess of the greater of 1 year's earnings on such fund or account or 1/12th of annual Debt Service as well as amounts earned on said earnings if the gross earnings on such fund or account for the Bond Year is less than $100,000.

D. PAYMENT TO THE UNITED STATES. The Issuer shall direct the Depository Bank to pay from the Rebate Fund an amount equal to Excess Investment Earnings to the United States in installments with the first payment to be made not later than 30 days after the end of the 5th Bond Year and with subsequent payments to be made not later than 5 years after the preceding payment was due. The Issuer shall assure that each such installment is in an amount equal to at least 90% of the Excess Investment Earnings with respect to the Gross Proceeds as of the close of the computation period. Not later than 60 days after the retirement of

the Bonds, the Issuer shall direct the Depository Bank to pay from the Rebate Fund to the United States 100% of the theretofore unpaid Excess Investment Earnings in the Rebate Fund. In the event that there are any amounts remaining in the Rebate Fund following the payment required by the preceding sentence, the Depository Bank shall pay said amounts to the Issuer to be used for any lawful purpose of the System. The Issuer shall remit payments to the United States at the address prescribed by the Regulations as the same may be in time to time in effect with such reports and statements as may be prescribed by such Regulations. In the event that, for any reason, amounts in the Rebate Fund are insufficient to make the payments to the United States which are required by this Subsection D, the Issuer shall assure that such payments are made by the Issuer to the United States, on a timely basis, from any funds lawfully available therefor.

E. FURTHER OBLIGATIONS OF ISSUER. The Issuer shall assure that Excess Investment Earnings are not paid or disbursed except as required in this Section. To that end the Issuer shall assure that investment transactions are on an arm's length basis and that Nonpurpose Investments are acquired at their fair market value. In the event that Nonpurpose Investments consist of certificates of deposit or investment contracts, investment in such Nonpurpose Investments shall be made in accordance with the procedures described in applicable Regulations as from time to time in effect. The Depository Bank shall keep the moneys in the Earnings Fund and Rebate Fund invested and reinvested to the fullest extent practicable in Government Obligations with maturities consonant with the required use thereof and investment profits and earnings shall be credited to the account of such fund on which earned.

F. MAINTENANCE OF RECORDS. The Issuer shall keep, and retain for a period of 6 years following the retirement of the Bonds, records of the determinations made pursuant to this Section 8.03.

G. INDEPENDENT CONSULTANTS. In order to provide for the administration of this Section 8.03, the Issuer and the Depository Bank (at the expense of the Issuer) may provide for the employment of independent attorneys, accountants or consultants compensated on such reasonable basis as the Issuer or the Depository Bank may deem appropriate.

H. FURTHER AGREEMENT. Notwithstanding the foregoing, the Issuer further covenants to comply with all Regulations from time to time in effect and applicable to the Bonds, as may be necessary in order to fully comply with Section 148(f) of the Code.

I. REPORTING TO AUTHORITY. The Issuer shall furnish to the Authority, annually, at such time as it is required to perform its rebate calculations under the Code, a certificate with respect to its rebate calculations and, at any time, any additional information relating thereto as may be requested by the Authority.

ARTICLE IX

DEFAULT AND REMEDIES

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

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

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

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

Section 9.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of a Bond may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his or her rights and, in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Registered Owners including the right to require the Issuer to perform its duties under the Act and the Bond Legislation relating thereto, including but not limited to, the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Bonds, (iv) by action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Registered Owners of the Bonds, and (v) by action or bill in equity enjoin any acts in violation of the Bond Legislation with respect to the Bonds, or the rights of such Registered Owners, provided however, that all rights and remedies of the Holders of the Bonds shall be subject to those of the Holders of the Prior Bonds, and all rights and remedies of the Holders of the Series 1988 B Bonds shall be subject to those of the Holders of the Series 1988 A Bonds.

Section 9.03. Appointment of Receiver. Any Registered Owner of a Bond may, by proper legal action, compel the performance

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

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

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

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

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

ARTICLE X

DEFEASANCE

Section 10.01. Defeasance of Series 1988 A Bonds. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all Series 1988 A Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then with respect to the Series 1988 A Bonds only, the pledge of Gross Revenues and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 1988 A Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Series 1988 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 either at maturity or at the next redemption date, the principal installments of and interest on such Series 1988 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 1988 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 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 1988 A Bonds on and prior to the next redemption date or 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 1988 A 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 Bonds on and prior to the next redemption date or the maturity dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer 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 10.02. Defeasance of Series 1988 B Bonds. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all Series 1988 B Bonds, the principal due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then with respect to the Series 1988 B Bonds only, the pledge of Gross Revenues and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 1988 B Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Series 1988 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 either at maturity or at the next redemption date the principal installments of such Series 1988 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 1988 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 said Series 1988 B Bonds on and prior to the next redemption date or 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 1988 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 said Bonds on and prior to the next redemption date or the maturity dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer 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.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Amendment or Modification of Bond Legislation. No material modification or amendment of this Bond Legislation, or of any resolution amendatory or supplemental hereto, that would materially and adversely affect the respective rights of Registered Owners of the Bonds shall be made without the consent in writing of the Registered Owners of 66-2/3% or more in principal amount of the Prior Bonds, the Series 1988 A Bonds and the Series 1988 B Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of any Bond or Bonds or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest 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 required for consent to the above-permitted amendments or modifications. Notwithstanding the foregoing, this Bond Legislation may be amended without the consent of any Bondholder as may be necessary to assure compliance with Section 148(f) of the Code relating to rebate requirements or otherwise as may be necessary to assure the excludability of interest on the Bonds from gross income of the Holders thereof.

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

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

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

Section 11.05. Conflicting Provisions Repealed. All ordinances, orders or resolutions and or parts thereof in conflict

with the provisions of this Ordinance are, to the extent of such conflict, hereby repealed, provided that, in the event of any conflict between this Ordinance and the Prior Ordinance, the Prior Ordinance shall control (unless less restrictive), so long as the Prior Bonds or any portion thereof are Outstanding.

Section 11.06. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the 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, City Clerk and members of the the Governing Body were at all times when any actions in connection with this Ordinance occurred and are duly in office and duly qualified for such office.

Section 11.07. Effective Date. This Ordinance shall take effect immediately following public hearing hereon.

Section 11.08. Statutory Notice and Public Hearing. Upon adoption hereof, an abstract of this Bond Legislation determined by the Governing Body to contain sufficient information as to give notice of the contents hereof shall be published once a week for 2 successive weeks within a period of fourteen consecutive days, with at least 6 full days intervening between each publication, in the Spirit of Jefferson/Farmers Advocate, a qualified newspaper published in the City of Charles Town, together with a notice stating that this Bond Legislation has been adopted and that the Issuer contemplates the issuance of the Bond, and that any person interested may appear before the City Council upon a date certain, not less than ten days subsequent to the date of the first publication of this Bond Legislation and notice, and present protests, and that a certified copy of the Ordinance is on file with the Governing Body for review by interested persons during office

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

Passed on First Reading	-	April 18, 1988
Passed on Second Reading	-	May 2, 1988
Passed on Final Reading Following Public Hearing	-	May 16, 1988

Mayor

Recorder

CERTIFICATION

Certified a true copy of an Ordinance duly enacted by the Council of the CITY OF CHARLES TOWN on the 16th day of May, 1988.

Dated MAY 20, 1988.

[SEAL]

Lenford W. Park
Recorder

05/18/88
CTWTR2/3-A/A

CITY OF CHARLES TOWN

Water Revenue Bonds,
Series 1988 A and Series 1988 B

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNTS, DATES, MATURITIES, INTEREST RATES, PRINCIPAL PAYMENT SCHEDULES, SALE PRICES AND OTHER TERMS OF THE WATER REVENUE BONDS, SERIES 1988 A AND SERIES 1988 B OF THE CITY OF CHARLES TOWN; AUTHORIZING, APPROVING AND RATIFYING A LOAN AGREEMENT AND SUPPLEMENTAL LOAN AGREEMENT RELATING TO SUCH BONDS AND THE SALE AND DELIVERY OF SUCH BONDS TO WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; DESIGNATING A REGISTRAR, PAYING AGENT AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS

WHEREAS, the city council (the "Governing Body") of the City of Charles Town (the "Issuer"), has duly and officially enacted a bond ordinance, effective May 16, 1988 (the "Bond Ordinance"), entitled:

ORDINANCE AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF ADDITIONS AND IMPROVEMENTS FOR THE EXISTING WATERWORKS SYSTEM OF THE CITY OF CHARLES TOWN AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE CITY OF NOT MORE THAN $3,500,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 1988 A AND NOT MORE THAN $1,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 1988 B, PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; APPROVING AND RATIFYING A LOAN AGREEMENT AND SUPPLEMENTAL LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

WHEREAS, the Bond Ordinance provides for the issuance of Water Revenue Bonds of the Issuer (the "Bonds"), in an aggregate

principal amount not to exceed $4,500,000, to be issued in two series, the Series 1988 A Bonds to be in an aggregate principal amount of not more than $3,500,000 (the "Series 1988 A Bonds") and the Series 1988 B Bonds to be in an aggregate principal amount of not more than $1,000,000 (the "Series 1988 B Bonds"), and has preliminarily authorized the execution and delivery of a loan agreement relating to the Series 1988 A Bonds dated April 29, 1988, and a supplemental loan agreement relating to the Series 1988 B Bonds, also dated April 29, 1988 (sometimes collectively referred to herein as the "Loan Agreement"), by and between the Issuer and West Virginia Water Development Authority (the "Authority"), all in accordance with West Virginia Code, 1931, as amended, Chapter 8, Article 19 (the "Act"); and in the Bond Ordinance it is provided that the form of the Loan Agreement and the exact principal amounts, maturity dates, interest rates, interest and principal payment dates, sale prices and other terms of the Bonds should be established by a supplemental resolution pertaining to the Bonds; and that other matters relating to the Bonds be herein provided for;

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

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

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

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

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

(A) The Water Revenue Bonds, Series 1988 A, of the Issuer, originally represented by a single Bond, numbered AR-1, in the principal amount of $2,232,000. The Series 1988 A Bonds shall be dated the date of delivery

thereof, shall finally mature October 1, 2028, shall bear interest at the rate of 9.0% per annum, payable semiannually on April 1 and October 1 of each year, first interest payable October 1, 1988, shall be subject to redemption upon the written consent of the Authority, and upon payment of the interest and redemption premium, if any, and otherwise in compliance with the Loan Agreement, as long as the Authority shall be the registered owner of the Series 1988 A Bonds, and shall be payable in installments of principal on October 1 of each of the years and in the amounts as set forth in "Schedule X," attached thereto and to the Loan Agreement and incorporated therein by reference.

(B) The Water Revenue Bonds, Series 1988 B, of the Issuer, originally represented by a single Bond, numbered BR-1, in the principal amount of $558,000. The Series 1988 B Bonds shall be dated the date of delivery thereof, shall finally mature October 1, 2028, shall be interest free, shall be subject to redemption upon the written consent of the Authority, and otherwise in compliance with the Loan Agreement, as long as the Authority shall be the registered owner of the Series 1988 B Bonds, and shall be payable in installments of principal on October 1 of each of the years and in the amounts as set forth in "Schedule X," attached thereto and to the Supplemental Loan Agreement and incorporated therein by reference.

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

Section 3. The Issuer does hereby approve, accept and ratify the Loan Agreement, copies of which are incorporated herein by reference, and the execution and delivery by the Mayor or City Manager of the Loan Agreement, and the performance of the obligations contained therein, on behalf of the Issuer are hereby ratified and approved. The price of the Bonds shall be 100% of par value, there being no interest accrued thereon.

Section 4. The Issuer does hereby appoint and designate One Valley Bank, National Association, Charleston, West Virginia, as Registrar for the Bonds and does approve and accept the Registrar's Agreement to be dated the date of delivery of the Bonds, by and between the Issuer and One Valley Bank, National Association, in substantially the form attached hereto, and the execution and delivery by the Mayor of the Registrar's Agreement,

and the performance of the obligations contained therein, on behalf of the Issuer are hereby authorized, approved and directed.

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

Section 6. The Issuer does hereby appoint Bank of Charles Town, Charles Town, West Virginia, as Depository Bank under the Bond Ordinance.

Section 7. All proceeds of the Bonds shall be deposited in the Bond Construction Trust Fund for payment of Costs of the Project, including costs of issuance of the Bonds.

Section 8. The Issuer hereby determines to pay, on the date of delivery of the Bonds and receipt of proceeds thereof, all borrowings of the Issuer heretofore incurred for the purpose of temporarily financing a portion of the Costs of the Project, including, but not limited to, all borrowings from West Virginia Water Development Authority.

Section 9. The Mayor, City Manager and Recorder are hereby authorized and directed to execute and deliver such other documents and certificates required or desirable in connection with the Bonds hereby and by the Bond Ordinance approved and provided for, to the end that the Bonds may be delivered on or about May 20, 1988, to the Authority pursuant to the Loan Agreement.

Section 10. The financing of the Project in part with proceeds of the Bonds is in the public interest, serves a public purpose of the Issuer and will promote the health, welfare and safety of the residents of the Issuer.

Section 11. The Issuer hereby determines that it is in the best interest of the Issuer to invest all moneys in the funds and accounts established by the Bond Ordinance in the West Virginia "Consolidated Fund," and therefore the Issuer hereby directs the Depository Bank and the Paying Agent to take such actions as may be necessary to cause such moneys to be invested in the Consolidated Fund, until further directed by the Issuer.

Section 12. The Issuer shall not permit at any time or times any of the proceeds of the Bonds or any other funds of the Issuer to be used directly or indirectly in a manner which would result in the exclusion of the Bonds from the treatment afforded by Section 103(a) of the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder (the "Code"), by reason of the classification of the Bonds as "private activity bonds" within

the meaning of the Code. They will take all actions necessary to comply with the Code and Treasury Regulations to be promulgated thereunder.

Section 13. The Issuer has general taxing powers to finance operations of or facilities of the nature of the System, and the Issuer and all subordinate entities reasonably expect to issue less than $5,000,000 aggregate principal amount of tax-exempt obligations during the calendar year 1988, being the calendar year in which the Bonds are to be issued.

Section 14. This Supplemental Resolution shall be effective immediately following adoption hereof.

Adopted this 16th day of May, 1988.

CITY OF CHARLES TOWN

Mayor

05/12/88
CTWTR-C

(SPECIMEN SERIES 1988 A BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF CHARLES TOWN
WATER REVENUE BOND, SERIES 1988 A

No. AR-1 $2,232,000

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF CHARLES TOWN, a municipal corporation and political subdivision of the State of West Virginia in Jefferson County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the West Virginia Water Development Authority (the "Authority") or registered assigns the sum of TWO MILLION TWO HUNDRED THIRTY-TWO THOUSAND DOLLARS ($2,232,000), in installments on October 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 interest on each installment at the rate per annum set forth on said Exhibit A.

The interest rate on each installment shall run from the original date of delivery of this Bond to the Authority and payment therefor, and until payment of such installment, and such interest shall be payable on April 1 and October 1 in each year, beginning October 1, 1988. Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent"). The interest on this Bond is payable by check or draft of the Paying Agent mailed to the registered owner hereof at the address as it appears on the books of One Valley Bank, National Association, Charleston, West Virginia, as registrar (the "Registrar") on the 15th day of the month next preceding an interest payment date, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner hereof.

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority, and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement between the Issuer and the Authority, dated April 29, 1988.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain additions, betterments and improvements for the existing waterworks facilities of the Issuer (the "Project"); and (ii) to pay certain costs of issuance hereof and related costs. The Bonds of this series (the "Bonds") are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 8, Article 19 of the West Virginia Code of 1931, as amended (the "Act"), and an Ordinance and Supplemental Resolution, duly enacted and adopted, respectively, by the Issuer on May 16, 1988 (collectively called the "Bond Legislation"), and are subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

This Bond is issued concurrently with the Water Revenue Bonds, Series 1988 B, of the Issuer (the "Series 1988 B Bonds"), issued in the aggregate principal amount of $558,000, which Series 1988 B Bonds are junior and subordinate with respect to liens and sources of and security for payment to the Bonds.

THIS BOND IS JUNIOR AND SUBORDINATE WITH RESPECT TO LIENS, PLEDGES AND SOURCES OF AND SECURITY FOR PAYMENT TO THE ISSUER'S OUTSTANDING WATER REVENUE BONDS, DATED APRIL 1, 1961, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $525,000 (THE "1961 BONDS") AND WATER REVENUE REFUNDING BONDS, DATED APRIL 1, 1977, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,315,000 (THE "1977 BONDS"), IS ON PARITY WITH RESPECT TO LIENS, PLEDGES AND SOURCES OF AND SECURITY FOR PAYMENT WITH THE ISSUER'S OUTSTANDING WATER REVENUE BONDS, SERIES 1987 A, DATED NOVEMBER 18, 1987, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,686,371 (THE "1987 A BONDS") (COLLECTIVELY, THE "PRIOR BONDS").

This Bond is payable only from and secured by a pledge of the Gross Revenues (as defined in the Bond Legislation) on a parity basis with the 1987 A Bonds to be derived from the operation of the System after there has first been paid from said Gross Revenues all payments then due and owing on account of the 1961 Bonds and the 1977 Bonds, moneys in the Reserve Account (the "Series 1988 A Bonds Reserve Account") created under the Bond Legislation for the Bonds, and unexpended proceeds of the Bonds and the Series 1988 B Bonds. Such Gross Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of

the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Gross Revenues, the moneys in the Series 1988 A Bonds Reserve Account and unexpended proceeds of this Bond and the Series 1988 B Bond. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the amount required to pay the maximum amount due in any year of principal of and interest on the Bonds, the Series 1988 B Bonds, and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds or the Series 1988 B Bonds, including the Prior Bonds, provided however, that so long as there exists in the Series 1988 A Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for the Series 1988 B Bonds and any other obligations outstanding prior to or on a parity with the Bonds or the Series 1988 B Bonds, including the Prior Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Bond Legislation, only upon the books of the Registrar by the registered owner, or by its attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or its attorney duly authorized in writing.

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

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

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

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

IN WITNESS WHEREOF, the CITY OF CHARLES TOWN has caused this Bond to be signed by its Mayor and its corporate seal to be affixed hereon and attested by its Recorder, and has caused this Bond to be dated May 20, 1988.

[SEAL]

_____
Mayor

ATTEST:

_____
Recorder

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1988 A Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above as of the date set forth below.

Date: _____

ONE VALLEY BANK, NATIONAL ASSOCIATION,
as Registrar

By _____
Its Authorized Officer

EXHIBIT A

SCHEDULE OF ANNUAL DEBT SERVICE

CHARLES TOWN WATER TOTAL BORROWING
ANALYSIS OF 7.50% BORROWING COST FOR LOCAL ISSUER
----------1988 SERIES A BONDS ----------

PERIOD ENDING 10/1	COUPON	PRIN.	INTEREST	DEBT SERVICE
1988	9.00		73,098.00	73,098.00
1989	9.00		200,880.00	200,880.00
1990	9.00	7,223	200,880.00	208,103.00
1991	9.00	7,872	200,229.93	208,101.93
1992	9.00	8,580	199,521.45	208,101.45
1993	9.00	9,352	198,749.25	208,101.25
1994	9.00	10,194	197,907.57	208,101.57
1995	9.00	11,111	196,990.11	208,101.11
1996	9.00	12,111	195,990.12	208,101.12
1997	9.00	13,202	194,900.13	208,102.13
1998	9.00	14,390	193,711.95	208,101.95
1999	9.00	15,684	192,416.85	208,100.85
2000	9.00	17,097	191,005.29	208,102.29
2001	9.00	18,635	189,466.56	208,101.56
2002	9.00	20,313	187,789.41	208,102.41
2003	9.00	22,141	185,961.24	208,102.24
2004	9.00	24,132	183,968.55	208,100.55
2005	9.00	26,304	181,796.67	208,100.67
2006	9.00	28,672	179,429.31	208,101.31
2007	9.00	31,252	176,848.83	208,100.83
2008	9.00	34,065	174,036.15	208,101.15
2009	9.00	37,132	170,970.30	208,102.30
2010	9.00	40,473	167,628.42	208,101.42
2011	9.00	44,115	163,985.85	208,100.85
2012	9.00	48,086	160,015.50	208,101.50
2013	9.00	52,414	155,687.76	208,101.76
2014	9.00	57,133	150,970.50	208,103.50
2015	9.00	62,273	145,828.53	208,101.53
2016	9.00	67,877	140,223.96	208,100.96
2017	9.00	73,986	134,115.03	208,101.03
2018	9.00	80,647	127,456.29	208,103.29
2019	9.00	87,905	120,198.06	208,103.06
2020	9.00	95,815	112,286.61	208,101.61
2021	9.00	104,440	103,663.26	208,103.26
2022	9.00	113,832	94,253.66	208,095.66
2023	9.00	124,084	84,018.78	208,102.78
2024	9.00	135,253	72,851.22	208,104.22
2025	9.00	147,424	60,678.45	208,102.45
2026	9.00	160,693	47,410.29	208,103.29
2027	9.00	175,156	32,947.92	208,103.92
2028	9.00	190,932	17,183.88	208,115.88
		2,232,000	6,157,961.64	8,389,961.64

ASSIGNMENT

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

the within Bond and does hereby irrevocably constitute and appoint _____, Attorney to transfer the said Bond on the books kept for registration of the within Bond of the said Issuer with full power of substitution in the premises.

Dated: _____, _____.

_____

In the presence of:

_____

05/18/88
CTWTR3-B

(SPECIMEN SERIES 1988 B BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF CHARLES TOWN
WATER REVENUE BOND, SERIES 1988 B

No. BR-1 $558,000

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF CHARLES TOWN, a municipal corporation and political subdivision of the State of West Virginia in Jefferson County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the West Virginia Water Development Authority (the "Authority") or registered assigns the sum of FIVE HUNDRED FIFTY-EIGHT THOUSAND DOLLARS ($558,000), in annual installments on October 1 of each year as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference, without interest.

Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent").

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority, and upon the terms and conditions prescribed by, and otherwise in compliance with, the Supplemental Loan Agreement between the Issuer and the Authority, dated April 29, 1988.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain additions, betterments and improvements for the existing waterworks facilities of the Issuer (the "Project"); 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 8, Article 19 of the West Virginia Code of 1931, as amended (the "Act"), and an Ordinance and Supplemental Resolution, duly enacted and adopted, respectively, by the Issuer on May 16, 1988 (collectively called the "Bond Legislation"), and is subject to all the terms and conditions

thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

THIS BOND IS JUNIOR AND SUBORDINATE WITH RESPECT TO LIENS, PLEDGES AND SOURCES OF AND SECURITY FOR PAYMENT TO CERTAIN OUTSTANDING WATER REVENUE BONDS OF THE ISSUER AS FOLLOWS:

(i) WATER REVENUE BONDS, DATED APRIL 1, 1961, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $525,000 (THE "1961 BONDS");

(ii) WATER REVENUE REFUNDING BONDS, DATED APRIL 1, 1977, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,315,000 (THE "1977 BONDS");

(iii) WATER REVENUE BONDS, SERIES 1987 A, DATED NOVEMBER 18, 1987, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,686,371 (THE "1987 A BONDS"); AND

(iv) WATER REVENUE BONDS, SERIES 1988 A, ISSUED CONCURRENTLY HEREWITH IN THE AGGREGATE PRINCIPAL AMOUNT OF $2,232,000 AND DESCRIBED IN THE BOND LEGISLATION (THE "SERIES 1988 A BONDS").

THIS BOND IS ON PARITY WITH RESPECT TO LIENS, PLEDGES AND SOURCES OF AND SECURITY FOR PAYMENT WITH THE ISSUER'S WATER REVENUE BONDS, SERIES 1987 B, DATED NOVEMBER 18, 1987, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $413,629 (THE "SERIES 1987 B BONDS").

THE 1987 A BONDS, 1987 B BONDS, THE 1977 BONDS AND THE 1961 BONDS ARE HEREIN COLLECTIVELY CALLED THE "PRIOR BONDS."

This Bond is payable only from and secured by a pledge of the Gross Revenues (as defined in the Bond Legislation) on a parity basis with the 1987 B Bonds to be derived from the operation of the System after there has first been paid from said Gross Revenues all payments then due and owing on account of the 1961 Bonds, the 1977 Bonds, the 1987 A Bonds and the Series 1988 A Bonds herein described and from moneys in the Reserve Account (the "Series 1988 B

Bonds Reserve Account") created under the Bond Legislation for the Bonds of this Series (the "Bonds"), and unexpended proceeds of the Bonds. Such Gross Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same, except from said special fund provided from the Gross Revenues, the moneys in the Series 1988 B Bonds Reserve Account and unexpended Bond proceeds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the amount required to pay the maximum amount due in the then current or any succeeding year of principal of and interest, if any, on the Bonds, the Series 1988 A Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Series 1988 A Bonds or the Bonds, including the Prior Bonds, provided however, that so long as there exists in the Series 1988 B Bonds Reserve Account and the reserve account established for the Series 1988 A Bonds, respectively, amounts at least equal to the maximum amount of principal and interest which will become due on the Bonds and the Series 1988 A Bonds in any year, and any reserve account for any such prior or parity obligations, including the Prior Bonds, is funded at least at the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

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

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

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law, shall be applied solely to the payment of the Costs of the Project described in the Bond Legislation, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the registered owners of the Bonds, which lien is subordinate to the lien in favor of the registered owners of the Series 1988 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 Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the revenues of the System has been pledged to and will be set aside into said special fund by the Issuer for the prompt payment of the principal of this Bond.

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

IN WITNESS WHEREOF, the CITY OF CHARLES TOWN has caused this Bond to be signed by its Mayor and its corporate seal to be hereunto affixed hereon and attested by its Recorder, and has caused this Bond to be dated May 20, 1988.

[SEAL]

_____
Mayor

ATTEST:

_____
Recorder

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1988 B Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above as of the date set forth below.

Date: _____

ONE VALLEY BANK, NATIONAL ASSOCIATION,
as Registrar

By _____
Its Authorized Officer

EXHIBIT A

SCHEDULE OF ANNUAL DEBT SERVICE

ANALYSIS OF 7.50% BORROWING COST FOR LOCAL ISSUER

----------1998 SERIES A BONDS ----------

	ZERO COUPON BONDS
1988	
1989	
1990	14,308.00
1991	14,308.00
1992	14,308.00
1993	14,308.00
1994	14,308.00
1995	14,308.00
1996	14,308.00
1997	14,308.00
1998	14,308.00
1999	14,308.00
2000	14,308.00
2001	14,308.00
2002	14,308.00
2003	14,308.00
2004	14,308.00
2005	14,308.00
2006	14,308.00
2007	14,308.00
2008	14,308.00
2009	14,308.00
2010	14,308.00
2011	14,308.00
2012	14,308.00
2013	14,308.00
2014	14,308.00
2015	14,308.00
2016	14,308.00
2017	14,308.00
2018	14,308.00
2019	14,308.00
2020	14,308.00
2021	14,308.00
2022	14,308.00
2023	14,308.00
2024	14,308.00
2025	14,308.00
2026	14,308.00
2027	14,308.00
2028	14,296.00
	558,000.00

ASSIGNMENT

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

the within Bond and does hereby irrevocably constitute and appoint _____, Attorney to transfer the said Bond on the books kept for registration of the within Bond of the said Issuer with full power of substitution in the premises.

Dated: _____, _____.

_____

In the presence of:

_____

05/18/88
CTWTR3-C

CITY OF CHARLES TOWN

WATER REVENUE BONDS, SERIES 1989 A AND SERIES 1989 B

BOND ORDINANCE

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CITY OF CHARLES TOWN

ORDINANCE

ORDINANCE AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF ADDITIONS, BETTERMENTS AND IMPROVEMENTS FOR THE EXISTING WATERWORKS SYSTEM OF THE CITY OF CHARLES TOWN AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE CITY OF NOT MORE THAN $1,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 1989 A AND NOT MORE THAN $500,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 1989 B; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; APPROVING AND RATIFYING A LOAN AGREEMENT AND SUPPLEMENTAL LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT ORDAINED AND ENACTED BY THE COUNCIL OF THE CITY OF CHARLES TOWN:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01. Authority for this Ordinance. This Ordinance (together with any ordinance, order or resolution supplemental hereto or amendatory hereof, the "Bond Legislation") is adopted pursuant to the provisions of Chapter 8, Article 19 of the West Virginia Code of 1931, as amended (the "Act"), and other applicable provisions of law.

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

A. The City of Charles Town (the "Issuer") is a municipal corporation and political subdivision of the State of West Virginia in Jefferson County of said State.

B. The Issuer now owns and operates a public water treatment and distribution system. However, it is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer that there be constructed certain additions, betterments and improvements for such existing waterworks facilities of the Issuer (the "Project") (the existing waterworks facilities, the Project and

any further additions thereto or extensions thereof is herein called the "System") at an estimated cost of $939,435, in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications have heretofore been filed with the Issuer.

C. The estimated revenues to be derived in each year after completion of the Project from the operation of the System will be sufficient to pay all the costs of the operation and maintenance of said System, the principal of and interest on the Prior Bonds and the Bonds and all Sinking Fund, Reserve Account and other payments provided for herein and in the Prior Ordinance, all as such terms are hereinafter defined.

D. It is deemed necessary for the Issuer to issue its Water Revenue Bonds in the total aggregate principal amount of not more than $1,500,000 in two series, being the Series 1989 A Bonds in the aggregate principal amount of not more than $1,000,000, and the Series 1989 B Bonds in the aggregate principal amount of not more than $500,000 (collectively, the "Original Bonds"), to finance costs of construction and acquisition of the Project. Said costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest upon the Bonds prior to and during construction or acquisition and for 6 months after completion of construction of the Project; amounts which may be deposited in the Reserve Accounts; engineering and legal expenses; expenses for estimates of costs and revenues, expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise, administrative expense, commitment fees, fees and expenses of the Authority (as hereinafter defined), discount, initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Bonds and such other expenses as may be necessary or incidental to the financing herein authorized, the construction or acquisition of the Project and the placing of same in operation, and the performance of the things herein required or permitted, in connection with any thereof, provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Bonds or the repayment of indebtedness incurred by the Issuer for such purposes, shall be deemed Costs of the Project, as hereinafter defined.

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

F. It is in the best interests of the Issuer that its Original Bonds (as hereinafter defined) be sold to the Authority (as hereinafter defined) pursuant to the terms and provisions of a loan

agreement and a supplemental loan agreement (collectively, the "Loan Agreement") to be entered into between the Issuer and the Authority, in form satisfactory to the Issuer and the Authority, such form to be attached as "Exhibit A," to the Supplemental Resolution, and made a part thereof.

G. There are outstanding certain obligations of the Issuer which will rank prior to or on parity with the Bonds as to lien and source of and security for payment as follows:

(i) Water Revenue Bonds, dated April 1, 1961, issued in the original aggregate principal amount of $525,000, of which $288,000 remains Outstanding as of the date of this Ordinance (the "1961 Bonds");

(ii) Water Revenue Refunding Bonds, dated April 1, 1977, issued in the original aggregate principal amount of $1,315,000, of which $1,225,000 remains Outstanding as of the date of enactment of this Ordinance (the "1977 Bonds");

(iii) Water Revenue Bonds, Series 1987 A, dated November 18, 1987, issued in the original aggregate principal amount of $1,686,371, all of which remains outstanding as of the date of enactment of this Ordinance (the "1987 A Bonds");

(iv) Water Revenue Bonds, Series 1987 B, dated November 18, 1987, issued in the original aggregate principal amount of $413,629, all of which remains Outstanding as of the date of enactment of this Ordinance (the "1987 B Bonds);

(v) Water Revenue Bonds, Series 1988 A, dated May 20, 1988, issued in the original aggregate principal amount of $2,232,000, all of which remains Outstanding as of the date of enactment of this Ordinance (the "1988 A Bonds"); and

(vi) Water Revenue Bonds, Series 1988 B, dated May 20, 1988, issued in the original aggregate principal amount of $558,000, all of which remains Outstanding as of the date of

enactment of this Ordinance (the "1988 B Bonds").

The 1961 Bonds, 1977 Bonds, 1987 A Bonds, 1987 B Bonds, 1988 A Bonds and 1988 B Bonds are herein collectively called the "Prior Bonds." The Series 1989 A Bonds shall be junior and subordinate to the 1961 Bonds and 1977 Bonds, and on parity with the 1987 A Bonds and 1988 A Bonds. The Series 1989 B Bonds shall be junior and subordinate to the 1961 Bonds, 1977 Bonds, 1987 A Bonds, 1988 A Bonds and Series 1989 A Bonds, and on parity with the 1987 B Bonds and 1988 B Bonds, in accordance with the following table:

LIEN POSITIONS

FIRST LIEN BONDS:	1961 Bonds and 1977 Bonds
SECOND LIEN BONDS:	1987 A Bonds; 1988 A Bonds and Series 1989 A Bonds
THIRD LIEN BONDS:	1987 B Bonds; 1988 B Bonds and Series 1989 B Bonds

The 1961 Bonds and 1977 Bonds are herein collectively called the "First Lien Bonds;" the 1987 A Bonds, 1988 A Bonds and Series 1989 A Bonds are herein collectively called the "Second Lien Bonds;" and the 1987 B Bonds, 1988 B Bonds and Series 1989 B Bonds are herein collectively called the "Third Lien Bonds."

H. The Issuer 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, or will have so complied prior to issuance 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.

I. The Issuer has received (or will receive prior to issuance of the Bonds) the written consent of the Authority to issuance of the Series 1989 A Bonds on parity with the 1987 A Bonds and 1988 A Bonds and the Series 1989 B Bonds on parity with the 1987 B Bonds and 1988 B Bonds.

J. The Issuer is a governmental unit which has general taxing powers to finance operations of or facilities of the nature of the Project and System, and the Issuer, all subordinate entities, all entities which issue obligations on behalf of the Issuer, and all entities formed or, to the extent provided under Section 148 of the

Code, herein defined, availed of, to avoid the purposes of Section 148(f)(4)(C) of the Code and all other entities benefiting thereby reasonably expect to issue less than $5,000,000 aggregate principal amount of tax-exempt obligations during the calendar year in which the Bonds are to be issued.

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

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

"Act" means Chapter 8, Article 19 of the West Virginia Code of 1931, as amended and in effect on the date of enactment hereof.

"Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser of the Original Bonds, or any other agency of the State of West Virginia that succeeds to the functions of the Authority.

"Authorized Officer" means the Mayor or City Manager of the Issuer or any acting Mayor or City Manager duly appointed by the Governing Body.

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

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

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

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

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

"Bonds" means the Original Bonds, and any bonds on a parity therewith authorized to be issued hereunder.

"1961 Bonds" means the Issuer's Water Revenue Bonds, dated April 1, 1961, issued in the original aggregate principal amount of $525,000, of which $288,000 remains Outstanding as of the date of enactment of this Ordinance.

"1977 Bonds" means the Issuer's Water Revenue Refunding Bonds, dated April 1, 1977, issued in the original aggregate principal amount of $1,315,000, of which $1,225,000 remains Outstanding as of the date of enactment of this Ordinance.

"1987 A Bonds" means the Issuer's Water Revenue Bonds, Series 1987 A, dated November 18, 1987, issued in the original aggregate principal amount of $1,686,371, all of which remains Outstanding as of the date of enactment of this Ordinance.

"1987 B Bonds" means the Issuer's Water Revenue Bonds, Series 1987 B, dated November 18, 1987, issued in the original aggregate principal amount of $413,629, all of which remains Outstanding as of the date of enactment of this Ordinance.

"1988 A Bonds" means the Issuer's Water Revenue Bonds, Series 1988 A, dated May 20, 1988, issued in the original aggregate principal amount of $2,232,000, all of which remains Outstanding as of the date of enactment of this Ordinance.

"1988 B Bonds" means the Issuer's Water Revenue Bonds, Series 1988 B, dated May 20, 1988, issued in the original aggregate principal amount of $558,000, all of which remains Outstanding as of the date of enactment of this Ordinance.

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

"Closing Date" means the date upon which there is an exchange of the Bonds for the proceeds representing the purchase of the Bonds by the Authority.

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

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

"Consulting Engineers" means Kelley, Gidley, Blair & Wolfe, Inc., Charleston, West Virginia, or any engineer or firm of engineers that shall at any time hereafter be retained by the Issuer as Consulting Engineers for the System.

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

"Debt Service" means the scheduled amount of interest and amortization of principal payable on the Bonds during the period of computation, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

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

"Excess Investment Earnings" means an amount equal to the sum of:

(A) The excess of

(i) The aggregate amount earned from the Closing Date on all Nonpurpose Investments in which Gross Proceeds of the Series 1989 A Bonds are invested [other than amounts attributable to an excess described in this clause (A) of this definition of Excess Investment Earnings], over

(ii) The amount that would have been earned if the Yield on such Nonpurpose Investments [other than amounts attributable to an excess described in this clause (A) of this definition of Excess Investment Earnings] had been equal to the Yield on the Series 1989 A Bonds, plus

(B) Any income attributable to the excess described in clause (A) of this definition of Excess Investment Earnings.

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

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

"Governing Body" means the council of the Issuer, as it may now or hereafter be constituted.

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

"Gross Proceeds" means the sum of the following amounts:

(i) Original proceeds, namely, net amounts received by or for the Issuer as a result of the sale of the Series 1989 A Bonds, excluding original proceeds which become transferred proceeds (determined in accordance with applicable Regulations) of obligations issued to refund in whole or in part the Series 1989 A Bonds;

(ii) Investment proceeds, namely, amounts received at any time by or for the Issuer, such as interest and dividends, resulting from the investment of any original proceeds (as referenced in clause (i) above) or investment proceeds (as referenced in this clause (ii)) in Nonpurpose Investments, increased by any profits and decreased (if necessary, below zero) by any losses on such investments, excluding investment proceeds which become transferred proceeds (determined in accordance with applicable Regulations) of obligations issued to refund in whole or in part the Series 1989 A Bonds;

(iii) Transferred proceeds, namely, original proceeds of any prior obligations, and interest earnings and profits less losses resulting from investment of such original proceeds in Nonpurpose Investments, which are used to discharge the outstanding principal of any prior bonds and which are deemed to become proceeds of the Series 1989 A Bonds ratably as original proceeds of the Series 1989 A Bonds, and interest

earnings and profits resulting from investment of such original proceeds in Nonpurpose Investments, which are used to discharge the outstanding principal of any such prior obligations, all on the date of such ratable discharge;

(iv) Sinking fund proceeds, namely, amounts, other than original proceeds, investment proceeds or transferred proceeds (as referenced in clauses (i) through (iii) above) of the Series 1989 A Bonds, which are held in any fund to the extent that the Issuer reasonably expects to use such other fund to pay Debt Service;

(v) Amounts in the Reserve Accounts and in any other fund established as a reasonably required reserve or replacement fund;

(vi) Investment Property pledged as security for payment of Debt Service on the Series 1989 A Bonds by the Issuer;

(vii) Amounts, other than as specified in this definition, used to pay Debt Service on the Series 1989 A Bonds; and

(viii) Amounts received as a result of investing amounts described in this definition.

"Gross Revenues" means the aggregate gross operating and non-operating revenues of the System, as hereinafter defined, determined in accordance with generally accepted accounting principles, after deduction of prompt payment discounts, if any, and reasonable provision for uncollectible accounts; provided, that "Gross Revenues" does not include any gains from the sale or other disposition of, or from any increase in the value of, capital assets (including Qualified Investments, as hereinafter defined, purchased pursuant to Article 8.01 hereof) or any Tap Fees, as hereinafter defined.

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

"Independent Certified Public Accountants" shall mean any certified public accountant or firm of certified public accountants that shall at any time hereafter be retained by the Issuer to prepare an independent annual or special audit of the accounts of the System

or for any other purpose except keeping the accounts of the System in the normal operation of its business and affairs.

"Investment Property" means any security (as said term is defined in Section 165(g)(2)(A) or (B) of the Code), obligation, annuity contract or investment-type property, excluding, however, obligations the interest on which is excluded from gross income, under Section 103 of the Code, for federal income tax purposes.

"Issuer" means the City of Charles Town, in Jefferson County, West Virginia, and, unless the context clearly indicates otherwise, includes the Governing Body of the Issuer.

"Loan Agreement" shall mean, collectively, the Loan Agreement and the Supplemental Loan Agreement, to be entered into between the Authority and the Issuer providing for the purchase of the Original Bonds from the Issuer by the Authority, the forms of which are approved, and the execution and delivery by the Issuer ratified and confirmed by, this Ordinance.

"Mayor" means the Mayor of the Issuer.

"Net Proceeds" means the face amount of the Series 1989 A Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds deposited in the Reserve Accounts. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Series 1989 A Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

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

"Nonpurpose Investment" means any Investment Property which is acquired with the Gross Proceeds of the Series 1989 A Bonds and is not acquired in order to carry out the governmental purpose of the Bonds.

"Operating Expenses" means the reasonable, proper and necessary costs of repair, maintenance and operation of the System and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses, other than those capitalized as part of the Costs, fees and expenses of the Authority, fiscal agents, the Depository Bank, Registrar and Paying Agent (all as herein defined), other than those capitalized as part of the Costs, payments to pension or retirement funds, taxes and such other reasonable operating costs and expenses as should normally

and regularly be included under generally accepted accounting principles; provided, that "Operating Expenses" does not include payments on account of the principal of or redemption premium, if any, or interest on the Bonds, charges for depreciation, losses from the sale or other disposition of, or from any decrease in the value of, capital assets, amortization of debt discount or such miscellaneous deductions as are applicable to prior accounting periods.

"1961 Ordinance" means the Ordinance enacted by the Issuer on March 6, 1961, authorizing issuance of the 1961 Bonds.

"1977 Ordinance" means the Ordinance enacted by the Issuer on March 7, 1977, authorizing issuance of the 1977 Bonds.

"1987 Ordinance" means the Ordinance enacted by the Issuer on November 16, 1987, authorizing issuance of the 1987 A and 1987 B Bonds.

"1988 Ordinance" means the Ordinance enacted by the Issuer on May 16, 1988, authorizing issuance of the 1988 A and 1988 B Bonds.

"Original Bonds" or "Bonds originally authorized hereby" or similar phrases mean, collectively, the not more than $1,000,000 in aggregate principal amount of Series 1989 A Bonds and the not more than $500,000 in aggregate principal amount of Series 1989 B Bonds, issued for the purpose of paying a portion of the Costs of the Project and for such other purposes permitted and authorized by this Bond Legislation.

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

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

"Paying Agent" means the bank or banks or other entity designated as such for the Bonds from time to time in the Supplemental

Resolution or such entity or authority as may be designated by the Issuer.

"Prior Bonds" means collectively, the 1961 Bonds, the 1977 Bonds, the 1987 A Bonds, the 1987 B Bonds, the 1988 A Bonds and the 1988 B Bonds.

"Prior Ordinance" means collectively, the 1961 Ordinance, the 1977 Ordinance, the 1987 Ordinance and the 1988 Ordinance.

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

"Program" means the Authority's loan program, under which the Authority purchases the water development revenue bonds of local governmental entities satisfying certain legal and other requirements with the proceeds of water development revenue bonds of the Authority.

"Project" means the acquisition and construction of certain additions, betterments and improvements for the Issuer's existing public waterworks system, including transmission lines from the Shenandoah River to the City's new water treatment plant, and from the plant to the distribution system, sludge handling facilities and equipment and all necessary appurtenances.

"Purchase Price," for the purpose of computation of the Yield of the Series 1989 A Bonds, has the same meaning as the term "issue price" in Sections 1273(b) and 1274 of the Code, and, in general, means the initial offering price of the Series 1989 A Bonds to the public (not including bond houses and brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of the Series 1989 A Bonds of each maturity is sold or, if the Series 1989 A Bonds are privately placed, the price paid by the first buyer of the Series 1989 A Bonds or the acquisition cost of the first buyer. "Purchase Price," for purposes of computing Yield of Nonpurpose Investments, means the fair market value of the Nonpurpose Investments on the date of use of Gross Proceeds of the Series 1989 A Bonds for acquisition thereof, or if later, on the date that Investment Property

constituting a Nonpurpose Investment becomes a Nonpurpose Investment of the Series 1989 A Bonds.

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

(a) Government Obligations;

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

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

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

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

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

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

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

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

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

"Regulations" means all applicable regulations promulgated under the Code, or any predecessor thereto.

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

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

"Series 1989 A Bonds" or "Series A Bonds" means the not more than $1,000,000 in aggregate principal amount of Water Revenue Bonds, Series 1989 A, of the Issuer.

"Series 1989 A Bonds Reserve Account" means the Series 1989 A Bonds Reserve Account established in the Series 1989 A Bonds Sinking Fund pursuant to Section 5.02 hereof.

"Series 1989 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 1989 A Bonds in the then current or any succeeding year.

"Series 1989 A Bonds Sinking Fund" means the Series 1989 A Sinking Fund established by Section 5.02 hereof.

"Series 1989 B Bonds" or "Series B Bonds" means the not more than $500,000 in aggregate principal amount of Water Revenue Bonds, Series 1989 B, of the Issuer.

"Series 1989 B Bonds Reserve Account" means the Series 1989 B Bonds Reserve Account established in the Series 1989 B Bonds Sinking Fund pursuant to Section 5.02 hereof.

"Series 1989 B Bonds Reserve Requirement" means, as of the date of calculation, the maximum amount of principal which will become due on the Series 1989 B Bonds in the then current or any succeeding year.

"Series 1989 B Bonds Sinking Fund" means the Series 1989 B Bonds Sinking Fund established by Section 5.02 hereof.

"State" means the State of West Virginia.

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

"Surplus Revenues" means the Net Revenues not required by the Bond Legislation to be set aside and held for the payment of or security for the Bonds, the Prior Bonds or any other obligations of the Issuer, including the Depreciation Fund, the Renewal and

Replacement Fund and the Reserve Accounts, the proceeds of which Bonds or other obligations are to be used to pay Costs of the Project.

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

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

"Yield" means that yield which, when used in computing the present worth of all payments of principal and interest (or other payments in the case of Nonpurpose Investments which require payments in a form not characterized as principal and interest) on a Nonpurpose Investment or on the Series 1989 A Bonds produces an amount equal to the Purchase Price of such Nonpurpose Investment or the Bonds, all computed as prescribed in applicable Regulations.

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

ARTICLE II

AUTHORIZATION OF 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, at an estimated cost of $939,435, in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed in the office of the Governing Body. The proceeds of the Bonds hereby authorized shall be applied as provided in Article VI hereof.

ARTICLE III

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

Section 3.01. Authorization of Bonds. For the purposes of capitalizing interest on the Series 1989 A Bonds, funding a reserve account for each series of Original Bonds, paying Costs of the Project not otherwise provided for and paying certain costs of issuance of the Original Bonds and related costs, or any of such purposes as determined by the Supplemental Resolution, there shall be issued negotiable Original Bonds of the Issuer, in an aggregate principal amount of not more than $1,500,000. Said Bonds shall be issued in two series, to be designated respectively, "Water Revenue Bonds, Series 1989 A," in the aggregate principal amount of not more than $1,000,000, and "Water Revenue Bonds, Series 1989 B," in the aggregate principal amount of not more than $500,000, and shall have such terms as set forth hereinafter and in the Supplemental Resolution. The proceeds of the Bonds remaining after funding of the Reserve Accounts (if funded from Bond proceeds) and capitalization of interest, if any, and, to the extent of any excess proceeds, shall be deposited in or credited to the Bond Construction Trust Fund established by Section 5.01 hereof.

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

Unless otherwise provided by the Supplemental Resolution, the Original Bonds shall be issued in the form of a single bond for each series, fully registered to the Authority, with a debt service schedule attached, representing the aggregate principal amount of each series, and shall mature in principal installments, all as provided in the Supplemental Resolution. The Bonds of each series shall be exchangeable at the option and expense of the Holder for other fully registered Bonds of the same series in aggregate principal amount equal to the amount of said Bonds then Outstanding and being

exchanged, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of said Bonds; provided, that the Authority shall not be obligated to pay any expenses of such exchange.

Subsequent series of Bonds, if any, shall be issued in fully registered form and in denominations as determined by a Supplemental Resolution. The 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 Issuer by the Mayor, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the Recorder. In case any one or more of the officers who shall have signed or sealed any of the Bonds shall cease to be such officer of the Issuer before the Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.04. Authentication and Registration. No Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Bond Legislation unless and until the Certificate of Authentication and Registration on such Bond, substantially in the forms set forth in Section 3.09 shall have been manually executed by the Bond Registrar. Any such executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Bond Legislation. The Certificate of Authentication and Registration on any Bond shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

Section 3.05. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder, in accepting any of 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 Holder shall further be

conclusively deemed to have agreed that said Bonds shall be incontestable in the hands of a bona fide holder for value.

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

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

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

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

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

Section 3.08. Bonds Secured by Pledge of Gross Revenues; Lien Positions with Respect to Prior Bonds. The payment of the debt service of all the Series 1989 A Bonds shall be secured forthwith equally and ratably with each other, by a lien on the Gross Revenues junior and subordinate to the lien on Gross Revenues in favor of the Holders of the 1961 Bonds and the 1977 Bonds, and on parity with the lien on Gross Revenues in favor of the Holders of the 1987 A Bonds and the 1988 A Bonds. The payment of the debt service of all the Series 1989 B Bonds shall be secured forthwith equally and ratably with each other by a lien on the Gross Revenues junior and subordinate to the lien on Gross Revenues in favor of the Holders of the 1961 Bonds, the 1977 Bonds, the 1987 A Bonds, the 1988 A Bonds and the Series 1989 A Bonds and on parity with the lien on Gross Revenues in favor of the Holders of the 1987 B Bonds and the 1988 B Bonds. Such Gross 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 Funds, the Reserve Accounts therein and the Renewal and Replacement Fund 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 Bonds shall be in substantially the following forms, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted hereby, or by any Supplemental Resolution adopted prior to the issuance thereof:

[Form of Series 1989 A Bond]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF CHARLES TOWN
WATER REVENUE BOND, SERIES 1989 A

No. AR-____ $_____

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF CHARLES TOWN, a municipal corporation and political subdivision of the State of West Virginia in Jefferson County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the West Virginia Water Development Authority (the "Authority") or registered assigns the sum of _____ ($_____), in installments on October 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 interest on each installment at the rate per annum set forth on said Exhibit A.

The interest rate on each installment shall run from the original date of delivery of this Bond to the Authority and payment therefor, and until payment of such installment, and such interest shall be payable on April 1 and October 1 in each year, beginning _____, 19____. Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent"). The interest on this Bond is payable by check or draft of the Paying Agent mailed to the registered owner hereof at the address as it appears on the books of One Valley Bank, National Association, Charleston, West Virginia, as registrar (the "Registrar") on the 15th day of the month next preceding an interest payment date, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner hereof.

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority, and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement between the Issuer and the Authority, dated _____, 1989.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain additions, betterments and improvements for the existing waterworks facilities of the Issuer (the "Project"); and (ii) to pay certain costs of issuance hereof and related costs. The Bonds of this series (the "Bonds") are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 8, Article 19 of the West Virginia Code of 1931, as amended (the "Act"), and an Ordinance duly enacted by the Issuer on _____, 1989, and a Supplemental Resolution, duly adopted by the Issuer on _____, 1989 (collectively called the "Bond Legislation"), and are subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

This Bond is issued concurrently with the Water Revenue Bonds, Series 1989 B, of the Issuer (the "Series 1989 B Bonds"), issued in the aggregate principal amount of $_____, which Series 1989 B Bonds are junior and subordinate with respect to liens and sources of and security for payment to the Bonds.

THIS BOND IS JUNIOR AND SUBORDINATE WITH RESPECT TO LIENS, PLEDGES AND SOURCES OF AND SECURITY FOR PAYMENT TO THE ISSUER'S OUTSTANDING WATER REVENUE BONDS, DATED APRIL 1, 1961, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $525,000 (THE "1961 BONDS") AND WATER REVENUE REFUNDING BONDS, DATED APRIL 1, 1977, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,315,000 (THE "1977 BONDS"); AND IS ON PARITY WITH RESPECT TO LIENS, PLEDGES AND SOURCES OF AND SECURITY FOR PAYMENT WITH THE ISSUER'S OUTSTANDING WATER REVENUE BONDS, SERIES 1987 A, DATED NOVEMBER 18, 1987, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,686,371 (THE "1987 A BONDS") AND WATER REVENUE BONDS, SERIES 1988 A, DATED MAY 20, 1988, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $2,232,000 (THE "1988 A BONDS")(COLLECTIVELY, THE "PRIOR BONDS").

This Bond is payable only from and secured by a pledge of the Gross Revenues (as defined in the Bond Legislation) on a parity basis with the 1987 A Bonds and the 1988 A Bonds to be derived from the operation of the System after there has first been paid from said Gross Revenues all payments then due and owing on account of the 1961 Bonds and the 1977 Bonds, moneys in the Reserve Account (the "Series 1989 A Bonds Reserve Account") created under the Bond

Legislation for the Bonds, and unexpended proceeds of the Bonds and the Series 1989 B Bonds. Such Gross Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Gross Revenues, the moneys in the Series 1989 A Bonds Reserve Account and unexpended proceeds of this Bond and the Series 1989 B Bond. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the amount required to pay the maximum amount due in any year of principal of and interest on the Bonds, the Series 1989 B Bonds, and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds or the Series 1989 B Bonds, including the Prior Bonds, provided however, that so long as there exists in the Series 1989 A Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for the Series 1989 B Bonds and any other obligations outstanding prior to or on a parity with the Bonds or the Series 1989 B Bonds, including the Prior Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Bond Legislation, only upon the books of the Registrar by the registered owner, or by its attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or its attorney duly authorized in writing.

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

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

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

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

IN WITNESS WHEREOF, the CITY OF CHARLES TOWN has caused this Bond to be signed by its Mayor and its corporate seal to be affixed hereon and attested by its Recorder, and has caused this Bond to be dated _____, 1989.

[SEAL]

_____
Mayor

ATTEST:

_____
Recorder

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1989 A Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above as of the date set forth below.

Date: _____

ONE VALLEY BANK, NATIONAL ASSOCIATION,
as 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 within Bond and does hereby irrevocably constitute and appoint _____, Attorney to transfer the said Bond on the books kept for registration of the within Bond of the said Issuer with full power of substitution in the premises.

Dated: _____, _____.

_____

In the presence of:

_____

[Form of Series 1989 B Bond]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF CHARLES TOWN
WATER REVENUE BOND, SERIES 1989 B

No. BR-____ $_____

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF CHARLES TOWN, a municipal corporation and political subdivision of the State of West Virginia in Jefferson County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the West Virginia Water Development Authority (the "Authority") or registered assigns the sum of _____

_____
($_____), in annual installments on October 1 of each year as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference, without interest.

Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent").

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority, and upon the terms and conditions prescribed by, and otherwise in compliance with, the Supplemental Loan Agreement between the Issuer and the Authority, dated _____, 1989.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain additions, betterments and improvements for the existing waterworks facilities of the Issuer (the "Project"); 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 8, Article 19 of the West Virginia Code of 1931, as amended (the "Act"), and an Ordinance duly enacted by the Issuer on _____, 1989, and a Supplemental Resolution duly adopted by the Issuer on

_____, 1989 (collectively called the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

THIS BOND IS JUNIOR AND SUBORDINATE WITH RESPECT TO LIENS, PLEDGES AND SOURCES OF AND SECURITY FOR PAYMENT TO CERTAIN OUTSTANDING WATER REVENUE BONDS OF THE ISSUER AS FOLLOWS:

(i) WATER REVENUE BONDS, DATED APRIL 1, 1961, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $525,000 (THE "1961 BONDS");

(ii) WATER REVENUE REFUNDING BONDS, DATED APRIL 1, 1977, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,315,000 (THE "1977 BONDS");

(iii) WATER REVENUE BONDS, SERIES 1987 A, DATED NOVEMBER 18, 1987, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,686,371 (THE "1987 A BONDS");

(iv) WATER REVENUE BONDS, SERIES 1988 A, DATED MAY 20, 1988, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $2,232,000 (THE "1988 A BONDS"); AND

(v) WATER REVENUE BONDS, SERIES 1989 A, ISSUED CONCURRENTLY HEREWITH IN THE AGGREGATE PRINCIPAL AMOUNT OF $_____ AND DESCRIBED IN THE BOND LEGISLATION (THE "1989 A BONDS").

THIS BOND IS ON PARITY WITH RESPECT TO LIENS, PLEDGES AND SOURCES OF AND SECURITY FOR PAYMENT WITH CERTAIN OUTSTANDING WATER REVENUE BONDS OF THE ISSUER AS FOLLOWS:

(i) WATER REVENUE BONDS, SERIES 1987 B, DATED NOVEMBER 18, 1987, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $413,629 (THE "1987 B BONDS") AND

(ii) WATER REVENUE BONDS, SERIES 1988 B, DATED MAY 20, 1988, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $558,000 (THE "1988 B BONDS").

THE 1961 BONDS, 1977 BONDS, 1987 A BONDS, 1987 B BONDS, 1988 A BONDS AND 1988 B BONDS ARE HEREIN COLLECTIVELY CALLED THE "PRIOR BONDS."

This Bond is payable only from and secured by a pledge of the Gross Revenues (as defined in the Bond Legislation) on a parity basis with the 1987 B Bonds and the 1988 B Bonds to be derived from the operation of the System after there has first been paid from said Gross Revenues all payments then due and owing on account of the 1961 Bonds, the 1977 Bonds, the 1987 A Bonds, the 1988 A Bonds and the 1989 A Bonds herein described and from moneys in the Reserve Account (the "Series 1989 B Bonds Reserve Account") created under the Bond Legislation for the Bonds of this Series (the "Bonds"), and unexpended proceeds of the Bonds. Such Gross Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same, except from said special fund provided from the Gross Revenues, the moneys in the Series 1989 B Bonds Reserve Account and unexpended Bond proceeds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the amount required to pay the maximum amount due in the then current or any succeeding year of principal of and interest, if any, on the Bonds, the Series 1989 A Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Series 1989 A Bonds or the Bonds, including the Prior Bonds, provided however, that so long as there exists in the Series 1989 B Bonds Reserve Account and the reserve account established for the Series 1989 A Bonds, respectively, amounts at least equal to the maximum amount of principal and interest, if any, which will become due on the Bonds and the Series 1989 A Bonds in any year, and any reserve account for any such prior or parity obligations, including the Prior Bonds, is funded at least at the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into

certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

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

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

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law, shall be applied solely to the payment of the Costs of the Project described in the Bond Legislation, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the registered owners of the Bonds, which lien is subordinate to the lien in favor of the registered owners of the Series 1989 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 Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the revenues of the System has been pledged to and will be set aside into said special fund by the Issuer for the prompt payment of the principal of this Bond.

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

IN WITNESS WHEREOF, the CITY OF CHARLES TOWN has caused this Bond to be signed by its Mayor and its corporate seal to be hereunto affixed hereon and attested by its Recorder, and has caused this Bond to be dated _____, 1989.

[SEAL]

_____
Mayor

ATTEST:

_____
Recorder

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1989 B Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above as of the date set forth below.

Date: _____

ONE VALLEY BANK, NATIONAL ASSOCIATION,
as 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 within Bond and does hereby irrevocably constitute and appoint _____, Attorney to transfer the said Bond on the books kept for registration of the within Bond of the said Issuer with full power of substitution in the premises.

Dated: _____, _____.

_____

In the presence of:

_____

Section 3.10. Sale of Original Bonds; Ratification of 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. The Mayor is specifically authorized and directed to execute the Loan Agreement in the form attached to the Supplemental Resolution as "Exhibit A" thereto and made a part thereof, and the Recorder is directed to affix the seal of the Issuer, attest the same and deliver the Loan Agreement to the Authority, and any such prior execution and delivery is hereby authorized, ratified and approved.

Section 3.11. "Schedule A" Filing; Tender of Series 1989 B Bonds. Upon completion of acquisition and construction of the Project, the Issuer will file with the Authority a schedule in substantially the form of the "Amended Schedule A" to the Loan Agreement, setting forth actual costs of the Project and sources of funds therefor. In the event such schedule reflects an excess of funding for the Project, or if the Authority is otherwise advised of an excess, the Authority may tender the Series 1989 B Bonds to the Issuer for payment in an amount equal to such excess.

ARTICLE IV

[RESERVED]

ARTICLE V

SYSTEM REVENUES AND APPLICATION THEREOF

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

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

(2) Operation and Maintenance Fund (established by the Prior Ordinance);

(3) Depreciation Fund (established by the Prior Ordinance);

(4) Renewal and Replacement Fund (established by the Prior Ordinance); and

(5) Bond Construction Trust Fund.

Section 5.02. Establishment of Funds and Accounts with Commission. The following special funds or accounts are hereby established (or continued if previously established by the Prior Ordinance) with the Commission:

(1) The Sinking Funds established for the 1961 Bonds, the 1977 Bonds, the 1987 A Bonds, the 1987 B Bonds, the 1988 A Bonds and the 1988 B Bonds (herein collectively called the "Prior Bonds Sinking Funds");

(2) Series 1989 A Bonds Sinking Fund;

(a) Within the Series 1989 A Bonds Sinking Fund, the Series 1989 A Bonds Reserve Account.

(3) Series 1989 B Bonds Sinking Fund;

(a) Within the Series 1989 B Bonds Sinking Fund, the Series 1989 B Bonds Reserve Account.

Section 5.03. System Revenues; Flow of Funds. A. The entire Gross Revenues derived from the operation of the System shall be deposited upon receipt in the Revenue Fund. The Revenue Fund shall

constitute a trust fund for the purposes provided in this Bond Legislation and shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner herein provided.

(1) The Issuer shall first, on or before the dates specified in the Prior Ordinance, transfer from the Revenue Fund and remit to the Commission for deposit into the Prior Bonds Sinking Funds such sums as are prescribed and in the priority set forth in the Prior Ordinance, subject to the provisions of Section 9(I) of this Section 5.02.

(2) Thereafter, from the moneys remaining in the Revenue Fund, the Issuer shall next, on the first day of each month, commencing 7 months prior to the first date of payment of interest on the Series 1989 A Bonds for which interest has not been capitalized, apportion and set apart out of the Revenue Fund and remit to the Commission, for deposit in the Series 1989 A Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on said Series 1989 A Bonds on the next ensuing semiannual interest payment date; provided, that, in the event the period to elapse between the date of such initial deposit in the Series 1989 A Bonds Sinking Fund and the next semiannual interest payment date is less than 7 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next semiannual interest payment date, the required amount of interest coming due on such date.

(3) The Issuer shall next, on the first day of each month, commencing 13 months prior to the first date of payment of principal on the Series 1989 A Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1989 A Bonds Sinking Fund, a sum equal to 1/12th of the amount of principal which will mature and become due on said Series 1989 A Bonds on the next ensuing principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1989 A Bonds Sinking Fund and the next annual principal payment date is less than 13 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next annual principal payment date, the required amount of principal coming due on such date.

(4) The Issuer shall next, on the first day of each month, commencing 13 months prior to the first date of

payment of principal of the Series 1989 A Bonds, if not fully funded upon issuance of the Series 1989 A Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1989 A Bonds Reserve Account, an amount equal to 1/120 of the Series 1989 A Bonds Reserve Requirement; provided, that no further payments shall be made into the Series 1989 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 1989 A Bonds Reserve Requirement.

(5) From the moneys remaining in the Revenue Fund, the Issuer shall next, on the first day of each month, commencing with the month succeeding the first full calendar month after completion of the Project, transfer to the Renewal and Replacement Fund, a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of the Series 1989 A Bonds Reserve Account and the Series 1989 B Bonds Reserve Account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII hereof. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency repairs, improvements or extensions to the System; provided, that any deficiencies in the Series 1989 A Bonds Reserve Account, or the Reserve Accounts for any of the Prior Bonds, [except to the extent such deficiency exists because the required payments into such accounts have not, as of the date of determination of a deficiency, funded such account to the maximum extent required by Subsection 5.03(A)(4)] shall be promptly eliminated with moneys from the Renewal and Replacement Fund, in accordance with the respective Lien positions of each series of Prior Bonds.

(6) The Issuer shall next, on the first day of each month, commencing 13 months prior to the first date of payment of principal on the Series 1989 B Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1989 B Bonds Sinking Fund, a sum equal to 1/12th of the amount of principal which will mature and become due on said Series 1989 B Bonds on the next ensuing principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1989 B Bonds Sinking Fund and the next annual principal payment date is less than

13 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next annual principal payment date, the required amount of principal coming due on such date.

(7) The Issuer shall next, on the first day of each month, commencing 13 months prior to the first date of payment of principal of the Series 1989 B Bonds, if not fully funded upon issuance of the Series 1989 B Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1989 B Bonds Reserve Account, an amount equal to 1/120 of the Series 1989 B Bonds Reserve Requirement; provided, that no further payments shall be made into the Series 1989 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 1989 B Bonds Reserve Requirement.

(8) The Issuer shall next, each month, transfer from the Revenue Fund into the Operation and Maintenance Fund, an amount sufficient to pay all reasonable and proper expenses of operation, maintenance and repair of the System for the current month and from which disbursements shall be made only for that purpose. If in any month for any reason there is a failure to transfer and pay the required amount into the Operation and Maintenance Fund, then the amount of any deficiency shall be added to the amount otherwise required to be transferred and paid into said Fund in the next succeeding month. Fixed annual charges, such as insurance and costs of major repairs and maintenance, may be computed and set up on an annual basis and 1/12th of the amount thereof may be accumulated in said Fund each month.

(9) Thereafter, from the revenues remaining in the Revenue Fund, the Issuer shall next, each month, pay into the Depreciation Fund, established by the Prior Ordinance and hereby continued with the Depository Bank, the sum of $750, in addition to the $325 required by Subsection (3) of Section 6 of the 1961 Ordinance, until the amount in the Depreciation Fund shall aggregate $85,000 and whenever the amount in the Depreciation Fund is less than $85,000, the said monthly payments shall be resumed until such aggregate sum of $85,000 is in the Depreciation Fund; provided, that if the amount in the Depreciation Fund exceeds $25,000, only $750 a month shall be required to be transferred thereto. The moneys in the Depreciation Fund shall be used first to restore any deficiency in the Prior Bonds Sinking Funds or

the Series 1989 A or Series 1989 B Sinking Funds in accordance with their respective lien positions resulting from inadequate revenues to make the required deposits into the Sinking Fund, and shall next be used only for the replacement, renewal, improvement, betterment or extension of capital assets of the waterworks.

Moneys in the Series 1989 A Bonds Sinking Fund and the Series 1989 B Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest, if any, on the respective series of Bonds as the same shall become due. Moneys in the Series 1989 A Bonds Reserve Account and the Series 1989 B Bonds Reserve Account shall be used only for the purpose of paying principal of and interest, if any, on the respective series of Bonds, as the same shall come due, when other moneys in the attendant Sinking Fund are insufficient therefor, and for no other purpose.

All investment earnings on moneys in the several Sinking Funds and Reserve Accounts shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall, during construction of the Project, be deposited in the Bond Construction Trust Fund, and following completion of construction of the Project, shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payments, if any, due on the respective series of Bonds, and then to the next ensuing principal payments due thereon.

Any withdrawals from the Series 1989 A Bonds Reserve Account which result in a reduction in the balance of the Series 1989 A Bonds Reserve Account to below the Series 1989 A Bonds Reserve Requirement shall be subsequently restored from the first Gross Revenues available after all required payments to the Sinking Funds for the First Lien Bonds and after all principal and interest payments for the Second Lien Bonds have been made in full, and thereafter on a parity with any restoration of the Reserve Accounts for the Second Lien Bonds.

Any withdrawals from the Series 1989 B Bonds Reserve Account which result in a reduction in the balance of the Series 1989 B Bonds Reserve Account to below the Series 1989 B Bonds Reserve Requirement shall be subsequently restored from the first Gross Revenues available after all required payments to the Sinking Funds for the First Lien Bonds and Second Lien Bonds and the Renewal and Replacement Fund and after all principal and

interest payments for the Third Lien have been made in full, and thereafter, on a parity with any restoration of the Reserve Account for the Third Lien Bonds.

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

The Issuer shall not be required to make any further payments into the Series 1989 A Bonds Sinking Fund, or the Series 1989 B Bonds Sinking Fund or into the Reserve Accounts therein when the aggregate amount of funds in said respective Sinking Funds and Reserve Accounts are at least equal to the aggregate principal amount of the respective Bonds issued pursuant to this Bond Legislation then Outstanding and all interest to accrue until the respective maturities thereof.

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 Issuer 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 Bond Legislation.

Moneys in the Reserve Accounts shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The Sinking Funds, including the Reserve Accounts therein, shall be used solely and only for, and are hereby pledged for, the purpose of servicing the respective Bonds and any additional Bonds ranking on a parity therewith that

may be issued and Outstanding under the conditions and restrictions hereinafter set forth.

B. Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinbefore provided, are current and there remains in said Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into the Sinking Funds, including the Reserve Accounts therein and the sinking funds established for the Prior Bonds, and the Depreciation Fund and Renewal and Replacement Fund during the following month or such other period as required by law, such excess shall be considered Surplus Revenues. Surplus Revenues may be used for any lawful purpose of the System.

C. The Issuer shall remit from the Revenue Fund to the Commission, the Registrar, the Paying Agent or the Depository Bank, on such dates as the Commission, the Registrar, the Paying Agent or the Depository Bank, as the case may be, shall require, such additional sums as shall be necessary to pay the Commission, the Registrar and 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; provided, however, that the priority of curing deficiencies in the funds and accounts herein shall be in accordance with the lien positions stated in Sections 1.02G and 7.03 hereof, and in the same order as payments are to be made pursuant to this Section 5.03 and the Gross Revenues shall be applied to such deficiencies before being applied to any other payments hereunder.

F. All remittances made by the Issuer 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.

H. All Tap Fees shall be deposited by the Issuer, as received, in the Bond Construction Trust Fund, and following completion of the Project, shall be deposited in the Revenue Fund and may be used for any lawful purpose of the System.

I. In the event that moneys in the Revenue Fund may be inadequate to permit the Issuer to make all of the deposits required by this Section 5.03, the principal of and interest on the Prior Bonds and the Bonds, and any payments to the respective Reserve Accounts therefor, shall be paid pro rata, in accordance with the respective lien positions thereof, and, for Prior Bonds or Bonds of equal lien position, in accordance with the respective Outstanding principal amounts thereof.

ARTICLE VI

BOND PROCEEDS; FUNDS AND ACCOUNTS

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

A. From the proceeds of the Series 1989 A Bonds, there shall first be deposited with the Commission in the Series 1989 A Bonds Sinking Fund, the amount, if any, specified in the Supplemental Resolution as capitalized interest; provided, that such amount may not exceed the amount necessary to pay interest on the Series 1989 A Bonds for the period commencing on the date of issuance of the Bonds and ending 6 months after the estimated date of completion of construction of the Project.

B. Next, from the proceeds of the Series 1989 A Bonds, there shall be deposited with the Commission in the Series 1989 A Bonds Reserve Account and from the proceeds of the Series 1989 B Bonds, there shall be deposited with the Commission in the Series 1989 B Reserve Account the respective sums, if any, set forth in the Supplemental Resolution for funding of the Reserve Accounts.

C. Next, from the proceeds of the Series 1989 A Bonds, there shall first be credited to the Bond Construction Trust Fund and then paid, any and all borrowings by the Issuer made for the purpose of temporarily financing a portion of the Costs of the Project, including interest accrued thereon to the date of such payment.

D. 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 in the manner set forth in Section 6.02.

E. The Depository Bank shall act as a trustee and fiduciary for the Bondholder 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 Bond Legislation. 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 Series 1989 A Bonds, and thereafter for the Series 1989 B Bonds.

Section 6.02. Disbursements From the Bond Construction Trust Fund. Payments for Costs of the Project shall be made monthly.

Except as provided in Section 6.01 hereof, disbursements from the Bond Construction Trust Fund, except for the costs of issuance of the Original Bonds which shall be made upon request of the Issuer, shall be made only after submission to the Depository Bank of a certificate, signed by an Authorized Officer and the Consulting Engineers, stating:

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

(B) 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;

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

(D) 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 Depository Bank shall disburse from the Bond Construction Trust Fund only the net amount remaining after deduction of any such portion. All payments made from the Bond Construction Trust Fund shall be presumed by the Depository Bank to be made for the purposes set forth in said certificate, and the Depository Bank shall not be required to monitor the application of disbursements from the Bond Construction Trust Fund. The Consulting Engineers shall from time to time file with the Depository Bank written statements advising the Depository Bank of its then authorized representative.

Pending such application, moneys in the Bond Construction Trust Fund, including any accounts therein, shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

After completion of the Project, as certified by the Consulting Engineers, the Depository Bank shall transfer any moneys remaining in the Bond Construction Trust Fund to the Series 1989 A Bonds Reserve Account, and when fully funded to the Series 1989 B Bonds Reserve Account, and when both Reserve Accounts are fully funded, shall return such remaining moneys to the Issuer for deposit

in the Revenue Fund. The Issuer shall thereafter, apply such moneys in full, first to the next ensuing interest payments, if any, due on the respective series of Bonds and thereafter to the next ensuing principal payments due thereon. Notwithstanding the foregoing, if the Authority tenders any of its Series 1989 B Bonds to the Issuer pursuant to the provisions of the Supplemental Loan Agreement and Section 3.11 hereof, such moneys shall be applied to the purchase of such Series 1989 B Bonds.

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

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

Section 7.02. Bonds not to be Indebtedness of the Issuer. The Bonds shall not be or constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness, but shall be payable solely from the funds pledged for such payment by this Bond Legislation. No Holder or Holders of any Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay said Bonds or the interest thereon.

Section 7.03. Bonds Secured by Subordinate Pledge of Gross Revenues; Lien Positions with Respect to Prior Bonds. The payment of the debt service of the Series 1989 A Bonds issued hereunder shall be secured forthwith equally and ratably by a lien on the Gross Revenues derived from the operation of the System junior and subordinate to the lien in favor of the Holders of the 1961 Bonds and the 1977 Bonds, and on parity with the Holders of the 1987 A Bonds and the 1988 A Bonds. Payment of the debt service of the Series 1989 B Bonds issued hereunder shall be secured forthwith equally and ratably by a lien on said Gross Revenues, junior and subordinate to the lien on said Gross Revenues in favor of the Holders of the 1961 Bonds, the 1977 Bonds, the 1987 A Bonds, the 1988 A Bonds and the Series 1989 A Bonds, and on parity with the Holders of the 1987 B Bonds and the 1988 B Bonds. The revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Prior Bonds and the Bonds and to make the payments into the Sinking Funds, including the Reserve Accounts therein, and all other payments provided for in the Bond Legislation are hereby irrevocably pledged, in the manner provided herein, to the payment of the principal of and interest on the Bonds as the same become due, and for the other purposes provided in the Bond Legislation.

Section 7.04. Initial Schedule of Rates and Charges. The minimum rates and charges for the services and facilities of the System shall be as set forth in the Ordinance of the Issuer enacted April 4, 1988, which shall constitute the initial schedule of such rates and charges.

Section 7.05. Sale of the System. Except as otherwise required by law, the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Bonds Outstanding, or to effectively defease this Bond Legislation in accordance with Section 10.01 hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Bonds, immediately be remitted to the Commission for deposit in the Sinking Funds, and, with the written permission of the Authority, or in the event the Authority is no longer a Bondholder, the Issuer shall direct the Commission to apply such proceeds to the payment of principal at maturity of and interest on the Bonds. Any balance remaining after the payment of all the Bonds and interest thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

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

not in excess of $50,000, shall with the written consent of the Authority, be remitted by the Issuer to the Commission for deposit in the Sinking Fund and shall be applied only to the purchase of Bonds of the last maturities then Outstanding at prices not greater than the par value thereof plus 3% of such par value. Such payment of such proceeds into the Sinking Fund or the Renewal and Replacement Fund shall not reduce the amounts required to be paid into said funds by other provisions of this Bond Legislation. No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases, or other dispositions of such properties, shall be in excess of $50,000 and insufficient to pay all Bonds then Outstanding without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of over 50% in amount of the Bonds then Outstanding and the Consulting Engineers. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 7.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. Except as provided in this Section 7.06 and in Section 7.07B, the Issuer shall not issue any other obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Bonds; provided, however, that additional Bonds on a parity with the Series 1989 B Bonds only may be issued as provided for in Section 7.07 hereof. All obligations issued by the Issuer after the issuance of the Bonds and payable from the revenues of the System, except such additional parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on and source of and security for payment from such revenues and in all other respects, to the Series 1989 A Bonds and the Series 1989 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.

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

Section 7.07. Parity Bonds. A. No Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of any Bonds pursuant to this Bond Legislation, except under the conditions and in the manner herein provided.

All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 1989 B Bonds. No Parity Bonds shall be issued which shall be payable out of the revenues of the System on a parity with the Series 1989 A Bonds, unless the Series 1989 B Bonds are no longer outstanding.

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

No 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 12 consecutive months, within the 18 months immediately preceding the date of the actual issuance of such Parity Bonds, plus the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the completion of the improvements to be financed by such Parity Bonds, shall not be less than 115% of the largest aggregate amount that will mature and become due in any succeeding Fiscal Year for principal of and interest on the following:

(1) The First Lien Bonds, Second Lien Bonds, Third Lien Bonds and any other obligations with a lien on the Gross Revenues prior to or on a parity with that of the Bonds;

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

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

The "estimated average increased annual Net Revenues to be received in each of the 3 succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from (a) the improvements to be financed by such Parity Bonds and (b) any increase

in rates adopted by the Issuer, the period for appeal of which has expired prior to the date of delivery of such Parity Bonds, and shall not exceed the amount to be stated in a certificate of the Consulting Engineers, which shall be filed in the office of the Recorder prior to the issuance of such Parity Bonds.

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

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

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

All 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.

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on the revenues of the System is subject to the prior and superior liens of the Series 1989 A Bonds and the Series 1989 B Bonds on such revenues. The Issuer shall not issue any obligations whatsoever payable from the revenues of the System, or any part

thereof, which rank prior to or, except in the manner and under the conditions provided in this section, equally, as to lien on and source of and security for payment from such revenues, with the Series 1989 A Bonds or the Series 1989 B Bonds.

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

B. Notwithstanding the foregoing, or any provision of Section 7.06 to the contrary, additional Bonds may be issued solely for the purpose of completing the Project as described in the application to the Authority submitted as of the date of the Loan Agreement without regard to the restrictions set forth in this Section 7.07, if there is first obtained by the Issuer the written consent of the Authority to the issuance of bonds on a parity with the Bonds.

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

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

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

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

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

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

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants and shall mail upon request, and make available generally, the report of said Independent Certified Public Accountants, or a summary thereof, to any Holder or Holders of Bonds or and shall submit said report with the Authority, or any other original purchaser of the Bonds. Such audit report submitted to the Authority shall include a statement that the Issuer is in compliance with the terms and provisions of the Loan Agreement and this Bond Legislation.

Section 7.09. Rates. Equitable rates or charges for the use of and service rendered by the System have been established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Recorder, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from said System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all reasonable expenses of operation, repair and maintenance of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds, including the Prior Bonds; provided that, in the event that amounts equal to or in excess of the Reserve Requirements are on deposit respectively in the Reserve Accounts and reserve accounts for obligations prior to or on a parity with the Bonds (including the

Prior Bonds) are funded at least at the requirement therefor, such balance each year need only equal at least 110% of the maximum amount required in any year for payment of principal of and interest on the Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds.

Section 7.10. Operating Budget and Audit. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated expenditures for operation and maintenance of the System during the succeeding Fiscal Year. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by the Consulting Engineers, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of 10% of the amount of such budget shall be made except upon the further certificate of the Consulting Engineers that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Authority and to any Holder of any Bonds who shall file his or her address with the Issuer and request in writing that copies of all such budgets and resolutions be furnished him or her and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to any Holder of any Bonds or anyone acting for and in behalf of such Holder of any Bonds.

In addition, the Issuer 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 Issuer is in compliance with the terms and provisions of this Bond Legislation and the Loan Agreement.

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

Section 7.12. Enforcement of Collections. The Issuer will diligently enforce and collect all fees, rentals or other charges for

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

Whenever any fees, rates, rentals or other charges for the services and facilities of the System shall remain unpaid for a period of 30 days after the same shall become due and payable, the property and the owner thereof, as well as the user of the services and facilities, shall be delinquent until such time as all such rates and charges are fully paid. To the extent authorized by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, rates, rentals and other charges, if not paid, when due, shall become a lien on the premises served by the System. The Issuer further covenants and agrees that, it will, to the full extent permitted by law and the rules and regulations promulgated by the Public Service Commission of West Virginia, discontinue and shut off the services of the System to all users of the services of the System delinquent in payment of charges for the services of the System and will not restore such services until all delinquent charges for the services of the System, plus reasonable interest and penalty charges for the restoration of service, have been fully paid and shall take all further actions to enforce collections to the maximum extent permitted by law.

Section 7.13. No Free Services. The Issuer will not render or cause to be rendered any free services of any nature by the System, nor will any preferential rates be established for users of the same class; and in the event the Issuer, or any department, agency, instrumentality, officer or employee of the Issuer shall avail itself or themselves of the facilities or services provided by the System, or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer and any such department, agency, instrumentality, officer or employee. The revenues so received shall be deemed to be revenues derived from the operation of the System, and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 7.14. Insurance and Construction Bonds. A. The Issuer hereby covenants and agrees that so long as any of the Bonds remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance with a reputable insurance carrier or carriers as is customarily carried with respect to works and properties similar to the System. Such insurance shall initially cover the following risks and be in the following amounts:

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

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

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

(4) FLOOD INSURANCE, to the extent available at reasonable cost to the Issuer.

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

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

Section 7.15. Connections. To the extent permitted by the laws of the State and rules and regulations of the Public Service Commission of West Virginia, the Issuer shall require every owner, tenant or occupant of any house, dwelling or building intended to be served by the System to connect thereto.

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

Section 7.17. Tax Covenants. The Issuer hereby further covenants and agrees as follows:

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

one project, a portion of the Project, and shall not exceed the proceeds used for the governmental use of that portion of the Project to which such Private Business Use is related.

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

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

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

E. FURTHER ACTIONS. The Issuer will take any and all actions that may be required of it (including those deemed necessary by the Authority) so that the interest on the Bonds will be and remain excludable from gross income for federal income tax purposes, and will not take any actions or fail to take any actions (including those determined by the Authority) which would adversely affect such exclusion.

Section 7.18. Statutory Mortgage Lien. For the further protection of the Holders of the Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, shall take effect immediately upon delivery of the Bonds and shall be for the equal benefit of all Holders of each respective series of Bonds, provided however, that the statutory mortgage lien in favor of the Holders of the Series 1989 A Bonds shall be senior to the statutory mortgage lien in favor of the Holders of the Series 1989 B Bonds and provided further, that the statutory mortgage lien in favor of the holders of the Prior Bonds shall continue, in accordance with the respective lien positions thereof.

Section 7.19. Compliance with Loan Agreement. The Issuer will comply in all respects with the Loan Agreement and will not amend the Loan Agreement in any way so as to adversely affect the rights of the Authority or diminish the obligations of the Issuer without first obtaining the written consent of the Authority.

ARTICLE VIII

INVESTMENT OF FUNDS; NON ARBITRAGE

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

Except as otherwise herein provided, any investment shall be held in and at all times deemed a part of the fund or account in which such moneys were originally held, and the interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. The investments held for any fund or account shall be valued at the lower of cost or then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including the value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held in the "Consolidated Fund." The Commission, the Depository Bank, or such other bank or national banking association, 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 Depository Bank, or such other bank or national banking association, as the case may be, may make any and all investments permitted by this section through its own bond department and shall not be responsible for any losses from such investments, other than for its own negligence or willful misconduct.

The Depository Bank shall keep complete and accurate records of all funds, accounts and investments, and shall distribute to the Issuer, at least once each year, a summary of such funds, accounts and investment earnings. The Issuer shall retain all such records and any additional records with respect to such funds, accounts and investment earnings so long as any of the Bonds are Outstanding.

Section 8.02. Arbitrage. The Issuer covenants that (i) it will restrict the use of the proceeds of the Bonds in such manner and to such extent as may be necessary, in view of the Issuer's reasonable expectations at the time of issuance of the Bonds, so that the Bonds will not constitute "arbitrage bonds" under Section 148 of the Code and Regulations, and (ii) it will take all actions that may be

required of it (including, without implied limitation, the timely filing of a Federal information return with respect to the Bonds) so that the interest on the Bonds will be and remain excluded from gross income for Federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 8.03. Rebate of Excess Investment Earnings to the United States. In accordance with Section 148(f)(4)(C) of the Code, the Issuer covenants that it is a governmental unit with general taxing powers; that the Bonds are not private activity bonds as defined in Section 141 of the Code; that 95% or more of the Net Proceeds of the Bonds are to be used for local governmental activities of the Issuer (or of a governmental unit the jurisdiction of which is entirely within the jurisdiction of the Issuer); and that the aggregate face amount of all the tax-exempt obligations (other than private activity bonds as defined in Section 141 of the Code) issued by the Issuer during the calendar year in which the Bonds are issued will not exceed $5,000,000, determined in accordance with Section 148(f)(4)(C) of the Code and the Regulations promulgated thereunder. For purposes of this Section 8.03 and for purposes of applying Section 148(f)(4)(C) of the Code, the Issuer and all entities which issue obligations on behalf of the Issuer shall be treated as one issuer; all obligations issued by a subordinate entity shall, for purposes of applying this Section 8.03 and Section 148(f)(4)(C) of the Code to any other entity to which such entity is subordinate, be treated as issued by such other entity; and an entity formed (or, to the extent provided by the Secretary, as set forth in the Code, availed of) to avoid the purposes of such Section 148(f)(4)(C) of the Code and all other entities benefiting thereby shall be treated as one issuer.

Notwithstanding the foregoing, if in fact the Issuer is subject to the rebate requirements of Section 148(f) of the Code, and not exempted from such requirements, the Issuer shall take the following actions:

A. CREATION OF FUNDS. There are hereby created, to be held by the Depository Bank as separate funds distinct from all other funds and accounts held by the Depository Bank under this Bond Legislation, the Earnings Fund and the Rebate Fund. All interest earnings and profits on amounts in all funds and accounts established under this Bond Legislation, other than (i) interest earnings and profits on any funds referenced in Subsection C(5) of this Section if such earnings in any Bond Year are less than $100,000, provided that, if the Bond is not a private activity bond (including any "qualified 501(c)(3) bond" as defined under Section 145 of the Code), if the average maturity of the issue of the Bond (determined in accordance with Section 147(b)(2)(A) of the Code) is at least 5 years and if the rate

of interest on the issue of the Bond does not vary during the term of the issue, then this clause (i) of this Section 8.03A shall be applied without regard to such dollar limitation, (ii) interest earnings and profits on amounts in funds and accounts which do not constitute Gross Proceeds, and (iii) interest earnings and profits on the Rebate Fund shall, upon receipt by the Depository Bank, be deposited in the Earnings Fund. In addition, all interest earnings and profits on Gross Proceeds in funds and accounts held by the Issuer or otherwise shall, upon receipt, be paid to the Depository Bank for deposit in the Earnings Fund. Annually, on or before the 30th day following the end of each Bond Year or on the preceding business day in the event that such last day is not a business day, or such earlier date as may be required under the Code, the Depository Bank shall transfer from the Earnings Fund to the Rebate Fund for purposes of ultimate payment to the United States an amount equal to Excess Investment Earnings, all as more particularly described in this Section. Following the transfer referenced in the preceding sentence, the Depository Bank shall transfer all amounts remaining in the Earnings Fund to be used for the payment of Debt Service on the next interest payment date and for such purpose, Debt Service due from the Issuer on such date shall be credited by an amount equal to the amount so transferred; provided that, if the Bond shall have been previously paid in full, such amounts remaining on deposit in the Earnings Fund shall be paid to the Issuer and used for any lawful purpose of the Issuer.

B. DUTIES OF ISSUER IN GENERAL. The Issuer shall calculate Excess Investment Earnings in accordance with Subsection C and shall assure payment of an amount equal to Excess Investment Earnings to the United States in accordance with Subsections D and E.

C. CALCULATION OF EXCESS INVESTMENT EARNINGS. Within 30 days following the last day of the first Bond Year, the Issuer shall calculate, and shall provide written notice to the Authority and Depository Bank of, the Excess Investment Earnings referenced in clause (A) of the definition of Excess Investment Earnings. Thereafter, within 30 days following the last day of each Bond Year and within 30 days following the date of the retirement of the Bond, the Issuer shall calculate, and shall provide written notice to the Authority and Depository Bank of, the amount of Excess Investment Earnings. Said calculations shall be made or caused to be made by the Issuer in accordance with the following:

(1) Except as provided in (2), in determining the amount described in clause A(i) of the definition of Excess Investment Earnings, the aggregate amount earned on Nonpurpose Investments shall include (i) all income realized under federal income tax accounting principles (whether or not the person earning such income is subject to federal

income tax) with respect to such Nonpurpose Investments and with respect to the reinvestment of investment receipts from such Nonpurpose Investments (without regard to the transaction costs incurred in acquiring, carrying, selling or redeeming such Nonpurpose Investments), including, but not limited to, gain or loss realized on the disposition of such Nonpurpose Investments (without regard to when such gains are taken into account under Section 453 of the Code relating to taxable year of inclusion of gross income), and income under Section 1272 of the Code (relating to original issue discount) and (ii) any unrealized gain or loss as of the date of retirement of the Bonds in the event that any Nonpurpose Investment is retained after such date.

(2) In determining the amount described in clause (A) of the definition of Excess Investment Earnings, Investment Property shall be treated as acquired for its fair market value at the time it becomes a Nonpurpose Investment, so that gain or loss on the disposition of such Investment Property shall be computed with reference to such fair market value as its adjusted basis.

(3) In determining the amount described in clause (A)(ii) of the definition of Excess Investment Earnings, the Yield on the Bonds shall be determined based on the actual Yield of the Bonds during the period between the Closing Date of the Bonds and the date the computation is made (with adjustments for original issue discount or premium).

(4) In determining the amount described in clause (B) of the definition of Excess Investment Earnings, all income attributable to the excess described in clause (A) of said definition must be taken into account, whether or not that income exceeds the Yield of the Bond, and no amount may be treated as "negative arbitrage."

(5) In determining the amount of Excess Investment Earnings, there shall be excluded any amount earned on any fund or account which is used primarily to achieve a proper matching of revenues and Debt Service within each Bond Year and which is depleted at least once a year except for a reasonable carryover amount not in excess of the greater of 1 year's earnings on such fund or account or 1/12th of annual Debt Service (which may include a portion of a fund or account, although not a separate and distinct fund or account) as well as amounts earned on said earnings if the gross earnings on such fund or account for the Bond Year is

less than $100,000, provided that, if the Bond is not a private activity bond (including any "qualified 501(c)(3) bond" as defined under Section 145 of the Code), if the average maturity of the issue of the Bond (determined in accordance with Section 147(b)(2)(A) of the Code) is at least 5 years and if the rate of interest on the issue of the Bond does not vary during the term of the issue, then all amounts earned on such fund or account as well as amounts earned on said earnings shall be excluded in determining the amount of Excess Investment Earnings.

D. PAYMENT TO THE UNITED STATES. The Issuer shall direct the Depository Bank to pay from the Rebate Fund an amount equal to Excess Investment Earnings to the United States in installments with the first payment to be made not later than 30 days after the end of the 5th Bond Year and with subsequent payments to be made not later than 5 years after the preceding payment was due. The Issuer shall assure that each such installment is in an amount equal to at least 90% of the Excess Investment Earnings with respect to the Gross Proceeds as of the close of the computation period. Not later than 60 days after the retirement of the Bonds, the Issuer shall direct the Depository Bank to pay from the Rebate Fund to the United States 100% of the theretofore unpaid Excess Investment Earnings in the Rebate Fund. In the event that there are any amounts remaining in the Rebate Fund following the payment required by the preceding sentence, the Depository Bank shall pay said amounts to the Issuer to be used for any lawful purpose of the System. The Issuer shall remit payments to the United States at the address prescribed by the Regulations as the same may be from time to time in effect with such reports and statements as may be prescribed by such Regulations. In the event that, for any reason, amounts in the Rebate Fund are insufficient to make the payments to the United States which are required by this Subsection D, the Issuer shall assure that such payments are made by the Issuer to the United States, on a timely basis, from any funds lawfully available therefor.

E. FURTHER OBLIGATIONS OF ISSUER. The Issuer shall assure that Excess Investment Earnings are not paid or disbursed except as required in this Section and except as otherwise required under the Code and the Regulations promulgated thereunder. To that end the Issuer shall assure that investment transactions are on an arm's length basis and that Nonpurpose Investments are acquired at their fair market value. In the event that Nonpurpose Investments consist of certificates of deposit or investment contracts, investment in such Nonpurpose Investments shall be made in accordance with the procedures described in applicable Regulations as from time to time in effect. The Depository Bank shall keep the moneys in the Earnings Fund and Rebate Fund invested and reinvested to the fullest extent practicable

in Government Obligations with maturities consonant with the required use thereof and investment profits and earnings shall be credited to the account of such fund on which earned.

F. MAINTENANCE OF RECORDS. The Issuer shall keep, and retain for a period of 6 years following the retirement of the Bonds, records of the determinations made pursuant to this Section 8.03.

G. INDEPENDENT CONSULTANTS. In order to provide for the administration of this Section 8.03, the Issuer and the Depository Bank (at the expense of the Issuer) may provide for the employment of independent attorneys, accountants or consultants compensated on such reasonable basis as the Issuer or the Depository Bank may deem appropriate.

H. FURTHER AGREEMENT. Notwithstanding the foregoing, the Issuer further covenants to comply with all Regulations from time to time in effect and applicable to the Bonds, as may be necessary in order to fully comply with Section 148(f) of the Code, even if such actions may be contrary to any provision of this Section 8.03.

I. REPORTING TO AUTHORITY. The Issuer shall furnish to the Authority, annually, at such time as it is required to perform its rebate calculations under the Code, a certificate with respect to its rebate calculations and, at any time, any additional information relating thereto as may be requested by the Authority. In addition, the Issuer shall cooperate with the Authority in preparing rebate calculations and in all other respects in connection with rebates and hereby consents to the performance of all matters in connection with such rebates by the Authority at the expense of the Issuer.

The Issuer shall submit to the Authority within 15 days following the end of each Bond Year a certified copy of its rebate calculation or, if the Issuer qualifies for the small governmental issue exception to rebate, then the Issuer shall submit a certificate stating that it is exempt from the rebate provisions and that no event has occurred to its knowledge during the Bond Year which would make the Bonds subject to rebate.

ARTICLE IX

DEFAULT AND REMEDIES

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

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

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

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

Section 9.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of a Bond may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his or her rights and, in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Registered Owners including the right to require the Issuer to perform its duties under the Act and the Bond Legislation relating thereto, including but not limited to, the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Bonds, (iv) by action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Registered Owners of the Bonds, and (v) by action or bill in equity enjoin any acts in violation of the Bond Legislation with respect to the Bonds, or the rights of such Registered Owners, provided however, that all rights and remedies of the Holders of the Bonds shall be subject to those of the Holders of the Prior Bonds, and all rights and remedies of the Holders of the Series 1989 B Bonds shall be subject to those of the Holders of the Series 1989 A Bonds, all in accordance with the respective lien positions of each series of the Prior Bonds and the Bonds.

Section 9.03. Appointment of Receiver. Any Registered Owner of a Bond may, by proper legal action, compel the performance of the duties of the Issuer under the Bond Legislation and the Act, including, after commencement of operation of the System, the making and collection of sufficient rates and charges for services rendered by the System and segregation of the revenues therefrom and the application thereof. If there be any Event of Default with respect to such Bonds any Registered Owner of a Bond shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System or to complete the acquisition and construction of the Project on behalf of the Issuer with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of Operating Expenses of the System, the payment of the Bonds and interest and the deposits into the funds and accounts hereby established, and to apply such rates, rentals, fees, charges or other revenues in conformity with the provisions of this Bond Legislation and the Act.

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

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

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

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

ARTICLE X

DEFEASANCE

Section 10.01. Defeasance of Series 1989 A Bonds. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all Series 1989 A Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then with respect to the Series 1989 A Bonds only, the pledge of Gross Revenues and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 1989 A Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Series 1989 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 either at maturity or at the next redemption date, the principal installments of and interest on such Series 1989 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 1989 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 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 1989 A Bonds on and prior to the next redemption date or 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 1989 A 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 Bonds on and prior to the next redemption date or the maturity dates thereof, and interest earned from such reinvestments shall be paid over to the

Issuer 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 10.02. Defeasance of Series 1989 B Bonds. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all Series 1989 B Bonds, the principal due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then with respect to the Series 1989 B Bonds only, the pledge of Gross Revenues and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 1989 B Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Series 1989 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 either at maturity or at the next redemption date the principal installments of such Series 1989 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 1989 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 said Series 1989 B Bonds on and prior to the next redemption date or 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 1989 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 said Bonds on and prior to the next redemption date or the maturity dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer 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.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Amendment or Modification of Bond Legislation. No material modification or amendment of this Bond Legislation, or of any resolution amendatory or supplemental hereto, that would materially and adversely affect the respective rights of Registered Owners of the Bonds shall be made without the consent in writing of the Registered Owners of 66-2/3% or more in principal amount of the Prior Bonds, the Series 1989 A Bonds and the Series 1989 B Bonds so affected and then Outstanding; provided that, no change shall be made in the maturity of any Bond or Bonds or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest 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 required for consent to the above-permitted amendments or modifications. Notwithstanding the foregoing, this Bond Legislation may be amended without the consent of any Bondholder as may be necessary to assure compliance with Section 148(f) of the Code relating to rebate requirements or otherwise as may be necessary to assure the excludability of interest on the Bonds from gross income of the Holders thereof.

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

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

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

Section 11.05. Conflicting Provisions Repealed. All ordinances, orders or resolutions and or parts thereof in conflict

with the provisions of this Ordinance are, to the extent of such conflict, hereby repealed, provided that, in the event of any conflict between this Ordinance and the 1961 Ordinance or 1977 Ordinance, such Ordinances shall control (unless less restrictive), so long as the 1961 Bonds or the 1977 Bonds or any portion thereof are Outstanding.

Section 11.06. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the 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 Governing Body were at all times when any actions in connection with this Ordinance occurred and are duly in office and duly qualified for such office.

Section 11.07. Effective Date. This Ordinance shall take effect immediately following public hearing hereon.

Section 11.08. Statutory Notice and Public Hearing. Upon adoption hereof, an abstract of this Bond Legislation determined by the Governing Body to contain sufficient information as to give notice of the contents hereof shall be published once a week for 2 successive weeks within a period of fourteen consecutive days, with at least 6 full days intervening between each publication, in the Spirit of Jefferson/Farmers Advocate, a qualified newspaper published in the City of Charles Town, together with a notice stating that this Bond Legislation has been adopted and that the Issuer contemplates the issuance of the Bonds, and that any person interested may appear before the City Council upon a date certain, not less than ten days subsequent to the date of the first publication of such abstract of this Bond Legislation and notice, and present protests, and that a certified copy of the Ordinance is on file with the Governing Body for review by interested persons during office hours of the Governing

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

Passed on First Reading - March 13, 1989

Passed on Second Reading - March 20, 1989

Passed on Final Reading Following Public Hearing - april 3, 1989

Mayor

Recorder

CERTIFICATION

Certified a true copy of an Ordinance duly enacted by the Council of the CITY OF CHARLES TOWN on the 3rd day of April, 1989.

Dated April 13, 1989.

[SEAL]

Rufus W. Park
Recorder

04/10/89
CTWTRJ.A7
14422/88003

CITY OF CHARLES TOWN

Water Revenue Bonds,
Series 1989 A and Series 1989 B

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNTS, DATES, MATURITIES, INTEREST RATES, PRINCIPAL PAYMENT SCHEDULES, SALE PRICES AND OTHER TERMS OF THE WATER REVENUE BONDS, SERIES 1989 A AND SERIES 1989 B OF THE CITY OF CHARLES TOWN; AUTHORIZING, APPROVING AND RATIFYING A LOAN AGREEMENT AND SUPPLEMENTAL LOAN AGREEMENT RELATING TO SUCH BONDS AND THE SALE AND DELIVERY OF SUCH BONDS TO WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; DESIGNATING A REGISTRAR, PAYING AGENT AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS

WHEREAS, the city council (the "Governing Body") of the City of Charles Town (the "Issuer"), has duly and officially enacted a bond ordinance, effective April 3, 1989 (the "Bond Ordinance"), entitled:

ORDINANCE AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF ADDITIONS, BETTERMENTS AND IMPROVEMENTS FOR THE EXISTING WATERWORKS SYSTEM OF THE CITY OF CHARLES TOWN AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE CITY OF NOT MORE THAN $1,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 1989 A AND NOT MORE THAN $500,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 1989 B; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; APPROVING AND RATIFYING A LOAN AGREEMENT AND SUPPLEMENTAL LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

WHEREAS, the Bond Ordinance provides for the issuance of Water Revenue Bonds of the Issuer (the "Bonds"), in an aggregate principal amount not to exceed $1,500,000, to be issued in two series, the Series 1989 A Bonds to be in an aggregate principal amount of not

more than $1,000,000 (the "Series 1989 A Bonds") and the Series 1989 B Bonds to be in an aggregate principal amount of not more than $500,000 (the "Series 1989 B Bonds"), and has preliminarily authorized the execution and delivery of a loan agreement relating to the Series 1989 A Bonds to be dated April 13, 1989, and a supplemental loan agreement relating to the Series 1988 B Bonds, also to be dated April 13, 1989 (sometimes collectively referred to herein as the "Loan Agreement"), by and between the Issuer and West Virginia Water Development Authority (the "Authority"), all in accordance with Chapter 8, Article 19 of the West Virginia Code of 1931, as amended (the "Act"); and in the Bond Ordinance it is provided that the form of the Loan Agreement and the exact principal amounts, maturity dates, interest rates, interest and principal payment dates, sale prices and other terms of the Bonds should be established by a supplemental resolution pertaining to the Bonds; and that other matters relating to the Bonds be herein provided for;

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

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

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

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

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

(A) The Water Revenue Bonds, Series 1989 A, of the Issuer, originally represented by a single Bond, numbered AR-1, in the principal amount of $792,520. The Series 1989 A Bonds shall be dated the date of delivery thereof, shall finally mature October 1, 2029, shall bear

interest at the rate of 8.4% per annum, payable semiannually on April 1 and October 1 of each year, first interest payable October 1, 1989, shall be subject to redemption upon the written consent of the Authority, and upon payment of the interest and redemption premium, if any, and otherwise in compliance with the Loan Agreement, as long as the Authority shall be the registered owner of the Series 1989 A Bonds, and shall be payable in installments of principal on October 1 of each of the years and in the amounts as set forth in "Schedule X," attached thereto and to the Loan Agreement and incorporated therein by reference.

(B) The Water Revenue Bonds, Series 1989 B, of the Issuer, originally represented by a single Bond, numbered BR-1, in the principal amount of $117,480. The Series 1989 B Bonds shall be dated the date of delivery thereof, shall finally mature October 1, 2029, shall be interest free, shall be subject to redemption upon the written consent of the Authority, and otherwise in compliance with the Loan Agreement, as long as the Authority shall be the registered owner of the Series 1989 B Bonds, and shall be payable in installments of principal on October 1 of each of the years and in the amounts as set forth in "Schedule X," attached thereto and to the Supplemental Loan Agreement and incorporated therein by reference.

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

Section 3. The Issuer does hereby approve, accept and ratify the Loan Agreement, copies of which are incorporated herein by reference, and the execution and delivery by the Mayor or City Manager of the Loan Agreement, and the performance of the obligations contained therein, on behalf of the Issuer are hereby ratified and approved. The price of the Bonds shall be 100% of par value, there being no interest accrued thereon.

Section 4. The Issuer does hereby appoint and designate One Valley Bank, National Association, Charleston, West Virginia, as Registrar for the Bonds and does approve and accept the Registrar's Agreement to be dated the date of delivery of the Bonds, by and between the Issuer and One Valley Bank, National Association, in substantially the form attached hereto, and the execution and delivery by the Mayor of the Registrar's Agreement, and the performance of the obligations contained therein, on behalf of the Issuer are hereby authorized, approved and directed.

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

Section 6. The Issuer does hereby appoint Bank of Charles Town, Charles Town, West Virginia, as Depository Bank under the Bond Ordinance.

Section 7. All proceeds of the Bonds shall be deposited in the Bond Construction Trust Fund for payment of Costs of the Project, including costs of issuance of the Bonds.

Section 8. The Issuer hereby determines to pay, on the date of delivery of the Bonds and receipt of proceeds thereof, all borrowings of the Issuer heretofore incurred for the purpose of temporarily financing a portion of the Costs of the Project, including, but not limited to, all borrowings from West Virginia Water Development Authority.

Section 9. The Mayor, City Manager and Recorder are hereby authorized and directed to execute and deliver such other documents and certificates required or desirable in connection with the Bonds hereby and by the Bond Ordinance approved and provided for, to the end that the Bonds may be delivered on or about April 13, 1989, to the Authority pursuant to the Loan Agreement.

Section 10. The financing of the Project in part with proceeds of the Bonds is in the public interest, serves a public purpose of the Issuer and will promote the health, welfare and safety of the residents of the Issuer.

Section 11. The Issuer hereby determines that it is in the best interest of the Issuer to invest all moneys in the funds and accounts established by the Bond Ordinance in time accounts secured by a pledge of Government Obligations with Bank of Charles Town, and therefore the Issuer hereby directs the Depository Bank and the Paying Agent to take such actions as may be necessary to cause such moneys to be invested in such time accounts, until further directed by the Issuer.

Section 12. The Issuer shall not permit at any time or times any of the proceeds of the Bonds or any other funds of the Issuer to be used directly or indirectly in a manner which would result in the exclusion of the Bonds from the treatment afforded by Section 103(a) of the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder (the "Code"), by reason of the classification of the Bonds as "private activity bonds" within the

meaning of the Code. They will take all actions necessary to comply with the Code and Treasury Regulations to be promulgated thereunder.

Section 13. The Issuer has general taxing powers to finance operations of or facilities of the nature of the System, and the Issuer and all subordinate entities reasonably expect to issue less than $5,000,000 aggregate principal amount of tax-exempt obligations during the calendar year 1989, being the calendar year in which the Bonds are to be issued.

Section 14. This Supplemental Resolution shall be effective immediately following adoption hereof.

Adopted this 3rd day of April, 1989.

CITY OF CHARLES TOWN

Mayor

04/05/89
CTWTR.C2
14422/88003

(SPECIMEN BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF CHARLES TOWN
WATER REVENUE BOND, SERIES 1989 B

No. BR-1 $117,480

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF CHARLES TOWN, a municipal corporation and political subdivision of the State of West Virginia in Jefferson County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the West Virginia Water Development Authority (the "Authority") or registered assigns the sum of ONE HUNDRED SEVENTEEN THOUSAND FOUR HUNDRED EIGHTY DOLLARS ($117,480), in annual installments on October 1 of each year as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference, without interest.

Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent").

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority, and upon the terms and conditions prescribed by, and otherwise in compliance with, the Supplemental Loan Agreement between the Issuer and the Authority, dated April 13, 1989.

This Bond is issued to pay a portion of the costs of acquisition and construction of certain additions, betterments and improvements for the existing waterworks facilities of the Issuer (the "Project"). This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 8, Article 19 of the West Virginia Code of 1931, as amended (the "Act"), and an Ordinance duly enacted by the Issuer on April 3, 1989, and a Supplemental Resolution duly adopted by the Issuer on April 3, 1989 (collectively called the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the

funds and revenues and other security provided for the Bonds under the Bond Legislation.

THIS BOND IS JUNIOR AND SUBORDINATE WITH RESPECT TO LIENS, PLEDGES AND SOURCES OF AND SECURITY FOR PAYMENT TO CERTAIN OUTSTANDING WATER REVENUE BONDS OF THE ISSUER AS FOLLOWS:

(i) WATER REVENUE BONDS, DATED APRIL 1, 1961, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $525,000 (THE "1961 BONDS");

(ii) WATER REVENUE REFUNDING BONDS, DATED APRIL 1, 1977, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,315,000 (THE "1977 BONDS");

(iii) WATER REVENUE BONDS, SERIES 1987 A, DATED NOVEMBER 18, 1987, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,686,371 (THE "1987 A BONDS");

(iv) WATER REVENUE BONDS, SERIES 1988 A, DATED MAY 20, 1988, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $2,232,000 (THE "1988 A BONDS"); AND

(v) WATER REVENUE BONDS, SERIES 1989 A, ISSUED CONCURRENTLY HEREWITH IN THE AGGREGATE PRINCIPAL AMOUNT OF $792,520 AND DESCRIBED IN THE BOND LEGISLATION (THE "1989 A BONDS").

THIS BOND IS ON PARITY WITH RESPECT TO LIENS, PLEDGES AND SOURCES OF AND SECURITY FOR PAYMENT WITH CERTAIN OUTSTANDING WATER REVENUE BONDS OF THE ISSUER AS FOLLOWS:

(i) WATER REVENUE BONDS, SERIES 1987 B, DATED NOVEMBER 18, 1987, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $413,629 (THE "1987 B BONDS") AND

(ii) WATER REVENUE BONDS, SERIES 1988 B, DATED MAY 20, 1988, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $558,000 (THE "SERIES 1988 B BONDS").

THE 1961 BONDS, 1977 BONDS, 1987 A BONDS, 1987 B BONDS, 1988 A BONDS AND 1988 B BONDS ARE HEREIN COLLECTIVELY CALLED THE "PRIOR BONDS."

This Bond is payable only from and secured by a pledge of the Gross Revenues (as defined in the Bond Legislation) on a parity basis with the 1987 B Bonds and the 1988 B Bonds to be derived from the operation of the System after there has first been paid from said Gross Revenues all payments then due and owing on account of the 1961 Bonds, the 1977 Bonds, the 1987 A Bonds, the 1988 A Bonds and the 1989 A Bonds herein described and from moneys in the Reserve Account (the "Series 1989 B Bonds Reserve Account") created under the Bond Legislation for the Bonds of this Series (the "Bonds"), and unexpended proceeds of the Bonds. Such Gross Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same, except from said special fund provided from the Gross Revenues, the moneys in the Series 1989 B Bonds Reserve Account and unexpended Bond proceeds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the amount required to pay the maximum amount due in the then current or any succeeding year of principal of and interest, if any, on the Bonds, the Series 1989 A Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Series 1989 A Bonds or the Bonds, including the Prior Bonds, provided however, that so long as there exists in the Series 1989 B Bonds Reserve Account and the reserve account established for the Series 1989 A Bonds, respectively, amounts at least equal to the maximum amount of principal and interest, if any, which will become due on the Bonds and the Series 1989 A Bonds in any year, and any reserve account for any such prior or parity obligations, including the Prior Bonds, is funded at least at the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

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

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

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law, shall be applied solely to the payment of the Costs of the Project described in the Bond Legislation, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the registered owners of the Bonds, which lien is subordinate to the lien in favor of the registered owners of the Series 1989 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 Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the revenues of the System has been pledged to and will be set aside into said special fund by the Issuer for the prompt payment of the principal of this Bond.

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

IN WITNESS WHEREOF, the CITY OF CHARLES TOWN has caused this Bond to be signed by its Mayor and its corporate seal to be hereunto affixed hereon and attested by its Recorder, and has caused this Bond to be dated April 13, 1989.

[SEAL]

_____
Mayor

ATTEST:

_____
Recorder

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1989 B Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above as of the date set forth below.

Date: _____

ONE VALLEY BANK, NATIONAL ASSOCIATION,
as Registrar

By _____
Its Authorized Officer

EXHIBIT A

SCHEDULE OF ANNUAL DEBT SERVICE

City of Charles Town
Debt Service Schedule
Analysis of Borrowing from Series 1989 Pool
39 Principal Payments
Closing Date: 13-Apr-89

Date	Interest Free Loan
01-Oct-89	
01-Oct-90	
01-Oct-91	3,012.22
01-Oct-92	3,012.31
01-Oct-93	3,012.31
01-Oct-94	3,012.31
01-Oct-95	3,012.31
01-Oct-96	3,012.31
01-Oct-97	3,012.31
01-Oct-98	3,012.31
01-Oct-99	3,012.31
01-Oct-2000	3,012.31
01-Oct-2001	3,012.31
01-Oct-2002	3,012.31
01-Oct-2003	3,012.31
01-Oct-2004	3,012.31
01-Oct-2005	3,012.31
01-Oct-2006	3,012.31
01-Oct-2007	3,012.31
01-Oct-2008	3,012.31
01-Oct-2009	3,012.31
01-Oct-2010	3,012.31
01-Oct-2011	3,012.31
01-Oct-2012	3,012.31
01-Oct-2013	3,012.31
01-Oct-2014	3,012.31
01-Oct-2015	3,012.31
01-Oct-2016	3,012.31
01-Oct-2017	3,012.31
01-Oct-2018	3,012.31
01-Oct-2019	3,012.31
01-Oct-2020	3,012.31
01-Oct-2021	3,012.31
01-Oct-2022	3,012.31
01-Oct-2023	3,012.31
01-Oct-2024	3,012.31
01-Oct-2025	3,012.31
01-Oct-2026	3,012.31
01-Oct-2027	3,012.31
01-Oct-2028	3,012.31
01-Oct-2029	3,012.31
	117,480.00

ASSIGNMENT

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

the within Bond and does hereby irrevocably constitute and appoint _____, Attorney to transfer the said Bond on the books kept for registration of the within Bond of the said Issuer with full power of substitution in the premises.

Dated: _____, _____.

_____

In the presence of:

_____

04/05/89
CTWTR.U1
14422/88003

(SPECIMEN BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF CHARLES TOWN
WATER REVENUE BOND, SERIES 1989 A

No. AR-1 $792,520

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF CHARLES TOWN, a municipal corporation and political subdivision of the State of West Virginia in Jefferson County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the West Virginia Water Development Authority (the "Authority") or registered assigns the sum of SEVEN HUNDRED NINETY-TWO THOUSAND FIVE HUNDRED TWENTY DOLLARS ($792,520), in installments on October 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 interest on each installment at the rate per annum set forth on said Exhibit A.

The interest rate on each installment shall run from the original date of delivery of this Bond to the Authority and payment therefor, and until payment of such installment, and such interest shall be payable on April 1 and October 1 in each year, beginning October 1, 1989. Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent"). The interest on this Bond is payable by check or draft of the Paying Agent mailed to the registered owner hereof at the address as it appears on the books of One Valley Bank, National Association, Charleston, West Virginia, as registrar (the "Registrar") on the 15th day of the month next preceding an interest payment date, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner hereof.

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority, and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement between the Issuer and the Authority, dated April 13, 1989.

This Bond is issued to pay a portion of the costs of acquisition and construction of certain additions, betterments and

//

improvements for the existing waterworks facilities of the Issuer (the "Project"). The Bonds of this series (the "Bonds") are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 8, Article 19 of the West Virginia Code of 1931, as amended (the "Act"), and an Ordinance duly enacted by the Issuer on April 3, 1989, and a Supplemental Resolution, duly adopted by the Issuer on April 3, 1989 (collectively called the "Bond Legislation"), and are subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

This Bond is issued concurrently with the Water Revenue Bonds, Series 1989 B, of the Issuer (the "Series 1989 B Bonds"), issued in the aggregate principal amount of $117,480, which Series 1989 B Bonds are junior and subordinate with respect to liens and sources of and security for payment to the Bonds.

THIS BOND IS JUNIOR AND SUBORDINATE WITH RESPECT TO LIENS, PLEDGES AND SOURCES OF AND SECURITY FOR PAYMENT TO THE ISSUER'S OUTSTANDING WATER REVENUE BONDS, DATED APRIL 1, 1961, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $525,000 (THE "1961 BONDS") AND WATER REVENUE REFUNDING BONDS, DATED APRIL 1, 1977, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,315,000 (THE "1977 BONDS"); AND IS ON PARITY WITH RESPECT TO LIENS, PLEDGES AND SOURCES OF AND SECURITY FOR PAYMENT WITH THE ISSUER'S OUTSTANDING WATER REVENUE BONDS, SERIES 1987 A, DATED NOVEMBER 18, 1987, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,686,371 (THE "1987 A BONDS") AND WATER REVENUE BONDS, SERIES 1988 A, DATED MAY 20, 1988, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $2,232,000 (THE "1988 A BONDS") (ALL COLLECTIVELY, THE "PRIOR BONDS").

This Bond is payable only from and secured by a pledge of the Gross Revenues (as defined in the Bond Legislation) on a parity basis with the 1987 A Bonds and the 1988 A Bonds to be derived from the operation of the System after there has first been paid from said Gross Revenues all payments then due and owing on account of the 1961 Bonds and the 1977 Bonds, moneys in the Reserve Account (the "Series 1989 A Bonds Reserve Account") created under the Bond Legislation for the Bonds, and unexpended proceeds of the Bonds and the Series 1989 B Bonds. Such Gross Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a

corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Gross Revenues, the moneys in the Series 1989 A Bonds Reserve Account and unexpended proceeds of this Bond and the Series 1989 B Bond. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the amount required to pay the maximum amount due in any year of principal of and interest on the Bonds, the Series 1989 B Bonds, and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds or the Series 1989 B Bonds, including the Prior Bonds, provided however, that so long as there exists in the Series 1989 A Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for the Series 1989 B Bonds and any other obligations outstanding prior to or on a parity with the Bonds or the Series 1989 B Bonds, including the Prior Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Bond Legislation, only upon the books of the Registrar by the registered owner, or by its attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or its attorney duly authorized in writing.

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

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law, shall be applied solely to the payment of the Costs of the Project described in the Bond Legislation, and

there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the owner of this Bond.

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

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

IN WITNESS WHEREOF, the CITY OF CHARLES TOWN has caused this Bond to be signed by its Mayor and its corporate seal to be affixed hereon and attested by its Recorder, and has caused this Bond to be dated April 13, 1989.

[SEAL]

_____
Mayor

ATTEST:

_____
Recorder

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1989 A Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above as of the date set forth below.

Date: _____

ONE VALLEY BANK, NATIONAL ASSOCIATION,
as Registrar

By _____
Its Authorized Officer

EXHIBIT A

SCHEDULE OF ANNUAL DEBT SERVICE

City of Charles Town
Debt Service Schedule
Analysis of Borrowing from Series 1989 Pool
39 Principal Payments
Closing Date: 13-Apr-89

Date	Coupon	Principal	Interest	Debt Service 8.40% Bonds
01-Oct-89			31,066.78	31,066.78
01-Oct-90			66,571.68	66,571.68
01-Oct-91	8.40%	2,994.01	66,571.68	69,565.69
01-Oct-92	8.40%	3,245.51	66,320.18	69,565.69
01-Oct-93	8.40%	3,518.13	66,047.56	69,565.69
01-Oct-94	8.40%	3,813.65	65,752.04	69,565.69
01-Oct-95	8.40%	4,134.00	65,431.69	69,565.69
01-Oct-96	8.40%	4,481.25	65,084.44	69,565.69
01-Oct-97	8.40%	4,857.68	64,708.01	69,565.69
01-Oct-98	8.40%	5,265.72	64,299.97	69,565.69
01-Oct-99	8.40%	5,708.04	63,857.64	69,565.69
01-Oct-2000	8.40%	6,187.52	63,378.17	69,565.69
01-Oct-2001	8.40%	6,707.27	62,858.42	69,565.69
01-Oct-2002	8.40%	7,270.68	62,295.01	69,565.69
01-Oct-2003	8.40%	7,881.42	61,684.27	69,565.69
01-Oct-2004	8.40%	8,543.46	61,022.23	69,565.69
01-Oct-2005	8.40%	9,261.11	60,304.58	69,565.69
01-Oct-2006	8.40%	10,039.04	59,526.65	69,565.69
01-Oct-2007	8.40%	10,882.32	58,683.37	69,565.69
01-Oct-2008	8.40%	11,796.44	57,769.25	69,565.69
01-Oct-2009	8.40%	12,787.34	56,778.35	69,565.69
01-Oct-2010	8.40%	13,861.48	55,704.21	69,565.69
01-Oct-2011	8.40%	15,025.84	54,539.85	69,565.69
01-Oct-2012	8.40%	16,288.01	53,277.68	69,565.69
01-Oct-2013	8.40%	17,656.20	51,909.49	69,565.69
01-Oct-2014	8.40%	19,139.32	50,426.37	69,565.69
01-Oct-2015	8.40%	20,747.03	48,818.66	69,565.69
01-Oct-2016	8.40%	22,489.78	47,075.91	69,565.69
01-Oct-2017	8.40%	24,378.92	45,186.77	69,565.69
01-Oct-2018	8.40%	26,426.75	43,138.94	69,565.69
01-Oct-2019	8.40%	28,646.59	40,919.10	69,565.69
01-Oct-2020	8.40%	31,052.91	38,512.78	69,565.69
01-Oct-2021	8.40%	33,661.35	35,904.34	69,565.69
01-Oct-2022	8.40%	36,488.91	33,076.78	69,565.69
01-Oct-2023	8.40%	39,553.97	30,011.72	69,565.69
01-Oct-2024	8.40%	42,876.51	26,689.18	69,565.69
01-Oct-2025	8.40%	46,478.13	23,087.56	69,565.69
01-Oct-2026	8.40%	50,382.30	19,183.39	69,565.69
01-Oct-2027	8.40%	54,614.41	14,951.28	69,565.69
01-Oct-2028	8.40%	59,202.02	10,363.67	69,565.69
01-Oct-2029	8.40%	64,174.99	5,390.70	69,565.69
		792,520.00	2,018,180.33	2,810,700.33

ASSIGNMENT

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

the within Bond and does hereby irrevocably constitute and appoint _____, Attorney to transfer the said Bond on the books kept for registration of the within Bond of the said Issuer with full power of substitution in the premises.

Dated: _____, _____.

_____

In the presence of:

_____

04/05/89
CTWTRJ.T2
14422/88003

(SPECIMEN BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF CHARLES TOWN
SEWER REVENUE BOND, SERIES 1988 A

No. AR-1 $1,183,663

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF CHARLES TOWN, a municipal corporation and political subdivision of the State of West Virginia in Jefferson County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the West Virginia Water Development Authority (the "Authority") or registered assigns the sum of ONE MILLION ONE HUNDRED EIGHTY-THREE THOUSAND SIX HUNDRED SIXTY-THREE ($1,183,663), in installments on October 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 interest on each installment at the rate per annum set forth on said Exhibit A.

The interest rate on each installment shall run from the original date of delivery of this Bond to the Authority and payment therefor, and until payment of such installment, and such interest shall be payable on April 1 and October 1 in each year, beginning October 1, 1988. Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent"). The interest on this Bond is payable by check or draft of the Paying Agent mailed to the registered owner hereof at the address as it appears on the books of One Valley Bank, National Association, Charleston, West Virginia, as registrar (the "Registrar") on the 15th day of the month next preceding an interest payment date, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner hereof.

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority, and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement between the Issuer and the Authority, dated April 29, 1988.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain additions, betterments and improvements for the existing sewerage facilities of the Issuer (the "Project"); (ii) to pay interest on the Bonds of this series (the "Bonds") during the construction of the Project; (iii) to fund a reserve account for the Bonds; and (iv) 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 West Virginia Code of 1931, as amended (the "Act"), and an Ordinance and Supplemental Resolution, duly enacted and adopted, respectively, by the Issuer on April 18 and May 2, 1988 (collectively called the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

This Bond is issued concurrently with the Sewer Revenue Bonds, Series 1988 B, of the Issuer (the "Series 1988 B Bonds"), issued in the aggregate principal amount of $295,916, which Series 1988 B Bonds are junior and subordinate with respect to liens and sources of and security for payment to the Bonds.

THIS BOND IS JUNIOR AND SUBORDINATE WITH RESPECT TO LIENS, PLEDGES AND SOURCES OF AND SECURITY FOR PAYMENT TO THE ISSUER'S OUTSTANDING SEWER REVENUE REFUNDING BONDS, DATED DECEMBER 1, 1972, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $555,000 (THE "PRIOR BONDS").

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System after there has first been paid from said Net Revenues all payments then due and owing on account of the Prior Bonds, moneys in the Reserve Account (the "Series 1988 A Bonds Reserve Account") created under the Bond Legislation for the Bonds, and unexpended proceeds of the Bonds and the Series 1988 B Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Net Revenues, the moneys in the

Series 1988 A Bonds Reserve Account and unexpended proceeds of this Bond and the Series 1988 B Bond. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the amount required to pay the maximum amount due in any year of principal of and interest on the Bonds, the Series 1988 B Bonds, and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds or the Series 1988 B Bonds, including the Prior Bonds, provided however, that so long as there exists in the Series 1988 A Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest which will become due on the Bonds in any year, and in the respective reserve accounts established for the Series 1988 B Bonds and any other obligations outstanding prior to or on a parity with the Bonds or the Series 1988 B Bonds, including the Prior Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Bond Legislation, only upon the books of the Registrar by the registered owner, or by its attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or its attorney duly authorized in writing.

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

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

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

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

IN WITNESS WHEREOF, the CITY OF CHARLES TOWN has caused this Bond to be signed by its Mayor and its corporate seal to be hereunto affixed hereon and attested by its Recorder, and has caused this Bond to be dated May 4, 1988.

[SEAL]

_____
Mayor

ATTEST:

_____
Recorder

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1988 A Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: _____

ONE VALLEY BANK, NATIONAL ASSOCIATION,
as Registrar

By _____
Its Authorized Officer

EXHIBIT A

SCHEDULE OF ANNUAL DEBT SERVICE

C' 'LES TOWN (SEWER) TOTA ORROWING
ANALYSIS OF 7.50% BORROWING COST FOR LOCAL ISSUER
----------1988 SERIES A BONDS ----------

PERIOD ENDING 10/1	COUPON	PRIN.	INTEREST	DEBT SERVICE
1988	9.00		43,499.62	43,499.62
1989	9.00		106,529.67	106,529.67
1990	9.00	3,830	106,529.67	110,359.67
1991	9.00	4,175	106,184.97	110,359.97
1992	9.00	4,550	105,809.22	110,359.22
1993	9.00	4,960	105,399.72	110,359.72
1994	9.00	5,406	104,953.32	110,359.32
1995	9.00	5,892	104,466.78	110,358.78
1996	9.00	6,423	103,936.50	110,359.50
1997	9.00	7,001	103,358.43	110,359.43
1998	9.00	7,631	102,728.34	110,359.34
1999	9.00	8,318	102,041.55	110,359.55
2000	9.00	9,067	101,292.93	110,359.93
2001	9.00	9,882	100,476.90	110,358.90
2002	9.00	10,773	99,587.52	110,360.52
2003	9.00	11,742	98,617.95	110,359.95
2004	9.00	12,798	97,561.17	110,359.17
2005	9.00	13,949	96,409.35	110,358.35
2006	9.00	15,205	95,153.94	110,358.94
2007	9.00	16,574	93,785.49	110,359.49
2008	9.00	18,065	92,293.83	110,358.83
2009	9.00	19,691	90,667.98	110,358.98
2010	9.00	21,463	88,895.79	110,358.79
2011	9.00	23,395	86,964.12	110,359.12
2012	9.00	25,501	84,858.57	110,359.57
2013	9.00	27,796	82,563.48	110,359.48
2014	9.00	30,298	80,061.84	110,359.84
2015	9.00	33,024	77,335.02	110,359.02
2016	9.00	35,996	74,362.86	110,358.86
2017	9.00	39,236	71,123.22	110,359.22
2018	9.00	42,768	67,591.98	110,359.98
2019	9.00	46,617	63,742.86	110,359.86
2020	9.00	50,812	59,547.33	110,359.33
2021	9.00	55,386	54,974.25	110,360.25
2022	9.00	60,367	49,989.51	110,356.51
2023	9.00	65,803	44,556.48	110,359.48
2024	9.00	71,726	38,634.21	110,360.21
2025	9.00	78,181	32,178.87	110,359.87
2026	9.00	85,218	25,142.58	110,360.58
2027	9.00	92,888	17,472.96	110,360.96
2028	9.00	101,256	9,113.04	110,369.04
		1,183,663	3,270,393.82	4,454,056.82

ASSIGNMENT

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

the within Bond and does hereby irrevocably constitute and appoint _____, Attorney to transfer the said Bond on the books kept for registration of the within Bond of the said Issuer with full power of substitution in the premises.

Dated: _____, _____.

_____

In the presence of:

_____

05/11/88
CTSRW3-D

(SPECIMEN BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF CHARLES TOWN
SEWER REVENUE BOND, SERIES 1988 B

No. BR-1 $295,916

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF CHARLES TOWN, a municipal corporation and political subdivision of the State of West Virginia in Jefferson County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the West Virginia Water Development Authority (the "Authority") or registered assigns the sum of TWO HUNDRED NINETY-FIVE THOUSAND NINE HUNDRED SIXTEEN DOLLARS ($295,916), in annual installments on October 1 of each year as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference, without interest.

Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent").

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority, and upon the terms and conditions prescribed by, and otherwise in compliance with, the Supplemental Loan Agreement between the Issuer and the Authority, dated April 29, 1988.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain additions, betterments and improvements for the existing sewerage facilities of the Issuer (the "Project"); (ii) to fund a reserve account for the Bonds; and (iii) 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 West Virginia Code of 1931, as amended (the "Act"), and an Ordinance and Supplemental Resolution, duly enacted and adopted, respectively, by the Issuer on April 18 and May 2, 1988 (collectively called the

"Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

THIS BOND IS JUNIOR AND SUBORDINATE WITH RESPECT TO LIENS, PLEDGES AND SOURCES OF AND SECURITY FOR PAYMENT TO THE OUTSTANDING SEWER REVENUE BONDS, SERIES 1988 A, OF THE ISSUER (THE "SERIES 1988 A BONDS"), ISSUED CONCURRENTLY HEREWITH IN THE AGGREGATE PRINCIPAL AMOUNT OF $1,183,663 AND DESCRIBED IN THE BOND LEGISLATION.

THIS BOND IS ALSO JUNIOR AND SUBORDINATE WITH RESPECT TO LIENS, PLEDGES AND SOURCES OF AND SECURITY FOR PAYMENT TO THE ISSUER'S OUTSTANDING SEWER REVENUE REFUNDING BONDS, DATED DECEMBER 1, 1972, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $555,000 (THE "PRIOR BONDS").

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System after there has first been paid from said Net Revenues all payments then due and owing on account of the Prior Bonds and the Series 1988 A Bonds herein described and from moneys in the Reserve Account (the "Series 1988 B Bonds Reserve Account") created under the Bond Legislation for the Bonds of this Series (the "Bonds"), and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same, except from said special fund provided from the Net Revenues, the moneys in the Series 1988 B Bonds Reserve Account and unexpended Bond proceeds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the amount required to pay the maximum amount due in any year of principal of and interest, if any, on the Bonds, the Series 1988 A Bonds and all other obligations secured by a lien on or payable from such revenues prior

to or on a parity with the Series 1988 A Bonds or the Bonds, including the Prior Bonds, provided however, that so long as there exists in the Series 1988 B Bonds Reserve Account and the reserve account established for the Series 1988 A Bonds, respectively, amounts at least equal to the maximum amount of principal and interest which will become due on the Bonds and the Series 1988 A Bonds in any year, and any reserve account for any such prior or parity obligations, including the Prior Bonds, is funded at least at the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

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

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

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law, shall be applied solely to the payment of the Costs of the Project described in the Bond Legislation, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the registered owners of the Bonds, which lien is subordinate to the lien in favor of the registered owners of the Series 1988 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 Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the revenues of the System has been pledged to and will be set aside into said special

fund by the Issuer for the prompt payment of the principal of this Bond.

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

IN WITNESS WHEREOF, the CITY OF CHARLES TOWN has caused this Bond to be signed by its Mayor and its corporate seal to be hereunto affixed hereon and attested by its Recorder, and has caused this Bond to be dated May 4, 1988.

[SEAL]

_____
Mayor

ATTEST:

_____
Recorder

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1988 B Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: _____

ONE VALLEY BANK, NATIONAL ASSOCIATION,
as Registrar

By _____
Its Authorized Officer

EXHIBIT A

SCHEDULE OF ANNUAL DEBT SERVICE

CHARLES TOWN (SEWER)
ANALYSIS OF 7.50% BORROWING COST FOR LOCAL ISSUER
----------1988 SERIES A BONDS ----------

	ZERO COUPON BONDS
1988	
1989	
1990	7,588.00
1991	7,588.00
1992	7,588.00
1993	7,588.00
1994	7,588.00
1995	7,588.00
1996	7,588.00
1997	7,588.00
1998	7,588.00
1999	7,588.00
2000	7,588.00
2001	7,588.00
2002	7,588.00
2003	7,588.00
2004	7,588.00
2005	7,588.00
2006	7,588.00
2007	7,588.00
2008	7,588.00
2009	7,588.00
2010	7,588.00
2011	7,588.00
2012	7,588.00
2013	7,588.00
2014	7,588.00
2015	7,588.00
2016	7,588.00
2017	7,588.00
2018	7,588.00
2019	7,588.00
2020	7,588.00
2021	7,588.00
2022	7,588.00
2023	7,588.00
2024	7,588.00
2025	7,588.00
2026	7,588.00
2027	7,588.00
2028	7,572.00
	295,916.00

ASSIGNMENT

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

the within Bond and does hereby irrevocably constitute and appoint _____, Attorney to transfer the said Bond on the books kept for registration of the within Bond of the said Issuer with full power of substitution in the premises.

Dated: _____, _____.

_____

In the presence of:

_____

05/11/88
CTSRW3-E

CITY OF CHARLES TOWN

COMBINED WATERWORKS AND SEWERAGE SYSTEM DESIGN REVENUE BONDS, SERIES 1998 (WEST VIRGINIA SRF PROGRAM)

BOND ORDINANCE

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CITY OF CHARLES TOWN

ORDINANCE AUTHORIZING THE DESIGN OF EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE SEWERAGE PORTION OF THE EXISTING PUBLIC COMBINED WATERWORKS AND SEWERAGE SYSTEM OF THE CITY OF CHARLES TOWN AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE CITY OF NOT MORE THAN $600,000 IN AGGREGATE PRINCIPAL AMOUNT OF COMBINED WATERWORKS AND SEWERAGE SYSTEM DESIGN REVENUE BONDS, SERIES 1998 (WEST VIRGINIA SRF PROGRAM); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING A LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

NOW, THEREFORE, BE IT ORDAINED AND ENACTED BY THE COUNCIL OF THE CITY OF CHARLES TOWN:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01. Authority for this Ordinance. This Ordinance (together with any ordinance, order or resolution supplemental hereto or amendatory hereof, the "Bond Legislation"), is enacted pursuant to the provisions of Chapter 8, Article 20 and Chapter 22C, Article 2 of the West Virginia Code of 1931, as amended (collectively, the "Act"), and other applicable provisions of law.

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

A. The City of Charles Town (the "Issuer") is a municipal corporation and political subdivision of the State of West Virginia in Jefferson County of said State.

B. The Issuer presently owns and operates a public combined waterworks and sewerage system. However, it is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer that there be designed certain extensions, additions, betterments and improvements to the sewerage portion of the existing public combined waterworks and sewerage system of the Issuer, consisting of a by-pass meter, self-cleaning bar screen, diffused air batch system, post-equalization basins, flow monitoring equipment, and all appurtenant facilities (collectively, the "Project"), which constitute properties for the collection, transportation, treatment, purification or disposal of liquid or solid wastes, sewage or industrial wastes (the existing public combined waterworks and sewerage system of the Issuer, the Project and any further additions thereto or extensions thereof are herein called the "System").

C. The estimated revenues to be derived in each year will be sufficient to pay all costs of operation and maintenance of the System, the interest on and principal of the Bonds (as hereafter defined) and to make all payments into all funds and accounts and other payments provided for herein, all as such terms are hereinafter defined.

D. The Issuer intends to permanently finance the costs of design of the Project through the issuance of its revenue bonds to the West Virginia Water Development Authority (the "Authority"), in connection with the West Virginia Water Pollution Control Revolving Fund program (the "SRF Program"), pursuant to the Act, in order to take advantage of the favorable terms available to the Issuer under the SRF Program.

E. It is deemed necessary for the Issuer to issue its Combined Waterworks and Sewerage System Design Revenue Bonds, Series 1998 (West Virginia SRF Program) (the "Series 1998 Design Bonds"), in the total aggregate principal amount of not more than $600,000, initially to be represented by a single bond, to permanently finance the costs of design of the Project. Said costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; amounts which may be deposited in the Series 1998 Design Bonds Reserve Account (as hereinafter defined); engineering and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise; administrative expense; commitment fees; fees and expenses of the Authority, including the SRF Administrative Fee (as hereinafter defined); discount; initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Series 1998 Design Bonds and such other expenses as may be necessary or incidental to the financing herein authorized; the design of the Project; and the performance of the things herein required or permitted, in connection with any thereof, provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Series 1998 Design Bonds or the repayment of indebtedness incurred by the Issuer for such purposes shall be deemed Costs of the Project, as hereinafter defined.

F. The period of usefulness of the System after completion of the Project is not less than 20 years.

G. It is in the best interests of the Issuer that its Series 1998 Design Bonds be sold to the Authority pursuant to the terms and provisions of a loan agreement by and among the Issuer, the Authority and the West Virginia Division of Environmental Protection, a division of the West Virginia Bureau of Environment (the "DEP"), in form satisfactory to the Issuer, the Authority and the DEP (the "Loan Agreement"), approved hereby if not previously approved by resolution of the Issuer.

H. There are outstanding obligations of the Issuer which will rank, on a parity with the Series 1998 Design Bonds as to liens, pledge, source of and security for payment, which obligations are designated and have the lien positions with respect to the Series 1998 Design Bonds as follows:

Designation	Lien Position
Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 B, dated November 18, 1987, issued in the original aggregate principal amount of $_____ (the "Series 1987 B Bonds")	First Lien
Combined Waterworks and Sewerage System Revenue Bonds, Series 1988 B-1, dated May 4, 1988, issued in the original aggregate principal amount of $295,916 (the "Series 1988 B-1 Bonds")	First Lien
Combined Waterworks and Sewerage System Revenue Bonds, Series 1988 B-2, dated May 20, 1988, issued in the original aggregate principal amount of $558,000 (the "Series 1988 B-2 Bonds")	First Lien
Combined Waterworks and Sewerage System Revenue Bonds, Series 1989 B, dated April 13, 1989, issued in the original aggregate principal amount of $117,480 (the "Series 1989 B Bonds")	First Lien
Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 1998, dated _____, 1998, issued in the original aggregate principal amount of $_____ (the "Series 1998 Refunding Bonds")	First Lien

The Series 1987 B Bonds, the Series 1988 B-1 Bonds, the Series 1988 B-2 Bonds, the Series 1989 B Bonds and the Series 1998 Refunding Bonds are hereinafter collectively called the "Prior Bonds". The ordinances which authorized the issuance of the Prior Bonds are herein collectively referred to as the "Prior Ordinances".

The Series 1998 Design Bonds shall be issued on a parity with the Prior Bonds, with respect to liens, pledge and source of and security for payment and in all other respects. The Issuer has met the coverage requirements for issuance of parity bonds of the Prior Bonds and the Prior Ordinances and has substantially complied with all other parity requirements, except to the extent that noncompliance with any such other parity requirements is not of a material nature.

Other than the Prior Bonds, there are no outstanding obligations of the Issuer which will rank prior to, on a parity with or junior and subordinate to the Series 1998 Design Bonds as to liens, pledge and/or source of and security for payment or in any other respects.

I. The Issuer has complied with all requirements of West Virginia law and the Loan Agreement relating to authorization of the design of the Project and the operation of the System and issuance of the Series 1998 Design Bonds, or will have so complied prior to issuance of any thereof.

J. Pursuant to the Act, the Issuer has heretofore established a Utility Board, and the Utility Board has petitioned the Council to issue the Series 1998 Design Bonds for the purposes set forth herein.

K. The Issuer is a governmental unit which has general taxing powers to finance operations of or facilities of the nature of the Project and the System; 95% or more of the Net Proceeds of the Series 1998 B Bonds are to be used for local governmental activities of the Issuer (or of a governmental unit the jurisdiction of which is entirely within the jurisdiction of the Issuer); and the "gross proceeds" (as such term "gross proceeds" is defined in the Code) of the Series 1998 Design Bonds shall be expended within six months of the date of issue of the Series 1998 Design Bonds.

L. The design of the Project has been approved by the West Virginia Infrastructure and Jobs Development Council as required under Chapter 31, Article 15A of the West Virginia Code of 1931, as amended.

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of Series 1998 Design Bonds by those who shall be the Registered Owners of the same from time to time, this Bond Legislation shall be deemed to be and shall constitute a contract between the Issuer and such Bondholders, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the Registered Owners of any and all of such Series 1998 Design Bonds, all which shall

be of equal rank and without preference, priority or distinction between any one Bond of a series and any other Bonds of the same series, by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

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

"Act" means, collectively, Chapter 8, Article 20 and Chapter 22C, Article 2 of the West Virginia Code of 1931, as amended and in effect on the date of enactment hereof.

"Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser and Registered Owner of the Series 1998 Design Bonds, or any other agency, board or department of the State of West Virginia that succeeds to the functions of the Authority.

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

"Board" means the Utility Board of the Issuer.

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

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

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

"Bonds" means, collectively, the Series 1998 Design Bonds, the Prior Bonds and, where appropriate, any bonds on a parity therewith subsequently authorized to be issued hereunder or by another ordinance of the Issuer.

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

"City Clerk" means the City Clerk of the Issuer.

"Closing Date" means the date upon which there is an exchange of the Series 1998 Design Bonds for the proceeds or at least a de minimis portion thereof representing the purchase price of the Series 1998 Design Bonds from the Authority and the DEP.

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

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

"Completion Date" means the completion date of the Project, as defined in the SRF Regulations.

"Consulting Engineers" means Chester Engineers, Inc., Martinsburg, West Virginia, or any qualified engineer or firm of engineers, licensed by the State, that shall at any time hereafter be procured by the Issuer as Consulting Engineers for the System or portion thereof, in accordance with Chapter 56, Article 1 of the West Virginia Code of 1931, as amended; provided however, that the Consulting Engineers shall not be a regular, full-time employee of the State or any of its agencies, commissions, or political subdivisions.

"Costs" or "Costs of the Project" means those costs described in Section 1.02E hereof to be a part of the cost of design of the Project.

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

"DEP" means the West Virginia Division of Environmental Protection, a division of the West Virginia Bureau of Environment, or any other agency, board or department of the State that succeeds to the functions of the DEP.

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

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

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

"Governing Body" means the Council of the Issuer, as it may now or hereafter be constituted.

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

"Gross Revenues" means the aggregate gross operating and non-operating revenues of the System, as hereinafter defined, determined in accordance with generally accepted accounting principles, after deduction of prompt payment discounts, if any, and reasonable provision for uncollectible accounts, and includes any proceeds from the sale or other disposition of capital assets, but does not include any increase in the value of capital assets (including Qualified Investments, as hereinafter defined, purchased pursuant to Article 8.01 hereof) or any Tap Fees, as hereinafter defined.

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

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

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

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

"Loan Agreement" means the Loan Agreement, heretofore entered, or to be entered, into by and among the Authority, the DEP and the Issuer, providing for the purchase of the Series 1998 Design Bonds from the Issuer by the Authority, the form of which shall be approved, and the execution and delivery by the Issuer authorized and directed or ratified, by the Supplemental Resolution.

"Mayor" means the Mayor of the Issuer.

"Net Proceeds" means the face amount of the Series 1998 Design Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds, if any, deposited in the Series 1998 Design Bonds Reserve Account. For purposes of the

Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Series 1998 Design Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

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

"Nonpurpose Investment" means any Investment Property which is acquired with the gross proceeds or any other proceeds of the Series 1998 B Bonds and is not acquired in order to carry out the governmental purpose of the Series 1998 B Bonds.

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

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

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

"Paying Agent" means the Commission or other entity or authority designated as such for the Series 1998 Design Bonds in the Supplemental Resolution with the written consent of the Authority and the DEP.

"Prior Bonds" means, collectively, the Series 1987 B Bonds, the Series 1988 B-1 Bonds, the Series 1988 B-2 Bonds, the Series 1989 B Bonds and the Series 1998 Refunding Bonds.

"Prior Ordinances" means, collectively, the ordinance of the Issuer enacted November 16, 1987, the ordinance of the Issuer enacted April 18, 1988, the ordinance of the Issuer enacted May 16, 1988, the ordinance of the Issuer enacted April ___, 1989, and the ordinance of the Issuer enacted March 16, 1998, authorizing the issuance of the Prior Bonds.

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

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

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

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

(a) Government Obligations;

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

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

(d) Any bond, debenture, note, participation certificate or other similar obligations issued by the Federal National

Mortgage Association to the extent such obligation is guaranteed by the Government National Mortgage Association or issued by any other federal agency and backed by the full faith and credit of the United States of America;

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

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

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

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

(i) Obligations of states or political subdivisions or agencies thereof, the interest on which is exempt from gross

income for federal income tax purposes, and which are rated at least "A" by Moody's Investors Service, Inc. or Standard & Poor's Corporation.

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

"Registrar" means the Bond Registrar.

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

"Renewal and Replacement Fund" means the Renewal and Replacement Fund established by the Prior Ordinances and continued hereby.

"Reserve Accounts" means, collectively, the respective reserve accounts established for the Prior Bonds and the Series 1998 Design Bonds.

"Reserve Requirement" means, collectively, the respective amounts required to be on deposit in any reserve account for the Prior Bonds and the Series 1998 Design Bonds.

"Revenue Fund" means the Revenue Fund established by the Prior Ordinances and continued hereby.

"Series 1987 B Bonds" means the Issuer's Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 B, dated November 18, 1987, issued in the original aggregate principal amount of $413,629.

"Series 1988 B-1 Bonds" means the Issuer's Combined Waterworks and Sewerage System Revenue Bonds, Series 1988 B-1, dated May 4, 1988, issued in the original aggregate principal amount of $295,916.

"Series 1988 B-2 Bonds" means the Issuer's Combined Waterworks and Sewerage System Revenue Bonds, Series 1988 B-2, dated May 20, 1988, issued in the original aggregate principal amount of $558,000.

"Series 1989 B Bonds" means the Issuer's Combined Waterworks and Sewerage System Revenue Bonds, Series 1989 B, dated April 13, 1989, issued in the original aggregate principal amount of $117,480.

"Series 1998 Refunding Bonds" means the Issuer's Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 1998, dated _____, 1998, issued in the original aggregate principal amount of $_____.

"Series 1998 Design Bonds" means the not more than $600,000 in aggregate principal amount of Sewerage System Design Revenue Bonds, Series 1998 (West Virginia SRF Program), which may be issued in multiple series as designated by supplemental resolution, of the Issuer.

"Series 1998 Design Bonds Reserve Account" means the Series 1998 Design Bonds Reserve Account established in the Series 1998 Design Bonds Sinking Fund pursuant to Section 5.02 hereof.

"Series 1998 Design Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 1998 Design Bonds in the then current or any succeeding year.

"Series 1998 Design Bonds Sinking Fund" means the Series 1998 Design Bonds Sinking Fund established by Section 5.02 hereof.

"Sinking Funds" means, collectively, the respective sinking funds established for the Prior Bonds and the Series 1998 Design Bonds.

"SRF Administrative Fee" means any administrative fee required to be paid pursuant to the Loan Agreement.

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

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

"State" means the State of West Virginia.

"Supplemental Resolution" means any resolution, ordinance or order of the Issuer supplementing or amending this Ordinance and, when preceded by the article "the," refers specifically to the supplemental resolution authorizing the sale of the Series 1998 Design Bonds; provided, that any matter intended by this Ordinance to be included in the Supplemental Resolution with respect to the Series 1998 Design Bonds, and not so included may be included in another Supplemental Resolution.

"Surplus Revenues" means the Net Revenues not required by the Bond Legislation to be set aside and held for the payment of or security for the Bonds or any other obligations of the Issuer, including, without limitation, the Renewal and Replacement Fund, the Rebate Fund and the respective Sinking Funds and Reserve Accounts.

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

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

Additional terms and phrases are defined in this Ordinance as they are used. Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations; and words importing the masculine, feminine or neutral gender shall include any other gender.

ARTICLE II

AUTHORIZATION OF DESIGN OF THE PROJECT AND FUNDING OF ACCOUNTS

Section 2.01. Authorization of Design of the Project. There is hereby authorized and ordered the design of the Project, at an estimated cost of not to exceed $600,000. The proceeds of the Series 1998 Design Bonds hereby authorized shall be applied as provided in Article VI hereof. The Issuer will enter into contracts for the design of the Project, compatible with the financing plan submitted to the SRF Program.

ARTICLE III

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

Section 3.01. Authorization of Bonds. For the purposes of capitalizing interest on the Series 1998 Design Bonds, funding a reserve account for the Series 1998 Design Bonds, paying Costs of the Project not otherwise provided for, and paying certain costs of issuance of the Series 1998 Design Bonds and related costs, or any or all of such purposes, as determined by the Supplemental Resolution, there shall be and hereby are authorized to be issued negotiable Series 1998 Design Bonds of the Issuer, in an aggregate principal amount of not more than $600,000. The Series 1998 Design Bonds shall be issued as a single bond, designated as "Combined Waterworks and Sewerage System Design Revenue Bond, Series 1998 (West Virginia SRF Program)," and shall have such terms as set forth hereinafter and in the Supplemental Resolution. The proceeds of the Series 1998 Design Bonds remaining after funding of the Series 1998 Design Bonds Reserve Account (if funded from Bond proceeds) and capitalization of interest on the Series 1998 Design Bonds, if any, shall be deposited in or credited to the Project Fund established by Section 5.01 hereof and applied as set forth in Article VI hereof.

Section 3.02. Terms of Bonds. The Series 1998 Design Bonds shall be issued in such principal amounts; shall bear interest, if any, at such rate or rates, not exceeding the then legal maximum, payable quarterly on such dates; shall mature on such dates and in such amounts; and shall be redeemable, in whole or in part, all as the Issuer shall prescribe in a Supplemental Resolution or as specifically provided in the Loan Agreement. The Series 1998 Design Bonds shall be payable as to principal at the office of the Paying Agent, in any coin or currency which, on the dates of payment of principal is legal tender for the payment of public or private debts under the laws of the United States of America. Interest on the Series 1998 Design Bonds, if any, shall be paid by check or draft of the Paying Agent or its agent, mailed to the Registered Owner thereof at the address as it appears on the books of the Bond Registrar, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner thereof.

Unless otherwise provided by the Supplemental Resolution, the Series 1998 Design Bonds shall initially be issued in the form of a single bond, fully registered to the Authority, with a record of advances and a debt service schedule attached, representing the aggregate principal amount of the Series 1998 Design Bonds, and shall mature in principal installments, all as provided in the Supplemental Resolution. The Series 1998 Design Bonds shall be exchangeable at the option and expense of the Registered Owner for another fully registered Bond or Bonds of the same series in aggregate principal amount equal to the amount of said Bonds then Outstanding and being exchanged, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of

said Bonds; provided, that the Authority shall not be obligated to pay any expenses of such exchange.

Subsequent series of Bonds, if any, shall be issued in fully registered form and in denominations as determined by a Supplemental Resolution. The 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 Series 1998 Design Bonds shall be executed in the name of the Issuer by the Mayor, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the City Clerk. In case any one or more of the officers who shall have signed or sealed the Series 1998 Design Bonds shall cease to be such officer of the Issuer before the Series 1998 Design Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Series 1998 Design Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of the authorization of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.04. Authentication and Registration. No Series 1998 Design Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Bond Legislation unless and until the Certificate of Authentication and Registration on such Bond, substantially in the form set forth in Section 3.10 hereof shall have been manually executed by the Bond Registrar. Any such executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Bond Legislation. The Certificate of Authentication and Registration on any Series 1998 Design Bond shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

Section 3.05. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Series 1998 Design Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder, in accepting the Series 1998 Design Bonds shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder shall further be conclusively deemed to have agreed that said Bonds shall be incontestable in the hands of a bona fide holder for value.

So long as the Series 1998 Design Bonds remain outstanding, the Issuer, through the Bond Registrar as its agent, shall keep and maintain books for the registration and transfer of the Series 1998 Design Bonds.

The registered Series 1998 Design Bonds shall be transferable only upon the books of the Bond Registrar, by the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender thereto together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or his duly authorized attorney.

In all cases in which the privilege of exchanging Series 1998 Design Bonds or transferring the registered Series 1998 Design Bonds are exercised, all Series 1998 Design Bonds shall be delivered in accordance with the provisions of this Bond Legislation. All Series 1998 Design Bonds surrendered in any such exchanges or transfers shall forthwith be canceled by the Bond Registrar. For every such exchange or transfer of Series 1998 Design Bonds, the Bond Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer and the cost of preparing each new Bond upon each exchange or transfer, and any other expenses of the Bond Registrar incurred in connection therewith, which sum or sums shall be paid by the Issuer. The Bond Registrar shall not be obliged to make any such exchange or transfer of Series 1998 Design Bonds during the period commencing on the 15th day of the month next preceding an interest payment date on the Series 1998 Design Bonds or, in the case of any proposed redemption of Series 1998 Design Bonds, next preceding the date of the selection of Series 1998 Design Bonds to be redeemed, and ending on such interest payment date or redemption date.

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

Section 3.07. Bonds not to be Indebtedness of the Issuer. The Series 1998 Design Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely

from the Gross Revenues derived from the operation of the System as herein provided. No Holder or Holders of the Series 1998 Design Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Series 1998 Design Bonds or the interest thereon.

Section 3.08. Bonds Secured by Pledge of Gross Revenues; Lien Position with respect to Prior Bonds. The payment of the debt service of the Series 1998 Design Bonds shall be secured forthwith equally and ratably by a first lien on the Gross Revenues derived from the system, on a parity with the lien on the Gross Revenues in favor of the Holders of the Prior Bonds. Such Gross Revenues in an amount sufficient to pay the principal of and interest, if any, on and other payments for the Prior Bonds and the Series 1998 Design Bonds and to make the payments into all funds and accounts and all other payments provided for in the Bond Legislation, are hereby irrevocably pledged to such payments as the same become due.

Section 3.09. Delivery of Bonds. The Issuer shall execute and deliver the Series 1998 Design Bonds to the Bond Registrar, and the Bond Registrar shall authenticate, register and deliver the Series 1998 Design Bonds to the original purchasers upon receipt of the documents set forth below:

A. If other than the Authority, a list of the names in which the Series 1998 Design Bonds are to be registered upon original issuance, together with such taxpayer identification and other information as the Bond Registrar may reasonably require;

B. A request and authorization to the Bond Registrar on behalf of the Issuer, signed by an Authorized Officer, to authenticate and deliver the Series 1998 Design Bonds to the original purchasers;

C. An executed and certified copy of Bond Legislation;

D. An executed copy of the Loan Agreement; and

E. The unqualified approving opinion of bond counsel on the Series 1998 Design Bonds.

Section 3.10. Form of Bonds. The text of the Series 1998 Design Bonds shall be in substantially the following form, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted hereby, or by any Supplemental Resolution adopted prior to the issuance thereof:

[FORM OF BOND]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF CHARLES TOWN
COMBINED WATERWORKS AND SEWERAGE SYSTEM
DESIGN REVENUE BOND, SERIES 1998
(WEST VIRGINIA SRF PROGRAM)

No. R-____ $_____

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF CHARLES TOWN, a municipal corporation and political subdivision of the State of West Virginia in Jefferson County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the West Virginia Water Development Authority (the "Authority") or registered assigns the sum of _____ DOLLARS ($_____), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as EXHIBIT A hereto and incorporated herein by reference, in quarterly installments on March 1, June 1, September 1 and December 1 of each year, commencing _____ 1, 199____, as set forth on the "Schedule of Annual Debt Service" attached as EXHIBIT B hereto and incorporated herein by reference, with interest on each installment at the rate per annum set forth on said EXHIBIT B. The interest and the SRF Administrative Fee (as defined in the hereinafter described Bond Legislation), on this Bond shall be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing _____ 1, 199____, as set forth on EXHIBIT B attached hereto.

Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent"). The interest on this Bond is payable by check or draft of the Paying Agent mailed to the registered owner hereof at the address as it appears on the books of One Valley Bank, National Association, Charleston, West Virginia, as registrar (the "Registrar"), on the 15th day of the month next preceding an interest payment date, or by such other method as shall be mutually agreeable so long as the Authority is the registered owner hereof.

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority, and upon the terms and

conditions prescribed by, and otherwise in compliance with, the Loan Agreement by and among the Issuer, the Authority and the West Virginia Division of Environmental Protection, dated _____, 199____.

This Bond is issued (i) to pay a portion of the costs of design of certain extensions, additions, betterments and improvements to the sewerage portion of the existing public combined waterworks and sewerage system of the Issuer (the "Project"); (ii) to pay certain costs of issuance of the Bonds of this Series (the "Bonds") and related costs. The existing public combined waterworks and sewerage system of the Issuer, the Project, and any further extensions, additions, betterments or improvements thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 8, Article 20 and Chapter 22C, Article 2 of the West Virginia Code of 1931, as amended (the "Act"), and a Bond Ordinance duly enacted by the Issuer on _____, 199____, and a Supplemental Resolution duly adopted by the Issuer on _____, 199____ (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF A SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE ISSUER'S COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1987 B, DATED NOVEMBER 18, 1987, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $413,629 (THE "SERIES 1987 B BONDS"), COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1988 B-1, DATED MAY 4, 1988, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $295,916 (THE "SERIES 1988 B-1 BONDS"), COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1988 B-2, DATED MAY 20, 1988, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $558,000 (THE "SERIES 1988 B-2 BONDS"), COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1989 B, DATED APRIL 13, 1989, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $117,480 (THE "SERIES 1989 B BONDS"), AND COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS, SERIES 1998, DATED APRIL __, 1998, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $_____ (THE "SERIES 1998 REFUNDING BONDS").

THE SERIES 1987 B BONDS, THE SERIES 1988 B-1 BONDS, THE SERIES 1988 B-2 BONDS, THE SERIES 1989 B BONDS AND THE SERIES 1998 REFUNDING BONDS ARE HEREINAFTER COLLECTIVELY CALLED THE "PRIOR BONDS."

This Bond is payable only from and secured by a pledge of the Gross Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, on a parity with the pledge of Gross Revenues in favor of the holders of the Prior Bonds, and from moneys in the reserve account created under the Bond Legislation for the Bonds (the "Series 1998 Design Bonds Reserve Account"), and unexpended proceeds of the Bonds. Such Gross Revenues shall be sufficient to pay all operating expenses of the System and the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon, except from said special fund provided from the Gross Revenues, the moneys in the Series 1998 Design Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest on the Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with or junior to the Bonds, including the Prior Bonds; provided however, that so long as there exists in the Series 1998 Design Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest, which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding prior to or on a parity with or junior to the Bonds, including the Prior Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Bond Legislation, only upon the books of the Registrar by the registered owner, or by its attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or its attorney duly authorized in writing.

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

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

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

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

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

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

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

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

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1998 Design Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: _____, 199____.

ONE VALLEY BANK, NATIONAL
ASSOCIATION, as Registrar

By _____
Its Authorized Officer

EXHIBIT A

RECORD OF ADVANCES

	AMOUNT	DATE		AMOUNT	DATE
(1)	$		(7)	$	
(2)	$		(8)	$	
(3)	$		(9)	$	
(4)	$		(10)	$	
(5)	$		(11)	$	
(6)	$		(12)	$	

TOTAL $

EXHIBIT B

SCHEDULE OF ANNUAL DEBT SERVICE

(Form of)

ASSIGNMENT

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

_____

within Bond and does hereby irrevocably constitute and appoint _____, Attorney to transfer the said Bond : books kept for registration of the within Bond of the said Issuer with full power of ution in the premises.

Dated: _____, _____.

_____

›resence of:

_____

Section 3.11. Sale of Bonds; Approval and Ratification of Execution of Loan Agreement. The Series 1998 Design Bonds shall be sold to the Authority, pursuant to the terms and conditions of the Loan Agreement. If not so authorized by previous ordinance or resolution, the Mayor is specifically authorized and directed to execute the Loan Agreement in the form attached hereto as "Exhibit A" and made a part hereof, and the City Clerk is directed to affix the seal of the Issuer, attest the same and deliver the Loan Agreement to the Authority, and any such prior execution and delivery is hereby authorized, approved, ratified and confirmed.

Section 3.12. "Amended Schedule A" Filing. Within 60 days following the Completion Date, the Issuer will file with the Authority a schedule in substantially the form of the "Amended Schedule A" to the Loan Agreement, setting forth the actual costs of the Project and sources of funds therefor.

ARTICLE IV

[RESERVED]

ARTICLE V

FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

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

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

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

(3) Project Fund; and

(4) Rebate Fund (established by the Prior Ordinances).

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

(1) Series 1998 Design Bonds Sinking Fund; and

(a) Within the Series 1998 Design Bonds Sinking Fund, the Series 1998 Design Bonds Reserve Account.

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

(1) The Issuer shall first, on the first day of each month, transfer from the Revenue Fund and, simultaneously, (i) remit to the Commission the amounts required by the Prior Ordinances to be deposited in the Prior Bonds

Sinking Funds for payment of interest on the Prior Bonds and (ii) commencing 4 months prior to the first date of payment of interest on the Series 1998 Design Bonds for which interest has not been capitalized or as required in the Loan Agreement, remit to the Commission for deposit in the Series 1998 Design Bonds Sinking Fund, an amount equal to 1/3rd of the amount of interest which will become due on the Series 1998 Design Bonds on the next ensuing quarterly interest payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1998 Design Bonds Sinking Fund and the next quarterly interest payment date is less than 4 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next quarterly interest payment date, the required amount of interest coming due on such date.

(2) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and, simultaneously, (i) remit to the Commission the amounts required by the Prior Ordinances to be deposited in the Prior Bonds Sinking Funds and Redemption Accounts for payment of principal of the Prior Bonds and (ii) commencing 4 months prior to the first date of payment of principal of the Series 1998 Design Bonds, remit to the Commission for deposit in the Series 1998 Design Bonds Sinking Fund, an amount equal to 1/3rd of the amount of principal which will mature and become due on the Series 1998 Design Bonds on the next ensuing quarterly principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1998 Design Bonds Sinking Fund and the next quarterly principal payment date is less than 4 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next quarterly principal payment date, the required amount of principal coming due on such date.

(3) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and, simultaneously, (i) remit to the Commission the amounts required by the Prior Ordinances to be deposited in the Prior Bonds Reserve Accounts and (ii) commencing 3 months prior to the first date of payment of principal of the Series 1998 Design Bonds, if not fully funded upon issuance of the Series 1998 Design Bonds, remit to the Commission for deposit in the Series 1998 Design Bonds Reserve Account, an amount equal to 1/120 of the Series 1998 Design Bonds Reserve Requirement; provided, that no further payments shall be made into the Series 1998 Design 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 1998 Design Bonds Reserve Requirement.

(4) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund an amount sufficient to pay current Operating Expenses of the System.

(5) The Issuer shall next, on the first day of each month, from the moneys remaining in the Revenue Fund, transfer to the Renewal and Replacement Fund, a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any reserve account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII hereof. Subject to the restrictions contained in the Prior Ordinances so long as the Prior Bonds are outstanding, withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency repairs, or improvements or extensions to the System; provided, that any deficiency in any reserve account, except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required by Subsection 5.03A(4) hereof, shall be promptly eliminated with moneys from the Renewal and Replacement Fund.

Moneys in the Series 1998 Design Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest, if any, on the Series 1998 Design Bonds as the same shall become due. Moneys in the Series 1998 Design Bonds Reserve Account shall be used only for the purpose of paying principal of and interest, if any, on the Series 1998 Design Bonds, as the same shall come due, when other moneys in the Series 1998 Design Bonds Sinking Fund are insufficient therefor, and for no other purpose.

All investment earnings on moneys in the Series 1998 Design Bonds Sinking Fund and the Series 1998 Design Bonds Reserve Account shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payment, if any, due on the Series 1998 Design Bonds and then to the next ensuing principal payment due thereon.

Any withdrawals from the Series 1998 Design Bonds Reserve Account which result in a reduction in the balance of the Series 1998 Design Bonds Reserve Account to below the Series 1998 Design Bonds Reserve Requirement shall be subsequently restored from the first Gross Revenues available after all required payments have been made in full in the order set forth above.

As and when additional Bonds ranking on a parity with the Bonds are issued, provision shall be made for additional payments into the respective sinking fund sufficient to pay the interest on such additional parity Bonds and accomplish retirement thereof at maturity

and to accumulate a balance in the appropriate reserve account in an amount equal to the maximum amount of principal and interest which will become due in any year for account of the Bonds of such series, including such additional Bonds.

The Issuer shall not be required to make any further payments into the Series 1998 Design Bonds Sinking Fund or into the Series 1998 Design Bonds Reserve Account therein when the aggregate amount of funds in said Sinking Fund and Reserve Account are at least equal to the aggregate principal amount of the Series 1998 Design Bonds issued pursuant to this Bond Legislation then Outstanding and all interest to accrue until the maturity thereof.

Principal and interest payments, and any payments made for the purpose of funding any Reserve Account, whether for a deficiency or otherwise, shall be made on a parity basis and pro rata with respect to the Prior Bonds and Series 1998 Design Bonds, in accordance with the respective principal amounts then Outstanding.

The Commission is hereby designated as the fiscal agent for the administration of the Series 1998 Design Bonds Sinking Fund and the Series 1998 Design Bonds Reserve Account created hereunder, and all amounts required for said Sinking Fund and Reserve Account shall be remitted to the Commission from the Revenue Fund by the Issuer at the times provided herein. If required by the Authority at anytime, the Issuer shall make the necessary arrangements whereby required payments into the Series 1998 Design Bonds Sinking Fund and the Series 1998 Design Bonds Reserve Account shall be automatically deducted from the Revenue Fund and transferred to the Commission on the dates required hereunder.

Moneys in the Series 1998 Design Bonds Sinking Fund and the Series 1998 Design Bonds Reserve Account shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The Series 1998 Design Bonds Sinking Fund, including the Series 1998 Design Bonds Reserve Account therein, shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 1998 Design Bonds and any additional Bonds ranking on a parity therewith that may be issued and Outstanding under the conditions and restrictions hereinafter set forth.

B. Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinabove provided, are current and there remains in said Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into the respective Sinking Funds, including the Reserve Accounts and Redemption Accounts therein, and the Renewal and Replacement Fund during the following month or such other period as required by the Act, such excess shall be

considered as surplus revenues (the "Surplus Revenues"). Surplus Revenues may be used for any lawful purpose of the System.

C. The Issuer shall on the first day of each month (if such day is not a business day, then the next succeeding business day), deposit with the Commission the required interest, principal and reserve payments with respect to the Series 1998 Design Bonds and all such payments shall be remitted to the Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Bond Legislation. All remittances made by the Issuer to the Commission shall clearly identify the fund or account into which each amount is to be deposited.

D. The Issuer shall complete the "Monthly Payment Form," a form of which is attached to the Loan Agreement as Exhibit F, and submit a copy of said form along with a copy of its payment check to the Authority by the 5th day of each calendar month.

E. The Issuer shall on the first day of each month (if such day is not a business day, then the next succeeding business day), deposit with the Commission the SRF Administrative Fee as set forth in Schedule Y attached to the Loan Agreement.

F. The Issuer shall remit from the Revenue Fund to the Commission, the Registrar, the Paying Agent or the Depository Bank, on such dates as the Commission, the Registrar, the Paying Agent or the Depository Bank, as the case may be, shall require, such additional sums as shall be necessary to pay their respective charges and fees then due. In the case of payments to the Commission under this paragraph, the Issuer shall, if required by the Authority at anytime, make the necessary arrangements whereby such required payments shall be automatically deducted from the Revenue Fund and transferred to the Commission on the dates required.

G. 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.

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

considered as surplus revenues (the "Surplus Revenues"). Surplus Revenues may be used for any lawful purpose of the System.

C. The Issuer shall on the first day of each month (if such day is not a business day, then the next succeeding business day), deposit with the Commission the required interest, principal and reserve payments with respect to the Series 1998 Design Bonds and all such payments shall be remitted to the Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Bond Legislation. All remittances made by the Issuer to the Commission shall clearly identify the fund or account into which each amount is to be deposited.

D. The Issuer shall complete the "Monthly Payment Form," a form of which is attached to the Loan Agreement as Exhibit F, and submit a copy of said form along with a copy of its payment check to the Authority by the 5th day of each calendar month.

E. The Issuer shall on the first day of each month (if such day is not a business day, then the next succeeding business day), deposit with the Commission the SRF Administrative Fee as set forth in Schedule Y attached to the Loan Agreement.

F. The Issuer shall remit from the Revenue Fund to the Commission, the Registrar, the Paying Agent or the Depository Bank, on such dates as the Commission, the Registrar, the Paying Agent or the Depository Bank, as the case may be, shall require, such additional sums as shall be necessary to pay their respective charges and fees then due. In the case of payments to the Commission under this paragraph, the Issuer shall, if required by the Authority at anytime, make the necessary arrangements whereby such required payments shall be automatically deducted from the Revenue Fund and transferred to the Commission on the dates required.

G. 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.

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

ARTICLE VI

BOND PROCEEDS

Section 6.01. Application of Bond Proceeds; Pledge of Unexpended Bond Proceeds. From the moneys received from the sale of the Series 1998 Design Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Series 1998 Design Bonds, there shall first be deposited with the Commission in the Series 1998 Design Bonds Sinking Fund, the amount, if any, set forth in the Supplemental Resolution as capitalized interest.

B. Next, from the proceeds of the Series 1998 Design Bonds, there shall be deposited with the Commission in the Series 1998 Design Bonds Reserve Account, the amount, if any, set forth in the Supplemental Resolution for funding the Series 1998 Design Bonds Reserve Account.

C. As the Issuer receives advances of the remaining moneys derived from the sale of the Series 1998 Design Bonds, such moneys shall be deposited with the Depository Bank in the Project Fund and applied solely to payment of Costs of the Project in the manner set forth in Section 6.02 hereof.

D. After completion of design of the Project, as certified by the Consulting Engineers, and all costs have been paid, any remaining proceeds of the Bonds shall be used to fund the Series 1998 Design Bonds Reserve Account in an amount not to exceed the Series 1998 Design Bonds Reserve Requirement; provided that, in no event shall more than 10% of the proceeds of the Bonds be deposited in the Series 1998 Design Bonds Reserve Account.

E. The Depository Bank shall act as a trustee and fiduciary for the Bondholder with respect to the Project Fund and shall comply with all requirements with respect to the disposition of the moneys therein set forth in the Bond Legislation. Moneys in the Project Fund shall be used solely to pay Costs of the Project and until so transferred or expended, are hereby pledged as additional security for the Series 1998 Design Bonds.

Section 6.02. Disbursements From the Project Fund. On or before the Closing Date, the Issuer shall have delivered to the Authority and the DEP a report listing the specific purposes for which the proceeds of the Series 1998 Design Bonds will be expended and the disbursement procedures for such proceeds, including an estimated monthly draw schedule. Payments for Costs of the Project shall be made monthly.

Except as provided in Section 6.01 hereof, disbursements from the Project Fund (except for costs of issuance of the Series 1998 Design Bonds which shall be made upon

request of the Issuer) shall be made only after submission to, and approval from, the Authority and the DEP of the following:

(1) a completed and signed "Payment Requisition Form," a form of which is attached to the Loan Agreement as Exhibit C, and

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

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

(B) 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;

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

(D) 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 Depository Bank shall disburse from the Project Fund only the net amount remaining after deduction of any such portion. All payments made from the Project Fund shall be presumed by the Depository Bank to be made for the purposes set forth in said certificate, and the Depository Bank shall not be required to monitor the application of disbursements from the Project Fund. The Consulting Engineers shall from time to time file with the Depository Bank written statements advising the Depository Bank of its then authorized representative.

Pending such application, moneys in the Project Fund, including any accounts therein, shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01. General Covenants of the Issuer. All the covenants, agreements and provisions of this Bond Legislation shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Series 1998 Design Bonds. In addition to the other covenants, agreements and provisions of this Bond Legislation, the Issuer hereby covenants and agrees with the Holders of the Series 1998 Design Bonds as hereinafter provided in this Article VII. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of the Series 1998 Design Bonds or the interest thereon is Outstanding and unpaid.

Section 7.02. Bonds not to be Indebtedness of the Issuer. The Series 1998 Design Bonds shall not be nor constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness, but shall be payable solely from the funds pledged for such payment by this Bond Legislation. No Holder or Holders of the Series 1998 Design Bonds, shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Series 1998 Design Bonds or the interest thereon.

Section 7.03. Bonds Secured by Pledge of Gross Revenues; Lien Position with respect to Prior Bonds. The payment of the debt service of the Series 1998 Design Bonds issued hereunder shall be secured forthwith equally and ratably by a first lien on the Gross Revenues derived from the operation of the System, on a parity with the lien on the Gross Revenues in favor of the Holders of the Prior Bonds. Such Gross Revenues, in an amount sufficient to pay the principal of and interest on the Prior Bonds and the Series 1998 Design Bonds and to make the payments into all funds and accounts and all other payments provided for in the Bond Legislation, are hereby irrevocably pledged, in the manner provided herein, to such payments as they become due, and for the other purposes provided in the Bond Legislation.

Section 7.04. Rates and Charges. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth in the sewer rate ordinance of the Issuer enacted on February 16, 1996, and the water rate ordinance of the Issuer enacted _____, 199__, which rates are incorporated herein by reference as a part hereof.

Section 7.05. Sale of the System. So long as the Prior Bonds are outstanding, the Issuer shall not sell, mortgage, lease or otherwise dispose of the System, except as provided in the Prior Ordinances. Additionally, so long as the Series 1998 Design Bonds are outstanding and except as otherwise required by law or with the written consent

of the Authority and the DEP, the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Bonds Outstanding or to effectively defease the pledge created by this Bond Legislation in accordance with Article X hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Series 1998 Design Bonds, immediately be remitted to the Commission for deposit in the Series 1998 Design Bonds Sinking Fund, and, with the written permission of the Authority, or in the event the Authority is no longer a Bondholder, the Issuer shall direct the Commission to apply such proceeds to the payment of principal at maturity of and interest, if any, on the Series 1998 Design Bonds as prescribed by Section 10.01 hereof. Any balance remaining after the payment of the Bonds and the interest, if any, thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, is not in excess of $10,000, the Issuer shall, by resolution, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Renewal and Replacement Fund. If the amount to be received from such sale, lease or other disposition of said property, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, shall be in excess of $10,000 but not in excess of $50,000, the Issuer shall first, determine, upon consultation with the Consulting Engineers, that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then, if it be so advised, by resolution duly adopted, authorize such sale, lease or other disposition of such property upon public bidding. The proceeds derived from any such sale, lease or other disposition of such property, aggregating during such Fiscal Year in excess of $10,000 and not in excess of $50,000, shall, with the written consent of the Authority, be remitted by the Issuer to the Commission for deposit in the Sinking Funds and shall be applied only to the purchase of Bonds of the last maturities then Outstanding at prices not greater than the par value thereof plus 3% of such par value or otherwise. Such payment of such proceeds into the Sinking Funds or the Renewal and Replacement Fund shall not reduce the amounts required to be paid into said funds by other provisions of this Bond Legislation.

No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such

properties, shall be in excess of $50,000 and insufficient to pay all Bonds then Outstanding, without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of over 50% in amount of all Bonds then Outstanding. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 7.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. Except as provided for in Section 7.07 hereof, the Issuer shall not issue any other obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Series 1998 Design Bonds and the Prior Bonds. All obligations issued by the Issuer after the issuance of the Series 1998 Design 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 1998 Design Bonds and the Prior Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into all funds and accounts established by this Bond Legislation and the Prior Ordinances at the time of the issuance of such subordinate obligations have been made and are current.

Except as provided above, the Issuer shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or being on a parity with the lien of the Series 1998 Design Bonds and the Prior Bonds, and the interest thereon, upon any of the income and revenues of the System pledged for payment of the Series 1998 Design Bonds and the Prior Bonds and the interest thereon in this Bond Legislation, or upon the System or any part thereof.

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

Section 7.07. Parity Bonds. So long as the Prior Bonds are outstanding, the limitations on the issuance of parity obligations set forth in the Prior Ordinances shall be applicable. Additionally, no Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of the Series 1998 Design Bonds pursuant to this Bond Legislation, without the prior written consent of the Authority and the DEP and without complying with the conditions and requirements herein provided (unless less restrictive than the provisions of the Prior Ordinances).

All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 1998 Design Bonds.

No such Parity Bonds shall be issued except for the purpose of financing the costs of design, acquisition or construction of additions, extensions, improvements or betterments to the System or refunding the Series 1998 Design Bonds or the Prior Bonds issued pursuant hereto, or both such purposes.

No Parity Bonds shall be issued at any time, however, unless and until there has been procured and filed with the City Clerk 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 12 consecutive months within the 18 months immediately preceding the date of the actual issuance of such Parity Bonds, plus the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the date of issuance of such Parity Bonds, shall be not less than 115% of the largest aggregate amount that will mature and become due in any succeeding Fiscal Year for principal of and interest on the following:

(1) The Bonds then Outstanding;

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

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

The "estimated average increased annual Net Revenues expected to be received in each of the 3 succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from the improvements to be financed by such Parity Bonds and any increase in rates enacted by the Issuer, the time for appeal of which shall have expired (without successful appeal) prior to the issuance of such Parity Bonds, and shall not exceed the amount to be stated in a certificate of the Independent Certified Public Accountants, which shall be filed in the office of the City Clerk prior to the issuance of such Parity Bonds.

The Net Revenues actually derived from the System during the 12 consecutive month period hereinabove referred to may be adjusted by adding to such Net Revenues such additional Net Revenues which would have been received, in the opinion of the Consulting Engineers and the Independent Certified Public Accountants, as stated in a certificate jointly made and signed by the Consulting Engineers and the Independent Certified Public Accountants, on account of increased rates, rentals, fees and charges for the System enacted by the Issuer, the time for appeal of which shall have expired (without successful appeal) prior to issuance of such Parity Bonds.

Not later than simultaneously with the delivery of such Parity Bonds, the Issuer shall have entered into written contracts for the immediate design of such additions,

extensions, betterments or improvements to the System which are to be financed by such Parity Bonds.

All covenants and other provisions of this Bond Legislation (except as to details of such Parity Bonds inconsistent herewith) shall be for the equal benefit, protection and security of the Holders of the Bonds and the Holders of any Parity Bonds subsequently issued from time to time within the limitations of and in compliance with this section and the Prior Ordinances. All the Series 1998 Design Bonds, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the Gross Revenues of the System, and their source of and security for payment from said Gross Revenues, without preference of any Bond over any other. The Issuer shall comply fully with all the increased payments into the various funds and accounts created in this Bond Legislation required for and on account of such Parity Bonds, in addition to the payments required for Bonds theretofore issued pursuant to this Bond Legislation.

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on the revenues of the System is subject to the prior and superior lien of the Series 1998 Design Bonds on such revenues. The Issuer shall not issue any obligations whatsoever payable from revenues of the System, or any part thereof, which rank prior to or, except in the manner and under the conditions provided in this section, equally, as to lien on and source of and security for payment from such revenues, with the Series 1998 Design Bonds.

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

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

The Issuer shall permit the Authority and the DEP, or their agents and representatives, to inspect all records pertaining to the operation of the System at all reasonable times.

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

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

The Issuer shall file with the Consulting Engineers, the Authority and the DEP, or any other original purchaser of the Series 1998 Design Bonds, and shall mail in each year to any Holder or Holders of the Series 1998 Design Bonds requesting the same, an annual report containing the following:

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

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

(C) The amount of any Bonds, notes or other obligations payable from the revenues of the System outstanding.

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants in compliance with OMB Circular 128, or any successor thereto, and the Single Audit Act, and shall mail upon request, and make available generally, the report of said Independent Certified Public Accountants, or a summary thereof, to any Holder or Holders of the Series 1998 Design Bonds and shall submit said report to the Authority and the DEP, or any other original purchaser of the Series 1998 Design Bonds. Such audit report submitted to the Authority and the DEP shall include a statement that the Issuer is in compliance with the terms and provisions of the Loan Agreement, the Act and this Bond Legislation and that the revenues of the System are adequate to meet the Issuer's Operating Expenses and debt service and reserve requirements.

The Issuer shall provide the DEP with all appropriate documentation to comply with any special conditions established by federal and/or state regulations as set forth in Exhibit E of the Loan Agreement or as promulgated from time to time.

The Issuer shall provide the Authority and the DEP, or their agents and representatives, with access to the System site and System facilities as may be reasonably necessary to accomplish all of the powers and rights of the Authority and the DEP with respect to the System pursuant to the Act.

Section 7.09. Rates. Equitable rates or charges for the use of and service rendered by the System have been established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the City Clerk, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from said System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created (or, where appropriate, continued) hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest, if any, on the Series 1998 Design Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with or junior to the Series 1998 Design Bonds, including the Prior Bonds; provided that, in the event that amounts equal to or in excess of the reserve requirements are on deposit respectively in the Series 1998 Design Bonds Reserve Account and any reserve accounts for obligations prior to or on a parity with or junior to the Series 1998 Design Bonds, including the Prior Bonds, are funded at least at the requirement therefor, such balance each year need only equal at least 110% of the maximum amount required in any year for payment of principal of and interest, if any, on the Series 1998 Design Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with or junior to the Series 1998 Design Bonds, including the Prior Bonds. In any event, subject to any requirements of law, the Issuer shall not reduce the rates or charges for services set forth in the rate ordinance described in Section 7.04 hereof.

Section 7.10. Operating Budget; Audit and Monthly Financial Report. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year and shall submit a copy of such budget to the Authority and the DEP within 30 days of adoption thereof. No expenditures for the operation and maintenance of the System shall be

made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by the Consulting Engineers, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of 10% of the amount of such budget shall be made except upon the further certificate of the Consulting Engineers that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Authority, the DEP and to any Holder of any Bonds who shall file his or her address with the Issuer and request in writing that copies of all such budgets and resolutions be furnished him or her, within 30 days of adoption thereof, and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to any Holder of any Bonds, or anyone acting for and in behalf of such Holder of any Bonds.

In addition, the Issuer shall annually cause the records of the System to be audited by an Independent Certified Public Accountant in compliance with OMB Circular 128, or any successor thereto, and the Single Audit Act, the report of which audit shall be submitted to the Authority and the DEP and which audit report shall include a statement that the Issuer is in compliance with the terms and provisions of this Bond Legislation, the Act and the Loan Agreement and that the revenues of the System are adequate to meet the Issuer's Operating Expenses and debt service and reserve requirements.

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

Section 7.12. Enforcement of Collections. The Issuer will diligently enforce and collect all fees, rentals or other charges for the services and facilities of the System, and take all steps, actions and proceedings for the enforcement and collection of such fees, rentals or other charges which shall become delinquent to the full extent permitted or authorized by the Act, the rules and regulations of the Public Service Commission of West Virginia and other laws of the State of West Virginia.

Whenever any fees, rates, rentals or other charges for the services and facilities of the System shall remain unpaid for a period of 30 days after the same shall become due and payable, the property and the owner thereof, as well as the user of the services and facilities, shall be delinquent until such time as all such rates and charges are fully paid. To the extent authorized by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, rates, rentals and other charges, if not paid when due,

shall become a lien on the premises served by the System. The Issuer further covenants and agrees that, it will, to the full extent permitted by law and the rules and regulations promulgated by the Public Service Commission of West Virginia, discontinue and shut off the services of the System, to all users of the services of the System delinquent in payment of charges for the services of the System and will not restore such services of either system until all delinquent charges for the services of the System, plus reasonable interest and penalty charges for the restoration of service, have been fully paid and shall take all further actions to enforce collections to the maximum extent permitted by law.

Section 7.13. No Free Services. The Issuer will not render or cause to be rendered any free services of any nature by the System, nor will any preferential rates be established for users of the same class; and in the event the Issuer, or any department, agency, instrumentality, officer or employee of the Issuer shall avail itself or themselves of the facilities or services provided by the System, or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer and any such department, agency, instrumentality, officer or employee. The revenues so received shall be deemed to be revenues derived from the operation of the System, and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 7.14. Insurance and Construction Bonds. A. The Issuer hereby covenants and agrees that so long as the Series 1998 Design Bonds remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance with a reputable insurance carrier or carriers as is customarily covered with respect to works and properties similar to the System. Such insurance shall initially cover the following risks and be in the following amounts:

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

(2) PUBLIC LIABILITY INSURANCE, with limits of not less than $1,000,000 per occurrence to protect the Issuer from claims for bodily injury and/or death and not less than $600,000 per occurrence from claims for damage to property of others which may arise from the operation of the System, and insurance with the same limits to protect the Issuer from claims arising out of operation or ownership of motor vehicles of or for the System.

(3) WORKER'S COMPENSATION COVERAGE for all employees of or for the System eligible therefor.

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

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

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

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

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

Section 7.16. Permits. The Issuer will cause the Project to be designed as promptly as possible and operate and maintain the System as a revenue-producing utility in good condition and in compliance with all federal and state requirements and standards. The Issuer will obtain all permits required by state and federal laws for the operation of the System.

Section 7.17. Compliance with Loan Agreement and Law. The Issuer agrees to comply with all the terms and conditions of the Loan Agreement and the Act. Notwithstanding anything herein to the contrary, the Issuer will provide the DEP with copies of all documents submitted to the Authority.

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

Section 7.18. Tax Covenants. The Issuer hereby further covenants and agrees as follows:

A. PRIVATE BUSINESS USE LIMITATION. The Issuer shall assure that (i) not in excess of 10% of the Net Proceeds of the Series 1998 Design Bonds are used for Private Business Use if, in addition, the payment of more than 10% of the principal or 10% of the interest due on the Series 1998 Design Bonds during the term thereof is, under the terms of the Series 1998 Design Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for a Private Business Use or in payments in respect of property used or to be used for a Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for a Private Business Use; and (ii) that, in the event that both (A) in excess of 5% of the Net Proceeds of the Series 1998 Design Bonds are used for a Private Business Use, and (B) an amount in excess of 5% of the principal or 5% of the interest due on the Series 1998 Design Bonds during the term thereof is, under the terms of the Series 1998 Design Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for said Private Business Use or in payments in respect of property used or to be used for said Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for said Private Business Use, then said excess over said 5% of Net Proceeds of the Series 1998 Design Bonds used for a Private Business Use shall be used for a Private Business Use related to the governmental use of the Project, or if the Series 1998 Design Bonds are for the purpose of financing more than one project, a portion of the Project, and shall not exceed the proceeds used for the governmental use of that portion of the Project to which such Private Business Use is related. All of the foregoing shall be determined in accordance with the Code.

B. PRIVATE LOAN LIMITATION. The Issuer shall assure that not in excess of 5% of the Net Proceeds of the Series 1998 Design Bonds or $5,000,000 are used, directly or indirectly, to make or finance a loan (other than loans constituting Nonpurpose Investments) to persons other than state or local government units.

C. FEDERAL GUARANTEE PROHIBITION. The Issuer shall not take any action or permit or suffer any action to be taken if the result of the same would be to

cause the Series 1998 Design Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

D. INFORMATION RETURN. The Issuer will file all statements, instruments and returns necessary to assure the tax-exempt status of the Series 1998 Design Bonds and the interest thereon, including, without limitation, the information return required under Section 149(e) of the Code.

E. FURTHER ACTIONS. The Issuer will take any and all actions that may be required of it (including, without limitation, those deemed necessary by the Authority) so that the interest on the Series 1998 Design Bonds will be and remain excludable from gross income for federal income tax purposes, and will not take any actions, or fail to take any actions (including, without limitation, those deemed necessary by the Authority), the result of which would adversely affect such exclusion.

Section 7.19. Securities Laws Compliance. The Issuer will provide the Authority, in a timely manner, with any and all information that may be requested of it (including its annual audit report, financial statements, related information and notices of changes in usage and customer base) so that the Authority may comply with the provisions of SEC Rule 15c2-12 (17 CFR Part 240).

Section 7.20. Statutory Mortgage Lien. For the further protection of the Holders of the Series 1998 Design Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, shall take effect immediately upon delivery of the Series 1998 Design Bonds and shall be on a parity with the statutory mortgage lien in favor of the Holders of the Prior Bonds.

ARTICLE VIII

INVESTMENT OF FUNDS; NON ARBITRAGE; REBATES OF EXCESS INVESTMENT EARNINGS

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

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

The Depository Bank shall keep complete and accurate records of all funds, accounts and investments, and shall distribute to the Issuer, at least once each year, or more often as reasonably requested by the Issuer, a summary of such funds, accounts and investment earnings. The Issuer shall retain all such records and any additional records with respect to such funds, accounts and investment earnings so long as any of the Series 1998 Design Bonds are Outstanding and as long thereafter as necessary to assure the exclusion of interest, if any, on the Series 1998 Design Bonds from gross income for federal income tax purposes.

Section 8.02. Arbitrage and Tax Exemption. The Issuer covenants that (i) it shall not take, or permit or suffer to be taken, any action with respect to the gross or other proceeds of the Series 1998 Design Bonds which would cause the Series 1998 Design Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code, and (ii) it will take any and all actions that may be required of it (including, without implied limitation, the

timely filing of a federal information return with respect to the Series 1998 Design Bonds) so that the interest, if any, on the Series 1998 Design Bonds will be and remain excludable from gross income for federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 8.03. Small Issuer Exemption from Rebate of Excess Investment Earnings to the United States. In accordance with Section 148(f)(4)(B)(ii) of the Code, the Issuer covenants that it is a governmental unit with general taxing powers; that no part of the Series 1998 Design Bonds are private activity bonds; that 95% or more of the Net Proceeds of the Series 1998 Design Bonds are to be used for local governmental activities of the Issuer (or of a governmental unit the jurisdiction of which is entirely within the jurisdiction of the Issuer); and that the "gross proceeds" (as such term "gross proceeds" is defined in the Code) of the Series 1998 Design Bonds shall be expended within six months of the date of issue of the Series 1998 Design Bonds.

Notwithstanding the foregoing, if in fact the Issuer is subject to the rebate requirements of Section 148(f) of the Code, and not exempted from such requirements, the Issuer covenants to make, or cause to be made, all rebate calculations, computations and payments in the time, manner and as required in Section 148(f) of the Code and the Regulations from time to time in effect and applicable to the Series 1998 Design Bonds and otherwise covenants and agrees to comply with the provisions of such Section 148(f) of the Code and the Regulations from time to time in effect and applicable to the Series 1998 Design Bonds. In the event of a failure to pay the correct rebate amount, the Issuer will pay, from any lawful sources available therefor, to the United States such amount, plus a penalty equal to 50% of the rebate amount not paid when required to be paid, plus interest on that amount, unless waived. In order to provide for the administration of this paragraph, the Issuer may provide for the employment of independent attorneys, accountants and consultants compensated on such reasonable basis as the Issuer may deem appropriate.

The Issuer shall furnish to the Authority, annually, and at such time as it is required to perform its rebate calculations under the Code, a certificate with respect to its rebate calculations and, at any time, any additional information relating thereto as may be requested by the Authority. In addition, the Issuer shall cooperate with the Authority in preparing any required rebate calculations and in all other respects in connection with rebates and hereby consents to the performance of all matters in connection with such rebates by the Authority at the expense of the Issuer.

The Issuer shall submit to the Authority within 15 days following the end of each Bond Year a certified copy of its rebate calculation or, if the Issuer qualifies for any exception to rebate, the Issuer shall submit a certificate stating that it is exempt from the rebate provisions, the basis for the exemption and that no event has occurred to its knowledge during the Bond Year which would make the Series 1998 Design Bonds subject to rebate. The Issuer shall also furnish to the Authority, at any time, such additional information

relating to rebate as may be reasonably requested by the Authority, including information with respect to earnings on all funds constituting "gross proceeds" of the Bonds (as such term "gross proceeds" is defined in the Code).

ARTICLE IX

DEFAULT AND REMEDIES

Section 9.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Series 1998 Design Bonds:

(1) If default occurs in the due and punctual payment of the principal of or interest on the Series 1998 Design Bonds; or

(2) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Series 1998 Design Bonds set forth in this Bond Legislation, any supplemental resolution or in the Series 1998 Design Bonds, and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Commission, the Depository Bank, the Registrar, the Paying Agent or any other Paying Agent or a Holder of a Bond; or

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

(4) If default occurs with respect to the Prior Bonds or the Prior Ordinances.

Section 9.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of a Bond may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his or her rights and, in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Registered Owners including the right to require the Issuer to perform its duties under the Act and the Bond Legislation relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Bonds; (iv) by action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Registered Owners of the Bonds, and (v) by action or bill in equity enjoin any acts in violation of the Bond Legislation with respect to the Bonds, or the rights of such Registered Owners; provided that, all rights and remedies of the Holders of the Series 1998 Design Bonds shall be on a parity with those of the Holders of the Prior Bonds.

Section 9.03. Appointment of Receiver. Any Registered Owner of a Bond may, by proper legal action, compel the performance of the duties of the Issuer under the Bond Legislation and the Act, including, the completion of the design of the Project and 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 the Series 1998 Design Bonds, any Registered Owner of a Bond shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System or to complete the design of the Project on behalf of the Issuer, with the power to charge rates, rentals, fees and other charges sufficient to provide for the payment of Operating Expenses of the System, the payment of the Bonds and interest and the deposits into the funds and accounts hereby established, and to apply such rates, rentals, fees, charges or other revenues in conformity with the provisions of this Bond Legislation and the Act.

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

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

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

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

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

ARTICLE X

DEFEASANCE

Section 10.01. Defeasance of Bonds. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of the Series 1998 Design Bonds, the principal of and interest due or to become due thereon, if any, at the times and in the manner stipulated therein and in this Bond Legislation, then the pledge of Gross Revenues and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 1998 Design Bonds shall thereupon cease, terminate and become void and be discharged and satisfied, except as may otherwise be necessary to assure the exclusion of interest, if any, on the Series 1998 Design Bonds from gross income for federal income tax purposes.

The Series 1998 Design Bonds, for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Paying Agent at the same or earlier time, shall be sufficient, to pay as and when due either at maturity or at the next redemption date, the principal installments of and interest on such Series 1998 Design 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 1998 Design 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 1998 Design Bonds on and prior to the next redemption date or 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 1998 Design 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 Bonds on and prior to the next redemption date or the maturity dates thereof, and interest earned from such reinvestment shall be paid over to the Issuer 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.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Amendment or Modification of Bond Legislation. Prior to issuance of the Series 1998 Design Bonds, this Ordinance may be amended or supplemented in any way by the Supplemental Resolution. Following issuance of the Series 1998 Design Bonds, no material modification or amendment of this Ordinance, or of any ordinance, resolution or order amendatory or supplemental hereto, that would materially and adversely affect the rights of Registered Owners of the Series 1998 Design Bonds shall be made without the consent in writing of the Registered Owners of the Series 1998 Design Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of any Bond or Bonds or the rate of interest, if any, thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest, if any, out of the funds herein 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 the Series 1998 Design Bonds required for consent to the above-permitted amendments or modifications. Notwithstanding the foregoing, this Bond Legislation may be amended without the consent of any Bondholder as may be necessary to assure compliance with Section 148(f) of the Code relating to rebate requirements or otherwise as may be necessary to assure the exclusion of interest, if any, on the Series 1998 Design Bonds from gross income of the holders thereof.

Section 11.02. Bond Legislation Constitutes Contract. The provisions of the Bond Legislation shall constitute a contract between the Issuer and the Registered Owners of the Series 1998 Design Bonds, and no change, variation or alteration of any kind of the provisions of the Bond Legislation shall be made in any manner, except as in this Bond Legislation provided.

Section 11.03. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Ordinance should be held invalid by any court of competent jurisdiction, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Ordinance, the Supplemental Resolution or the Series 1998 Design Bonds.

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

Section 11.05. Conflicting Provisions Repealed; Prior Ordinances. All ordinances, orders or resolutions and or parts thereof in conflict with the provisions of this Ordinance are, to the extent of such conflict, hereby repealed, provided that, in the event of

any conflict between this Ordinance and the Prior Ordinances, the Prior Ordinances shall control (unless less restrictive), so long as the Prior Bonds or any portion thereof are Outstanding.

Section 11.06. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the adoption of this Ordinance do exist, have happened, have been performed and have been taken in regular and due time, form and manner as required by and in full compliance with the laws and Constitution of the State of West Virginia applicable thereto; and that the Mayor, the City Clerk and members of the Governing Body were at all times when any actions in connection with this Ordinance occurred and are duly in office and duly qualified for such office.

Section 11.07. Effective Date. This Ordinance shall take effect immediately following public hearing hereon.

Section 11.08. Statutory Notice and Public Hearing. Upon adoption hereof, an abstract of this Ordinance determined by the Governing Body to contain sufficient information as to give notice of the contents hereof shall be published once a week for 2 successive weeks within a period of fourteen consecutive days, with at least 6 full days intervening between each publication, in the Spirit of Jefferson Advocate, a qualified newspaper published and of general circulation in the City of Charles Town, together with a notice stating that this Ordinance has been adopted and that the Issuer contemplates the issuance of the Series 1998 Design Bonds, and that any person interested may appear before the Governing Body upon a date certain, not less than ten days subsequent to the date of the first publication of such abstract of this Ordinance and notice, and present protests, and that a certified copy of this Ordinance is on file with the Governing Body for review by interested persons during office hours of the Governing Body. At such hearing, all objections and suggestions shall be heard and the Governing Body shall take such action as it shall deem proper in the premises.

Passed on First Reading:	-	February 23, 1998
Passed on Second Reading:	-	March 2, 1998
Passed on Final Reading Following Public Hearing	-	March 16, 1998

J. Randolph Hilton
Mayor

CERTIFICATION

Certified a true copy of an Ordinance duly enacted by the Council of the CITY OF CHARLES TOWN on the 16th day of March, 1998.

Dated: September 29, 1998.

[SEAL]

Brenda S Hamilton
City Clerk

03/01/98
144220/97001

EXHIBIT A

Loan Agreement included in bond transcript as Document No. 3

CITY OF CHARLES TOWN

Combined Waterworks and Sewerage System Design Revenue Bonds,
Series 1998
(West Virginia SRF Program)

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNT, DATE, MATURITY DATE, REDEMPTION PROVISION, INTEREST RATE, INTEREST AND PRINCIPAL PAYMENT DATES, SALE PRICE AND OTHER TERMS OF THE COMBINED WATERWORKS AND SEWERAGE SYSTEM DESIGN REVENUE BONDS, SERIES 1998 (WEST VIRGINIA SRF PROGRAM), OF THE CITY OF CHARLES TOWN; RATIFYING AND APPROVING A LOAN AGREEMENT RELATING TO SUCH BONDS AND THE SALE AND DELIVERY OF SUCH BONDS TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; DESIGNATING A REGISTRAR, PAYING AGENT AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the council (the "Governing Body") of the City of Charles Town (the "Issuer"), has duly and officially adopted and enacted a bond ordinance, effective March 16, 1998 (the "Bond Ordinance"), entitled:

ORDINANCE AUTHORIZING THE DESIGN OF EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE SEWERAGE PORTION OF THE EXISTING PUBLIC COMBINED WATERWORKS AND SEWERAGE SYSTEM OF THE CITY OF CHARLES TOWN AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE CITY OF NOT MORE THAN $600,000 IN AGGREGATE PRINCIPAL AMOUNT OF COMBINED WATERWORKS AND SEWERAGE SYSTEM DESIGN REVENUE BONDS, SERIES 1998 (WEST VIRGINIA SRF PROGRAM); PROVIDING FOR THE RIGHTS AND REMEDIES OF

AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING A LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

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

WHEREAS, the Bond Ordinance provides for the issuance of Combined Waterworks and Sewerage System Design Revenue Bonds, Series 1998 (West Virginia SRF Program), of the Issuer (the "Bonds"), in the aggregate principal amount not to exceed $600,000, and has authorized the execution and delivery of a loan agreement relating to the Bonds (the "Loan Agreement"), by and among the Issuer, the West Virginia Water Development Authority (the "Authority") and the West Virginia Division of Environmental Protection (the "DEP"), all in accordance with Chapter 8, Article 20 and Chapter 22C, Article 2 of the West Virginia Code of 1931, as amended (collectively, the "Act"); and in the Bond Ordinance it is provided that the form of the Loan Agreement and the exact principal amount, date, maturity date, redemption provision, interest rate, interest and principal payment dates, sale price and other terms of the Bonds should be established by a supplemental resolution pertaining to the Bonds; and that other matters relating to the Bonds be herein provided for;

WHEREAS, the Loan Agreement has previously been presented to the Issuer;

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

WHEREAS, the Governing Body deems it essential and desirable that this supplemental resolution (the "Supplemental Resolution") be adopted, that the Loan Agreement be approved and entered into by the Issuer, that the exact principal amount, the date, the maturity date, the redemption provisions, the interest rate, the interest and principal payment dates and the sale price of the Bonds be fixed hereby in the manner stated herein, and that other matters relating to the Bonds be herein provided for;

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

Section 1. Pursuant to the Bond Ordinance and the Act, this Supplemental Resolution is adopted and there are hereby authorized and ordered to be issued the Combined Waterworks and Sewerage System Design Revenue Bonds, Series 1998 (West Virginia SRF Program), of the Issuer, originally represented by a single Bond, numbered R-1, in the principal amount of $437,601. The Bonds shall be dated the date of delivery thereof, shall finally mature September 1, 2019, and shall bear interest at the rate of 2% per annum. The interest on and principal of the Bonds shall be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing December 1, 1999, and ending September 1, 2019, and in the amounts as set forth in "Schedule Y" attached to the Loan Agreement and incorporated in and made a part of the Bonds. The Bonds shall be subject to redemption upon the written consent of the Authority and the DEP, and upon payment of the interest and redemption premium, if any, and otherwise in compliance with the Loan Agreement, so long as the Authority shall be the registered owner of the Bonds.

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

Section 3. The Issuer does hereby approve and shall pay the administrative fee equal to 1% of the principal amount of the Bonds set forth in "Schedule Y" attached to the Loan Agreement.

Section 4. The Issuer does hereby ratify, approve and accept the Loan Agreement, a copy of which is incorporated herein by reference, and the execution and delivery of the Loan Agreement by the Mayor, and the performance of the obligations contained therein, on behalf of the Issuer, are hereby authorized, directed, ratified and approved. The Issuer hereby affirms all covenants and representations made in the Loan Agreement and in the application to the DEP and the Authority. The price of the Bonds shall be 100% of par value, there being no interest accrued thereon, provided that the proceeds of the Bonds shall be advanced from time to time as requisitioned by the Issuer.

Section 5. The Issuer does hereby appoint and designate One Valley Bank, National Association, Charleston, West Virginia, as Registrar (the "Registrar"), for the Bonds and does approve and accept the Registrar's Agreement to be dated the date of delivery of the Bonds, by and between the Issuer and the Registrar, and the execution and delivery of the Registrar's Agreement by the Mayor, and the performance of the obligations contained therein, on behalf of the Issuer, are hereby authorized, approved and directed.

Section 6. The Issuer does hereby appoint and designate the West Virginia Municipal Bond Commission, Charleston, West Virginia, to serve as Paying Agent for the Bonds under the Bond Ordinance.

Section 7. The Issuer does hereby appoint and designate the Bank of Charles Town, Charles Town, West Virginia, to serve as Depository Bank under the Bond Ordinance.

Section 8. Series 1998 Design Bonds proceeds in the amount of $-0- shall be deposited in the Series 1998 Design Bonds Sinking Fund, as capitalized interest.

Section 9. Series 1998 Design Bonds proceeds in the amount of $26,601 shall be deposited in the Series 1998 Design Bonds Reserve Account.

Section 10. The balance of the proceeds of the Bonds shall be deposited in or credited to the Project Fund as received from time to time for payment of costs of design of the Project, including costs of issuance of the Bonds and related costs.

Section 11. The Mayor the City Manager and the City Clerk are hereby authorized and directed to execute and deliver such other documents, agreements, instruments and certificates required or desirable in connection with the Bonds hereby and by the Bond Ordinance approved and provided for, to the end that the Bonds may be delivered on or about September 29, 1998, to the Authority pursuant to the Loan Agreement.

Section 12. The design of the Project and the financing thereof in part with proceeds of the Bonds is in the public interest, serves a public purpose of the Issuer and will promote the health, welfare and safety of the residents of the Issuer.

Section 13. The Issuer hereby determines to invest all moneys in the funds and accounts established by the Bond Ordinance held by the Depository Bank until expended, in repurchase agreements or time accounts, secured by a pledge of Government Obligations, and therefore, the Issuer hereby directs the Depository Bank to take such actions as may be necessary to cause such moneys to be invested in such repurchase agreements or time accounts until further directed in writing by the Issuer. Moneys in the Series 1998 Design Bonds Sinking Fund, including the Series 1998 Design Bonds Reserve Account therein, shall be invested by the West Virginia Municipal Bond Commission in the West Virginia Consolidated Fund.

Section 14. The Issuer shall not permit at any time or times any of the proceeds of the Bonds or any other funds of the Issuer to be used directly or indirectly in a manner which would result in the exclusion of the Bonds from the treatment afforded by Section 103(a) of the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder or under any predecessor thereto (the "Code"), by reason of the classification of the Bonds as "private activity bonds" within the meaning of the Code. The Issuer will take all actions necessary to comply with the Code and Treasury Regulations to be promulgated thereunder.

Section 15. The Issuer is a governmental unit with general taxing powers to finance operations of or facilities of the nature of the Project and the System; no part of the Bonds are private activity bonds; 95% or more of the net proceeds of the Bonds are to be used for local governmental activities of the Issuer.

Section 16. The Issuer hereby agrees to pay Rebate on the Series 1998 Design Bonds as may be required by law and as shall be more specifically set forth in the Arbitrage Certificate to be executed by the Issuer as part of this financing.

Section 17. This Supplemental Resolution shall be effective immediately following adoption hereof.

Adopted this 21st day of September, 1998.

[SEAL]

J. Randolph Hilton
Mayor

CERTIFICATION

Certified a true copy of a Supplemental Resolution duly adopted by the Council of the City of Charles Town on the 21st day of September, 1998.

Dated: September 29, 1998.

[SEAL]

Brenda J Hamilton

City Clerk

09/21/98
144220/97001

CITY OF CHARLES TOWN

COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2000 A (WEST VIRGINIA SRF PROGRAM)

BOND ORDINANCE

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CITY OF CHARLES TOWN

ORDINANCE AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE SEWERAGE PORTION OF THE EXISTING PUBLIC COMBINED WATERWORKS AND SEWERAGE SYSTEM OF THE CITY OF CHARLES TOWN AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE CITY OF NOT MORE THAN $3,500,000 IN AGGREGATE PRINCIPAL AMOUNT OF COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2000 A (WEST VIRGINIA SRF PROGRAM); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING A LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

NOW, THEREFORE, BE IT ORDAINED AND ENACTED BY THE COUNCIL OF THE CITY OF CHARLES TOWN:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01. Authority for this Ordinance. This Ordinance (together with any ordinance, order or resolution supplemental hereto or amendatory hereof, the "Bond Legislation"), is enacted pursuant to the provisions of Chapter 8, Article 20 and Chapter 22C, Article 2 of the West Virginia Code of 1931, as amended (collectively, the "Act"), and other applicable provisions of law.

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

A. The City of Charles Town (the "Issuer") is a municipal corporation and political subdivision of the State of West Virginia in Jefferson County of said State.

B. The Issuer presently owns and operates a public combined waterworks and sewerage system. However, it is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer that there be acquired and constructed certain additions, betterments and improvements to the sewerage portion of the existing public combined waterworks and sewerage system of the Issuer, consisting of a self-cleaning filter screen, a vortex grit removal system, an influent pumping station, batch reactors, aerobic digesters, a new two meter belt filter press, and all appurtenant facilities (collectively, the "Project"), which constitute properties for the collection, transportation, treatment, purification or disposal of liquid or solid wastes, sewage or industrial wastes (the existing public combined waterworks and sewerage system of the Issuer, the Project and any further additions thereto or extensions thereof are herein called the "System"), in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications have heretofore been filed with the City Clerk of the Issuer.

C. The Issuer intends to permanently finance the costs of acquisition and construction of the Project through the issuance of its revenue bonds to the West Virginia Water Development Authority (the "Authority"), in connection with the West Virginia Water Pollution Control Revolving Fund program (the "SRF Program"), pursuant to the Act, in order to take advantage of the favorable terms available to the Issuer under the SRF Program.

D. It is deemed necessary for the Issuer to issue its Combined Waterworks and Sewerage System Revenue Bonds, Series 2000 A (West Virginia SRF Program) (the "Series 2000 A Bonds"), in the total aggregate principal amount of not more than $3,500,000, initially to be represented by a single bond, to permanently finance the costs of acquisition and construction of the Project. The remaining costs of the Project shall be funded from the sources set forth in Section 2.01 hereof. Said costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest, if any, upon the Series 2000 A Bonds prior to and during acquisition or construction and for a period not exceeding 6 months after completion of acquisition and construction of the Project; amounts which may be deposited in the Series 2000 A Bonds Reserve Account (as hereinafter defined); engineering and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise; administrative expense; commitment fees; fees and expenses of the Authority, including the SRF Administrative Fee (as hereinafter defined); discount; initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Series 2000 A Bonds and such other expenses as may be necessary or incidental to the financing herein authorized; the acquisition and construction

of the Project and the placing of same in operation; and the performance of the things herein required or permitted, in connection with any thereof, provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Series 2000 A Bonds or the repayment of indebtedness incurred by the Issuer for such purposes shall be deemed Costs of the Project, as hereinafter defined.

E. The period of usefulness of the System after completion of the Project is not less than 30 years.

F. It is in the best interests of the Issuer that its Series 2000 A Bonds be sold to the Authority pursuant to the terms and provisions of a loan agreement by and among the Issuer, the Authority and the West Virginia Division of Environmental Protection, a division of the West Virginia Bureau of Environment (the "DEP"), in form satisfactory to the Issuer, the Authority and the DEP (the "Loan Agreement"), approved hereby if not previously approved by resolution of the Issuer.

G. There are outstanding obligations of the Issuer which will rank on a parity with the Series 2000 A Bonds as to liens, pledge, source of and security for payment, as follows:

(1) Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 B, dated November 18, 1987, issued in the original aggregate principal amount of $413,629 (the "Series 1987 B Bonds") ;

(2) Combined Waterworks and Sewerage System Revenue Bonds, Series 1988 B-1, dated May 4, 1988, issued in the original aggregate principal amount of $295,916 (the "Series 1988 B-1 Bonds");

(3) Combined Waterworks and Sewerage System Revenue Bonds, Series 1988 B-2, dated May 20, 1988, issued in the original aggregate principal amount of $558,000 (the "Series 1988 B-2 Bonds");

(4) Combined Waterworks and Sewerage System Revenue Bonds, Series 1989 B, dated April 13, 1989, issued in the original aggregate principal amount of $117,480 (the "Series 1989 B Bonds");

(5) Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 1998, dated May 15, 1998, issued in the original aggregate principal amount of $10,355,000 (the "Series 1998 Refunding Bonds"); and

(6) Combined Waterworks and Sewerage System Design Revenue Bonds, Series 1998 (West Virginia SRF Program), dated September 29, 1998, issued in the original aggregate principal amount of $437,601 (the "Series 1998 Design Bonds").

The Series 1987 B Bonds, the Series 1988 B-1 Bonds, the Series 1988 B-2 Bonds, the Series 1989 B Bonds, the Series 1998 Refunding Bonds and the Series 1998 Design Bonds are hereinafter collectively called the "Prior Bonds". The ordinances which authorized the issuance of the Prior Bonds are herein collectively referred to as the "Prior Ordinances".

The Series 2000 A Bonds shall be issued on a parity with the Prior Bonds, all of which shall have a first lien position with respect to pledge and source of and security for payment and in all other respects. The Issuer has met the coverage requirements for issuance of parity bonds of the Prior Bonds and the Prior Ordinances and has substantially complied with all other parity requirements, except to the extent that noncompliance with any such other parity requirements is not of a material nature.

Prior to the issuance of the Series 2000 A Bonds, the Issuer will obtain (i) the certificate of an Independent Certified Public Accountant stating that the parity tests of the Prior Bonds are met; and (ii) the written consent of the Holders of the Prior Bonds (other than the Series 1998 Refunding Bonds) to the issuance of the Series 2000 A Bonds on a parity with such Bonds.

Other than the Prior Bonds, there are no other outstanding bonds or obligations of the Issuer which are secured by revenues or assets of the System.

H. The estimated revenues to be derived in each year after completion of the Project from the operation of the System will be sufficient to pay all costs of operation and maintenance of the System, the principal of and interest on the Prior Bonds and the Series 2000 A Bonds and to make all payments into all funds and accounts and other payments provided for herein and in the Prior Ordinances.

I. With the advance written consent of the Authority and the DEP, the Issuer may, in lieu of funding the Series 2000 A Bonds Reserve Account with cash or Qualified Investments, satisfy the Series 2000 A Bonds Reserve Requirement by the deposit into the Series 2000 A Bonds Reserve Account of a reserve account letter of credit, a surety bond, or other credit facility satisfactory to the Authority and the DEP in an amount at least equal to the Series 2000 A Bonds Reserve Requirement. The Issuer hereby authorizes the purchase of a reserve account letter of credit, a surety bond, or other credit facility satisfactory to the Authority and the DEP and the execution and delivery of any applicable reimbursement agreement or note in such forms as shall be described in the Supplemental Resolution.

J. The Issuer has complied with all requirements of West Virginia law and the Loan Agreement relating to authorization of the acquisition, construction and operation of the Project and the System and issuance of the Series 2000 A Bonds, or will have so complied

prior to issuance of any thereof, including, among other things, the approval of the Project and the financing thereof by the West Virginia Infrastructure and Jobs Development Council and the obtaining of a certificate of public convenience and necessity from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which will either have expired prior to the issuance of the Series 2000 A Bonds or such final order will not be subject to appeal.

K. The Issuer is a governmental unit which has general taxing powers to finance operations of or facilities of the nature of the Project and the System; 95% or more of the Net Proceeds of the Series 2000 A Bonds are to be used for local governmental activities of the Issuer (or of a governmental unit the jurisdiction of which is entirely within the jurisdiction of the Issuer); and the Issuer, all subordinate entities, all entities which issue obligations on behalf of the Issuer, and all entities formed or, to the extent provided under Section 148 of the Code, herein defined, availed of, to avoid the purposes of Section 148(f)(4)(D) of the Code and all other entities benefitting thereby reasonably expect to issue less than $5,000,000 aggregate principal amount of tax-exempt obligations (other than private activity bonds) during the calendar year in which the Series 2000 A Bonds are to be issued.

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

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of Series 2000 A Bonds by those who shall be the Registered Owners of the same from time to time, this Bond Legislation shall be deemed to be and shall constitute a contract between the Issuer and such Bondholders, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the Registered Owners of any and all of such Series 2000 A Bonds, all which shall be of equal rank and without preference, priority or distinction between any one Bond of a series and any other Bonds of the same series, by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

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

"Act" means, collectively, Chapter 8, Article 20 and Chapter 22C, Article 2 of the West Virginia Code of 1931, as amended and in effect on the date of enactment hereof.

"Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser and Registered Owner of the Series 2000 A Bonds, or

any other agency, board or department of the State of West Virginia that succeeds to the functions of the Authority.

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

"Board" means the Utility Board of the Issuer.

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

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

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

"Bonds" means, collectively, the Series 2000 A Bonds, the Prior Bonds and, where appropriate, any bonds on a parity therewith subsequently authorized to be issued hereunder or by another ordinance of the Issuer.

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

"City Clerk" means the City Clerk of the Issuer.

"City Manager" means the City Manager of the Issuer.

"Closing Date" means the date upon which there is an exchange of the Series 2000 A Bonds for all or a portion of the proceeds of the Series 2000 A Bonds from the Authority.

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

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

"Completion Date" means the completion date of the Project, as defined in the SRF Regulations.

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

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

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

"DEP" means the West Virginia Division of Environmental Protection, a division of the West Virginia Bureau of Environment, or any other agency, board or department of the State that succeeds to the functions of the DEP.

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

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

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

"Governing Body" means the Council of the Issuer, as it may now or hereafter be constituted.

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

"Gross Revenues" means the aggregate gross operating and non-operating revenues of the System, as hereinafter defined, determined in accordance with generally accepted accounting principles, after deduction of prompt payment discounts, if any, and reasonable provision for uncollectible accounts, and includes any proceeds from the sale or other disposition of capital assets, but does not include any increase in the value of capital

assets (including Qualified Investments, as hereinafter defined, purchased pursuant to Article 8.01 hereof) or any Tap Fees, as hereinafter defined.

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

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

"Investment Property" means

(A) any security (within the meaning of Section 165(g)(2)(A) or (B) of the Code),

(B) any obligation,

(C) any annuity contract,

(D) any investment-type property, or

(E) in the case of a bond other than a private activity bond, any residential rental property for family units which is not located within the jurisdiction of the Issuer and which is not acquired to implement a court ordered or approved housing desegregation plan.

Except as provided in the following sentence, the term "Investment Property" does not include any tax-exempt bond. With respect to an issue other than an issue a part of which is a specified private activity bond (as defined in section 57(a)(5)(C) of the Code), the term "Investment Property" includes a specified private activity bond (as so defined).

"Issuer" means the City of Charles Town, a municipal corporation and political subdivision of the State of West Virginia, in Jefferson County, West Virginia, and, unless the context clearly indicates otherwise, includes the Governing Body and the Utility Board of the Issuer.

"Loan Agreement" means the Loan Agreement, heretofore entered, or to be entered, into by and among the Authority, the DEP and the Issuer, providing for the purchase of the Series 2000 A Bonds from the Issuer by the Authority, the form of which shall be approved, and the execution and delivery by the Issuer authorized and directed or ratified, by the Supplemental Resolution.

"Mayor" means the Mayor of the Issuer.

"Net Proceeds" means the face amount of the Series 2000 A Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds, if any, deposited in the Series 2000 A Bonds Reserve Account. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Series 2000 A Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

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

"Nonpurpose Investment" means any Investment Property as defined in Section 148(b) of the Code, that is not a purpose investment.

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

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

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

"Paying Agent" means the Commission or other entity or authority designated as such for the Series 2000 A Bonds in the Supplemental Resolution with the written consent of the Authority and the DEP.

"Prior Bonds" means, collectively, the Series 1987 B Bonds, the Series 1988 B-1 Bonds, the Series 1988 B-2 Bonds, the Series 1989 B Bonds, the Series 1998 Refunding Bonds and the Series 1998 Design Bonds.

"Prior Bonds Reserve Accounts" means, collectively, the respective reserve accounts established at the Commission for the Prior Bonds.

"Prior Bonds Sinking Funds" means, collectively, the respective sinking funds established at the Commission for the payment of the Prior Bonds.

"Prior Ordinances" means, collectively, the ordinance of the Issuer enacted November 16, 1987, the ordinance of the Issuer enacted April 18, 1988, the ordinance of the Issuer enacted May 16, 1988, the ordinance of the Issuer enacted April 3, 1989, and the ordinances of the Issuer enacted March 16, 1998, authorizing the issuance of the Prior Bonds.

"Private Business Use" means use (directly or indirectly) in a trade or business carried on by any person other than a governmental unit; provided that, use as a member of the general public shall not be taken into account, all as determined by the Code.

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

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

(a) Government Obligations;

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

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

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

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

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

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

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

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

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

"Registrar" means the Bond Registrar.

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

"Renewal and Replacement Fund" means the Renewal and Replacement Fund established by the Prior Ordinances and continued hereby.

"Reserve Accounts" means, collectively, the respective reserve accounts established for the Prior Bonds and the Series 2000 A Bonds.

"Reserve Requirement" means, collectively, the respective amounts required to be on deposit in any reserve account for the Prior Bonds and the Series 2000 A Bonds.

"Revenue Fund" means the Revenue Fund established by the Prior Ordinances and continued hereby.

"Series 1987 B Bonds" means the Issuer's Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 B, dated November 18, 1987, issued in the original aggregate principal amount of $413,629.

"Series 1988 B-1 Bonds" means the Issuer's Combined Waterworks and Sewerage System Revenue Bonds, Series 1988 B-1, dated May 4, 1988, issued in the original aggregate principal amount of $295,916.

"Series 1988 B-2 Bonds" means the Issuer's Combined Waterworks and Sewerage System Revenue Bonds, Series 1988 B-2, dated May 20, 1988, issued in the original aggregate principal amount of $558,000.

"Series 1989 B Bonds" means the Issuer's Combined Waterworks and Sewerage System Revenue Bonds, Series 1989 B, dated April 13, 1989, issued in the original aggregate principal amount of $117,480.

"Series 1998 Refunding Bonds" means the Issuer's Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 1998, dated May 15, 1998, issued in the original aggregate principal amount of $10,355,000.

"Series 1998 Design Bonds" means the Issuer's Combined Waterworks and Sewerage System Design Revenue Bonds, Series 1998 (West Virginia SRF Program), dated September 29, 1998, issued in the original aggregate principal amount of $437,601.

"Series 2000 A Bonds" means the Combined Waterworks and Sewerage System Revenue Bonds, Series 2000 A (West Virginia SRF Program), of the Issuer, authorized by this Bond Legislation.

"Series 2000 A Bonds Construction Trust Fund" means the Series 2000 A Bonds Construction Trust Fund established by Section 5.01 hereof.

"Series 2000 A Bonds Reserve Account" means the Series 2000 A Bonds Reserve Account established in the Series 2000 A Bonds Sinking Fund pursuant to Section 5.02 hereof.

"Series 2000 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 2000 A Bonds in the then current or any succeeding year.

"Series 2000 A Bonds Sinking Fund" means the Series 2000 A Bonds Sinking Fund established by Section 5.02 hereof.

"Sinking Funds" means, collectively, the respective sinking funds established for the Prior Bonds and the Series 2000 A Bonds.

"SRF Administrative Fee" means any administrative fee required to be paid pursuant to the Loan Agreement.

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

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

"State" means the State of West Virginia.

"Supplemental Resolution" means any resolution, ordinance or order of the Issuer supplementing or amending this Ordinance and, when preceded by the article "the," refers specifically to the supplemental resolution authorizing the sale of the Series 2000 A Bonds; provided, that any matter intended by this Ordinance to be included in the Supplemental Resolution with respect to the Series 2000 A Bonds, and not so included may be included in another Supplemental Resolution.

"Surplus Revenues" means the Net Revenues not required by the Bond Legislation to be set aside and held for the payment of or security for the Bonds or any other obligations of the Issuer, including, without limitation, the Sinking Funds, the Renewal and Replacement Fund and the Reserve Accounts.

"System" means the complete public combined waterworks and sewerage system of the Issuer, as presently existing, in its entirety or any integral part thereof, and shall include the Project and any and all extensions, additions, betterments and improvements thereto hereafter acquired or constructed for the System from any sources whatsoever.

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

Additional terms and phrases are defined in this Ordinance as they are used. Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations; and words importing the masculine, feminine or neutral gender shall include any other gender.

ARTICLE II

AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT

Section 2.01. Authorization of Acquisition and Construction of the Project. There is hereby authorized and ordered the acquisition and construction of the Project, at an estimated cost of $4,318,670, in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed in the office of the Governing Body. The proceeds of the Series 2000 A Bonds hereby authorized shall be applied as provided in Article VI hereof. The Issuer has received bids and will enter into contracts for the acquisition and construction of the Project, compatible with the financing plan submitted to the SRF Program.

The cost of the Project is estimated not to exceed $4,318,670, of which approximately $3,163,781 will be obtained from proceeds of the Series 2000 A Bonds and approximately $1,154,889 will be obtained from a contribution from the Jefferson County Public Service District which will be borrowed from the SRF Program.

ARTICLE III

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

Section 3.01. Authorization of Bonds. For the purposes of capitalizing interest on the Series 2000 A Bonds, funding a reserve account for the Series 2000 A Bonds, paying Costs of the Project not otherwise provided for, and paying certain costs of issuance of the Series 2000 A Bonds and related costs, or any or all of such purposes, as determined by the Supplemental Resolution, there shall be and hereby are authorized to be issued negotiable Series 2000 A Bonds of the Issuer, in an aggregate principal amount of not more than $3,500,000. The Series 2000 A Bonds shall be issued as a single bond, designated as "Combined Waterworks and Sewerage System Revenue Bond, Series 2000 A (West Virginia SRF Program)," and shall have such terms as set forth hereinafter and in the Supplemental Resolution. The proceeds of the Series 2000 A Bonds remaining after funding of the Series 2000 A Bonds Reserve Account (if funded from Bond proceeds) and capitalization of interest, if any, on the Series 2000 A Bonds shall be deposited in or credited to the Series 2000 A Bonds Construction Trust Fund established by Section 5.01 hereof and applied as set forth in Article VI hereof.

Section 3.02. Terms of Bonds. The Series 2000 A Bonds shall be issued in such principal amounts; shall bear interest, if any, at such rate or rates, not exceeding the then legal maximum, payable quarterly on such dates; shall mature on such dates and in such amounts; and shall be redeemable, in whole or in part, all as the Issuer shall prescribe in a Supplemental Resolution or as specifically provided in the Loan Agreement. The Series 2000 A Bonds shall be payable as to principal at the office of the Paying Agent, in any coin or currency which, on the dates of payment of principal is legal tender for the payment of public or private debts under the laws of the United States of America. Interest, if any, on the Series 2000 A Bonds shall be paid by check or draft of the Paying Agent or its agent, mailed to the Registered Owner thereof at the address as it appears on the books of the Bond Registrar, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner thereof.

Unless otherwise provided by the Supplemental Resolution, the Series 2000 A Bonds shall initially be issued in the form of a single bond, fully registered to the Authority, with a record of advances and a debt service schedule attached, representing the aggregate principal amount of the Series 2000 A Bonds, and shall mature in principal installments, all as provided in the Supplemental Resolution. The Series 2000 A Bonds shall be exchangeable at the option and expense of the Registered Owner for another fully registered Bond or Bonds of the same series in aggregate principal amount equal to the amount of said Bonds then Outstanding and being exchanged, with principal installments or maturities, as applicable,

corresponding to the dates of payment of principal installments of said Bonds; provided, that the Authority shall not be obligated to pay any expenses of such exchange.

Subsequent series of Bonds, if any, shall be issued in fully registered form and in denominations as determined by a Supplemental Resolution. The Bonds shall be dated and shall bear interest, if any, as of the date specified in a Supplemental Resolution.

Section 3.03. Execution of Bonds. The Series 2000 A Bonds shall be executed in the name of the Issuer by the Mayor and City Manager, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the City Clerk. In case any one or more of the officers who shall have signed or sealed the Series 2000 A Bonds shall cease to be such officer of the Issuer before the Series 2000 A Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Series 2000 A Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of the authorization of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.04. Authentication and Registration. No Series 2000 A Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Bond Legislation unless and until the Certificate of Authentication and Registration on such Bond, substantially in the form set forth in Section 3.10 hereof shall have been manually executed by the Bond Registrar. Any such executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Bond Legislation. The Certificate of Authentication and Registration on any Series 2000 A Bond shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

Section 3.05. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Series 2000 A Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder, in accepting the Series 2000 A Bonds shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder shall further be conclusively deemed to have agreed that said Bonds shall be incontestable in the hands of a bona fide holder for value.

So long as the Series 2000 A Bonds remain outstanding, the Issuer, through the Bond Registrar as its agent, shall keep and maintain books for the registration and transfer of the Series 2000 A Bonds.

The registered Series 2000 A Bonds shall be transferable only upon the books of the Bond Registrar, by the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender thereto together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or his duly authorized attorney.

In all cases in which the privilege of exchanging Series 2000 A Bonds or transferring the registered Series 2000 A Bonds are exercised, all Series 2000 A Bonds shall be delivered in accordance with the provisions of this Bond Legislation. All Series 2000 A Bonds surrendered in any such exchanges or transfers shall forthwith be canceled by the Bond Registrar. For every such exchange or transfer of Series 2000 A Bonds, the Bond Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer and the cost of preparing each new Bond upon each exchange or transfer, and any other expenses of the Bond Registrar incurred in connection therewith, which sum or sums shall be paid by the Issuer. The Bond Registrar shall not be obliged to make any such exchange or transfer of Series 2000 A Bonds during the period commencing on the 15th day of the month next preceding an interest payment date on the Series 2000 A Bonds or, in the case of any proposed redemption of Series 2000 A Bonds, next preceding the date of the selection of Series 2000 A Bonds to be redeemed, and ending on such interest payment date or redemption date.

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Series 2000 A Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Bond Registrar shall, if so advised by the Issuer, authenticate and deliver, a new Bond of the same series and of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer and the Bond Registrar may incur. All Bonds so surrendered shall be canceled by the Bond Registrar and held for the account of the Issuer. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Section 3.07. Bonds not to be Indebtedness of the Issuer. The Series 2000 A Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be

payable solely from the Gross Revenues derived from the operation of the System as herein provided. No Holder or Holders of the Series 2000 A Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Series 2000 A Bonds or the interest, if any, thereon.

Section 3.08. Bonds Secured by Pledge of Gross Revenues; Lien Position with respect to Prior Bonds. The payment of the debt service of the Series 2000 A Bonds shall be secured forthwith equally and ratably by a first lien on the Gross Revenues derived from the System, on a parity with the lien on the Gross Revenues in favor of the Holders of the Prior Bonds. Such Gross Revenues in an amount sufficient to pay the principal of and interest, if any, on and other payments for the Prior Bonds and the Series 2000 A Bonds and to make the payments into all funds and accounts and all other payments provided for in the Bond Legislation, are hereby irrevocably pledged to such payments as the same become due.

Section 3.09. Delivery of Bonds. The Issuer shall execute and deliver the Series 2000 A Bonds to the Bond Registrar, and the Bond Registrar shall authenticate, register and deliver the Series 2000 A Bonds to the original purchasers upon receipt of the documents set forth below:

A. If other than the Authority, a list of the names in which the Series 2000 A Bonds are to be registered upon original issuance, together with such taxpayer identification and other information as the Bond Registrar may reasonably require;

B. A request and authorization to the Bond Registrar on behalf of the Issuer, signed by an Authorized Officer, to authenticate and deliver the Series 2000 A Bonds to the original purchasers;

C. An executed and certified copy of Bond Legislation;

D. An executed copy of the Loan Agreement; and

E. The unqualified approving opinion of bond counsel on the Series 2000 A Bonds.

Section 3.10. Form of Bonds. The text of the Series 2000 A Bonds shall be in substantially the following form, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted hereby, or by any Supplemental Resolution adopted prior to the issuance thereof:

[FORM OF BOND]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF CHARLES TOWN
COMBINED WATERWORKS AND SEWERAGE SYSTEM
REVENUE BOND, SERIES 2000 A
(WEST VIRGINIA SRF PROGRAM)

No. AR-____ $_____

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF CHARLES TOWN, a municipal corporation and political subdivision of the State of West Virginia in Jefferson County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the West Virginia Water Development Authority (the "Authority") or registered assigns the sum of _____ DOLLARS ($_____), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as EXHIBIT A hereto and incorporated herein by reference, in quarterly installments on March 1, June 1, September 1 and December 1 of each year, commencing _____ 1, 20____, as set forth on the "Debt Service Schedule" attached as EXHIBIT B hereto and incorporated herein by reference, with interest on each installment at the rate per annum set forth on said EXHIBIT B. The interest and the SRF Administrative Fee (as defined in the hereinafter described Bond Legislation), on this Bond shall also be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing _____ 1, 20____, as set forth on EXHIBIT B attached hereto.

Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent"). The interest on this Bond is payable by check or draft of the Paying Agent mailed to the registered owner hereof at the address as it appears on the books of One Valley Bank, National Association, Charleston, West Virginia, as registrar (the "Registrar"), on the 15th day of the month next preceding an interest payment date, or by such other method as shall be mutually agreeable so long as the Authority is the registered owner hereof.

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and the West Virginia Division of Environmental Protection (the "DEP"), and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement by and among the Issuer, the Authority and the DEP dated _____, 2000.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain additions, betterments and improvements to the sewerage portion of the existing public combined waterworks and sewerage system of the Issuer (the "Project"); (ii) to fund a reserve account for the Bonds of this Series (the "Bonds"); and (iii) to pay certain costs of issuance of the Bonds and related costs. The existing public combined waterworks and sewerage system of the Issuer, the Project, and any further extensions, additions, betterments or improvements thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 8, Article 20 and Chapter 22C, Article 2 of the West Virginia Code of 1931, as amended (the "Act"), and a Bond Ordinance duly enacted by the Issuer on _____, 20____, and a Supplemental Resolution duly adopted by the Issuer on _____, 20____ (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE ISSUER'S (1) COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1987 B, DATED NOVEMBER 18, 1987, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $413,629 (THE "SERIES 1987 B BONDS"), (2) COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1988 B-1, DATED MAY 4, 1988, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $295,916 (THE "SERIES 1988 B-1 BONDS"), (3) COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1988 B-2, DATED MAY 20, 1988, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $558,000 (THE "SERIES 1988 B-2 BONDS"), (4) COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1989 B, DATED APRIL 13, 1989, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $117,480 (THE "SERIES 1989 B BONDS"), (5) COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS, SERIES 1998, DATED MAY 15, 1998, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT

OF $10,355,000 (THE "SERIES 1998 REFUNDING BONDS"), AND (6) COMBINED WATERWORKS AND SEWERAGE SYSTEM DESIGN REVENUE BONDS, SERIES 1998 (WEST VIRGINIA SRF PROGRAM), DATED SEPTEMBER 29, 1998, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $437,601 (THE "SERIES 1998 DESIGN BONDS").

THE SERIES 1987 B BONDS, THE SERIES 1988 B-1 BONDS, THE SERIES 1988 B-2 BONDS, THE SERIES 1989 B BONDS, THE SERIES 1998 REFUNDING BONDS AND THE SERIES 1998 DESIGN BONDS ARE HEREINAFTER COLLECTIVELY CALLED THE "PRIOR BONDS."

This Bond is payable only from and secured by a pledge of the Gross Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, on a parity with the pledge of Gross Revenues in favor of the holders of the Prior Bonds, and from moneys in the reserve account created under the Bond Legislation for the Bonds (the "Series 2000 A Bonds Reserve Account"), and unexpended proceeds of the Bonds. Such Gross Revenues shall be sufficient to pay all operating expenses of the System and the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, nor shall the Issuer be obligated to pay the same or the interest hereon, except from said special fund provided from the Gross Revenues, the moneys in the Series 2000 A Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest on the Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with or junior to the Bonds, including the Prior Bonds; provided however, that so long as there exists in the Series 2000 A Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest, which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding prior to or on a parity with or junior to the Bonds, including the Prior Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Bond Legislation, only upon the books of the Registrar by the registered owner, or by its attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or its attorney duly authorized in writing.

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

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

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

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

IN WITNESS WHEREOF, the CITY OF CHARLES TOWN has caused this Bond to be signed by its Mayor and City Manager and its corporate seal to be hereunto affixed and attested by its City Clerk, and has caused this Bond to be dated _____, 2000.

[SEAL]

_____
Mayor

_____
City Manager

ATTEST:

_____
City Clerk

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 2000 A Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: _____, 2000.

ONE VALLEY BANK, NATIONAL
ASSOCIATION, as Registrar

By _____
Its Authorized Officer

EXHIBIT A

RECORD OF ADVANCES

	AMOUNT	DATE		AMOUNT	DATE
(1)	$		(19)	$	
(2)	$		(20)	$	
(3)	$		(21)	$	
(4)	$		(22)	$	
(5)	$		(23)	$	
(6)	$		(24)	$	
(7)	$		(25)	$	
(8)	$		(26)	$	
(9)	$		(27)	$	
(10)	$		(28)	$	
(11)	$		(29)	$	
(12)	$		(30)	$	
(13)	$		(31)	$	
(14)	$		(32)	$	
(15)	$		(33)	$	
(16)	$		(34)	$	
(17)	$		(35)	$	
(18)	$		(36)	$	

TOTAL $_____

EXHIBIT B

DEBT SERVICE SCHEDULE

(Form of)

ASSIGNMENT

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

Dated: _____, _____.

_____

In the presence of:

_____

Section 3.11. Sale of Bonds; Approval and Ratification of Execution of Loan Agreement. The Series 2000 A Bonds shall be sold to the Authority, pursuant to the terms and conditions of the Loan Agreement. If not so authorized by previous ordinance or resolution, the Mayor is specifically authorized and directed to execute the Loan Agreement in the form attached hereto as "Exhibit A" and made a part hereof, and the City Clerk is directed to affix the seal of the Issuer, attest the same and deliver the Loan Agreement to the Authority, and any such prior execution and delivery is hereby authorized, approved, ratified and confirmed. The Loan Agreement, including all schedules and exhibits attached thereto, is hereby approved and incorporated into this Bond Legislation.

Section 3.12. "Amended Schedule A" Filing. Within 60 days following the Completion Date, the Issuer will file with the Authority and the DEP a schedule, the form of which will be provided by the DEP, setting forth the actual costs of the Project and sources of funds therefor.

ARTICLE IV

[RESERVED]

ARTICLE V

FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

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

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

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

(3) Series 2000 A Bonds Construction Trust Fund; and

(4) Rebate Fund (established by the Prior Ordinances).

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

(1) Series 2000 A Bonds Sinking Fund; and

(a) Within the Series 2000 A Bonds Sinking Fund, the Series 2000 A Bonds Reserve Account.

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

(1) The Issuer shall first, on the first day of each month, transfer from the Revenue Fund and, simultaneously remit to the Commission, (i) the

amounts required by the Prior Ordinances to be deposited in the Prior Bonds Sinking Funds for payment of interest on the Prior Bonds and (ii) commencing 3 months prior to the first date of payment of interest on the Series 2000 A Bonds for which interest has not been capitalized or as required in the Loan Agreement, for deposit in the Series 2000 A Bonds Sinking Fund, an amount equal to 1/3rd of the amount of interest which will become due on the Series 2000 A Bonds on the next ensuing quarterly interest payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 2000 A Bonds Sinking Fund and the next quarterly interest payment date is less than 3 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next quarterly interest payment date, the required amount of interest coming due on such date.

(2) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and, simultaneously remit to the Commission, (i) the amounts required by the Prior Ordinances to be deposited in the Prior Bonds Sinking Funds and Redemption Accounts for payment of principal of the Prior Bonds and (ii) commencing 3 months prior to the first date of payment of principal of the Series 2000 A Bonds, for deposit in the Series 2000 A Bonds Sinking Fund, an amount equal to 1/3rd of the amount of principal which will mature and become due on the Series 2000 A Bonds on the next ensuing quarterly principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 2000 A Bonds Sinking Fund and the next quarterly principal payment date is less than 3 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next quarterly principal payment date, the required amount of principal coming due on such date.

(3) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and, simultaneously remit to the Commission, (i) the amounts required by the Prior Ordinances to be deposited in the Prior Bonds Reserve Accounts and (ii) commencing 3 months prior to the first date of payment of principal of the Series 2000 A Bonds, if not fully funded upon issuance of the Series 2000 A Bonds, for deposit in the Series 2000 A Bonds Reserve Account, an amount equal to 1/120 of the Series 2000 A Bonds Reserve Requirement; provided, that no further payments shall be made into the Series 2000 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 2000 A Bonds Reserve Requirement.

(4) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund an amount sufficient to pay current Operating Expenses of the System.

(5) The Issuer shall next, on the first day of each month, transfer from the moneys remaining in the Revenue Fund and remit to the Depository Bank for deposit in the Renewal and Replacement Fund (as previously set forth in the Prior Ordinances and not in addition thereto), a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any Reserve Account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII hereof. Subject to the restrictions contained in the Prior Ordinances so long as the Prior Bonds are outstanding, withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency repairs, or improvements or extensions to the System; provided, that any deficiency in any Reserve Account, except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof, shall be promptly eliminated with moneys from the Renewal and Replacement Fund.

Moneys in the Series 2000 A Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest, if any, on the Series 2000 A Bonds as the same shall become due. Moneys in the Series 2000 A Bonds Reserve Account shall be used only for the purpose of paying principal of and interest, if any, on the Series 2000 A Bonds, as the same shall come due, when other moneys in the Series 2000 A Bonds Sinking Fund are insufficient therefor, and for no other purpose.

All investment earnings on moneys in the Series 2000 A Bonds Sinking Fund and the Series 2000 A Bonds Reserve Account shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payment, if any, due on the Series 2000 A Bonds and then to the next ensuing principal payment due thereon.

Any withdrawals from the Series 2000 A Bonds Reserve Account which result in a reduction in the balance of the Series 2000 A Bonds Reserve Account to below the Series 2000 A Bonds Reserve Requirement shall be subsequently restored from the first Gross Revenues available after all required payments have been made in full in the order set forth above.

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

The Issuer shall not be required to make any further payments into the Series 2000 A Bonds Sinking Fund or into the Series 2000 A Bonds Reserve Account therein when the aggregate amount of funds in said Sinking Fund and Reserve Account are at least equal to the aggregate principal amount of the Series 2000 A Bonds issued pursuant to this Bond Legislation then Outstanding and all interest to accrue until the maturity thereof.

Principal and interest payments, and any payments made for the purpose of funding any Reserve Account, whether for a deficiency or otherwise, shall be made on a parity basis and pro rata with respect to the Prior Bonds and Series 2000 A Bonds, in accordance with the respective principal amounts then Outstanding.

The Commission is hereby designated as the fiscal agent for the administration of the Series 2000 A Bonds Sinking Fund and the Series 2000 A Bonds Reserve Account created hereunder, and all amounts required for said Sinking Fund and Reserve Account shall be remitted to the Commission from the Revenue Fund by the Issuer at the times provided herein. If required by the Authority at anytime, the Issuer shall make the necessary arrangements whereby required payments into the Series 2000 A Bonds Sinking Fund and the Series 2000 A Bonds Reserve Account shall be automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates required hereunder.

Moneys in the Series 2000 A Bonds Sinking Fund and the Series 2000 A Bonds Reserve Account shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The Series 2000 A Bonds Sinking Fund, including the Series 2000 A Bonds Reserve Account therein, shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 2000 A Bonds and any additional Bonds ranking on a parity therewith that may be issued and Outstanding under the conditions and restrictions hereinafter set forth.

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

C. The Issuer shall on the first day of each month (if the first day is not a business day, then the first business day of each month), deposit with the Commission the required interest, principal and reserve account payments with respect to the Series 2000 A Bonds and all such payments shall be remitted to the Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of

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

D. The Issuer shall complete the "Monthly Payment Form," a form of which is attached to the Loan Agreement as Exhibit F, and submit a copy of said form along with a copy of its payment check to the Authority by the 5th day of each calendar month.

E. The Issuer shall on the first day of each month (if the first day is not a business day, then the first business day of each month), deposit with the Commission the SRF Administrative Fee as set forth in the Schedule Y attached to the Loan Agreement.

F. The Issuer shall remit from the Revenue Fund to the Commission, the Registrar, the Paying Agent or the Depository Bank, on such dates as the Commission, the Registrar, the Paying Agent or the Depository Bank, as the case may be, shall require, such additional sums as shall be necessary to pay their respective charges and fees then due. In the case of payments to the Commission under this paragraph, the Issuer shall, if required by the Authority at anytime, make the necessary arrangements whereby such required payments shall be automatically deducted from the Revenue Fund and transferred to the Commission on the dates required.

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

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

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

ARTICLE VI

BOND PROCEEDS

Section 6.01. Application of Bond Proceeds; Pledge of Unexpended Bond Proceeds. From the moneys received from the sale of the Series 2000 A Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Series 2000 A Bonds, there shall first be deposited with the Commission in the Series 2000 A Bonds Sinking Fund, the amount, if any, set forth in the Supplemental Resolution as capitalized interest.

B. Next, from the proceeds of the Series 2000 A Bonds, there shall be deposited with the Commission in the Series 2000 A Bonds Reserve Account, the amount, if any, set forth in the Supplemental Resolution for funding the Series 2000 A Bonds Reserve Account.

C. As the Issuer receives advances of the remaining moneys derived from the sale of the Series 2000 A Bonds, such moneys shall be deposited with the Depository Bank in the Series 2000 A Bonds Construction Trust Fund and applied solely to payment of costs of the Project in the manner set forth in Section 6.02 hereof and until so transferred or expended, are hereby pledged as additional security for the Series 2000 A Bonds.

D. After completion of acquisition and construction of the Project, as certified by the Consulting Engineers, and all costs have been paid, any remaining proceeds of the Series 2000 A Bonds shall be used to fund the Series 2000 A Bonds Reserve Account, if not funded upon issuance of the Series 2000 A Bonds, in an amount not to exceed the Series 2000 A Bonds Reserve Requirement; provided that, in no event shall more than 10% of the proceeds of the Series 2000 A Bonds be deposited in the Series 2000 A Bonds Reserve Account.

Section 6.02. Disbursements From the Bond Construction Trust Fund. On or before the Closing Date, the Issuer shall have delivered to the Authority and the DEP a report listing the specific purposes for which the proceeds of the Series 2000 A Bonds will be expended and the disbursement procedures for such proceeds, including an estimated monthly draw schedule. Payments for Costs of the Project shall be made monthly.

Except as provided in Section 6.01 hereof, disbursements from the Series 2000 A Bonds Construction Trust Fund shall be made only after submission to, and approval from, the Authority and the DEP of the following:

(1) a completed and signed "Payment Requisition Form," a form of which is attached to the Loan Agreement as Exhibit C, in compliance with the construction schedule, and

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

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

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

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

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

Pending such application, moneys in the Series 2000 A Bonds Construction Trust Fund, including any accounts therein, shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01. General Covenants of the Issuer. All the covenants, agreements and provisions of this Bond Legislation shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Series 2000 A Bonds. In addition to the other covenants, agreements and provisions of this Bond Legislation, the Issuer hereby covenants and agrees with the Holders of the Series 2000 A Bonds as hereinafter provided in this Article VII. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of the Series 2000 A Bonds or the interest thereon is Outstanding and unpaid.

Section 7.02. Bonds not to be Indebtedness of the Issuer. The Series 2000 A Bonds shall not be nor constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness, but shall be payable solely from the funds pledged for such payment by this Bond Legislation. No Holder or Holders of the Series 2000 A Bonds, shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Series 2000 A Bonds or the interest thereon.

Section 7.03. Bonds Secured by Pledge of Gross Revenues; Lien Position with respect to Prior Bonds. The payment of the debt service of the Series 2000 A Bonds issued hereunder shall be secured forthwith equally and ratably by a first lien on the Gross Revenues derived from the operation of the System, on a parity with the lien on the Gross Revenues in favor of the Holders of the Prior Bonds. Such Gross Revenues, in an amount sufficient to pay the principal of and interest on the Prior Bonds and the Series 2000 A Bonds and to make the payments into all funds and accounts and all other payments provided for in the Bond Legislation, are hereby irrevocably pledged, in the manner provided herein, to such payments as they become due, and for the other purposes provided in the Bond Legislation.

Section 7.04. Rates and Charges. The Issuer has obtained any and all approvals of rates and charges required by State law and has taken any other action required to establish and impose such rates and charges , with all requisite appeal periods having expired without successful appeal. Such rates and charges shall be sufficient to comply with the requirements of the Loan Agreement. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth in the sewer rate ordinance of the Issuer enacted on September 7, 1999, and the water rate ordinance of the Issuer enacted July 17, 1995, which rates are incorporated herein by reference as a part hereof.

So long as the Series 2000 A Bonds are outstanding, the Issuer covenants and agrees to fix and collect rates, fees and other charges for the use of the System and to take all such actions necessary to provide funds sufficient to produce the required sums set forth

in the Bond Legislation and in compliance with the Loan Agreement. In the event the schedule of rates and charges initially established for the System in connection with the Series 2000 A Bonds shall prove to be insufficient to produce the required sums set forth in this Bond Legislation and the Loan Agreement, the Issuer hereby covenants and agrees that it will, to the extent or in the manner authorized by law, immediately adjust and increase such schedule of rates, fees and charges and take all such actions necessary to provide funds sufficient to produce the required sums set forth in this Bond Legislation and the Loan Agreement.

Section 7.05. Sale of the System. So long as the Prior Bonds are outstanding, the Issuer shall not sell, mortgage, lease or otherwise dispose of or encumber the System, or any part thereof, except as provided in the Prior Ordinances and with the written consent of the Authority and the DEP. Additionally, so long as the Series 2000 A Bonds are outstanding and except as otherwise required by law or with the written consent of the Authority and the DEP, the System may not be sold, mortgaged, leased or otherwise disposed of, except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Bonds Outstanding in accordance with Article X hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Series 2000 A Bonds, immediately be remitted to the Commission for deposit in the Series 2000 A Bonds Sinking Fund, and, with the written permission of the Authority, or in the event the Authority is no longer a Bondholder, the Issuer shall direct the Commission to apply such proceeds to the payment of principal of and interest, if any, on the Series 2000 A Bonds as prescribed by Section 10.01 hereof. Any balance remaining after the payment of the Bonds and the interest, if any, thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

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

lease or other disposition of such property upon public bidding. The proceeds derived from any such sale, lease or other disposition of such property, aggregating during such Fiscal Year in excess of $10,000 and not in excess of $50,000, shall, with the written consent of the Authority, be remitted by the Issuer to the Commission for deposit in the Sinking Funds and shall be applied only to the purchase of Bonds of the last maturities then Outstanding at prices not greater than the par value thereof plus 3% of such par value. Such payment of such proceeds into the Sinking Funds or the Renewal and Replacement Fund shall not reduce the amounts required to be paid into said funds by other provisions of this Bond Legislation.

No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, shall be in excess of $50,000 and insufficient to pay all Bonds then Outstanding, without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of over 50% in amount of all Bonds then Outstanding. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 7.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. Except as provided for in Section 7.07 hereof, the Issuer shall not issue any other obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Series 2000 A Bonds and the Prior Bonds. All obligations issued by the Issuer after the issuance of the Series 2000 A Bonds and payable from the revenues of the System, except such additional parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on and source of and security for payment from such revenues and in all other respects, to the Series 2000 A Bonds and the Prior Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into all funds and accounts established by this Bond Legislation and the Prior Ordinances at the time of the issuance of such subordinate obligations have been made and are current.

Except as provided above, the Issuer shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or being on a parity with the lien of the Series 2000 A Bonds and the Prior Bonds, and the interest thereon, upon any of the income and revenues of the System pledged for payment of the Series 2000 A Bonds and the Prior Bonds and the interest thereon in this Bond Legislation, or upon the System or any part thereof.

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

System or from any grants for the Project, or any other obligations related to the Project or the System.

Section 7.07. Parity Bonds. So long as the Prior Bonds are outstanding, the limitations on the issuance of parity obligations set forth in the Prior Ordinances shall be applicable. Additionally, no Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of the Series 2000 A Bonds pursuant to this Bond Legislation, without the prior written consent of the Authority and the DEP and without complying with the conditions and requirements herein provided (unless less restrictive than the provisions of the Prior Ordinances).

All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 2000 A Bonds.

No such Parity Bonds shall be issued except for the purpose of financing the costs of acquisition or construction of additions, extensions, improvements or betterments to the System or refunding the Series 2000 A Bonds or the Prior Bonds issued pursuant hereto, or both such purposes.

No Parity Bonds shall be issued at any time, however, unless and until there has been procured and filed with the City Clerk 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 12 consecutive months within the 18 months immediately preceding the date of the actual issuance of such Parity Bonds, plus the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the date of issuance of such Parity Bonds, shall be not less than 115% of the largest aggregate amount that will mature and become due in any succeeding Fiscal Year for principal of and interest on the following:

(1) The Bonds then Outstanding;

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

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

The "estimated average increased annual Net Revenues expected to be received in each of the 3 succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from the improvements to be financed by such Parity Bonds and any increase in rates enacted by the Issuer, the time for appeal of which shall have expired (without successful appeal) prior to the issuance of such Parity Bonds, and shall not exceed the amount to be stated in a

certificate of the Independent Certified Public Accountants, which shall be filed in the office of the City Clerk prior to the issuance of such Parity Bonds.

The Net Revenues actually derived from the System during the 12 consecutive month period hereinabove referred to may be adjusted by adding to such Net Revenues such additional Net Revenues which would have been received, in the opinion of the Consulting Engineers and the Independent Certified Public Accountants, as stated in a certificate jointly made and signed by the Consulting Engineers and the Independent Certified Public Accountants, on account of increased rates, rentals, fees and charges for the System enacted by the Issuer, the time for appeal of which shall have expired (without successful appeal) prior to issuance of such Parity Bonds.

All covenants and other provisions of this Bond Legislation (except as to details of such Parity Bonds inconsistent herewith) shall be for the equal benefit, protection and security of the Holders of the Series 2000 A Bonds and the Holders of any Parity Bonds subsequently issued from time to time within the limitations of and in compliance with this section and the Prior Ordinances. All such Bonds, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the Gross Revenues of the System, and their source of and security for payment from said Gross Revenues, without preference of any Bond over any other. The Issuer shall comply fully with all the increased payments into the various funds and accounts created in this Bond Legislation required for and on account of such Parity Bonds, in addition to the payments required for Bonds theretofore issued pursuant to this Bond Legislation.

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on the revenues of the System is subject to the prior and superior lien of the Series 2000 A Bonds on such revenues. The Issuer shall not issue any obligations whatsoever payable from revenues of the System, or any part thereof, which rank prior to or, except in the manner and under the conditions provided in this section, equally, as to lien on and source of and security for payment from such revenues, with the Series 2000 A Bonds.

No additional Parity Bonds shall be issued at any time, however, unless all of the payments into the respective funds and accounts provided for in this Bond Legislation and the Prior Ordinances with respect to the Bonds then Outstanding, and any other payments provided for in this Bond Legislation and the Prior Ordinances, shall have been made in full as required to the date of delivery of the Parity Bonds, and the Issuer then be in full compliance with all the covenants, agreements and terms of this Bond Legislation and the Prior Ordinances and every ordinance supplemental thereto, or shall have fully corrected any delinquency or deficiency in such payments and compliance.

Section 7.08. Books; Records and Audit. The Issuer shall keep complete and accurate records of the cost of acquiring the Project site and the costs of acquiring,

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

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

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

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

The Issuer shall file with the Authority and the DEP, or any other original purchaser of the Series 2000 A Bonds, and shall mail in each year to any Holder or Holders of the Series 2000 A Bonds requesting the same, an annual report containing the following:

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

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

(C) The amount of any Bonds, notes or other obligations payable from the revenues of the System outstanding.

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants in compliance with the applicable OMB Circular, or any successor thereto, and the Single Audit Act, or any successor thereto, to the extent legally required, and shall mail upon request, and make available generally, the report of said Independent Certified Public Accountants, or a summary thereof, to any Holder or Holders of the Series 2000 A Bonds and shall submit said report to the Authority and the DEP, or any other original purchaser of the Series 2000 A Bonds. Such audit report submitted to the Authority and the DEP shall include a statement that the Issuer is in compliance with the terms and provisions of the Loan Agreement, the Act and this Bond Legislation and that the revenues of the System are adequate to meet the Issuer's Operating Expenses and debt service and reserve requirements.

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

The Issuer shall provide the DEP with all appropriate documentation to comply with any special conditions established by federal and/or state regulations as set forth in Exhibit E of the Loan Agreement or as promulgated from time to time.

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

Section 7.09. Rates. Prior to the issuance of the Series 2000 A Bonds, equitable rates or charges for the use of and service rendered by the System have been established all in the manner and form required by law, and copies of the rates and charges so established will be continuously on file with the City Clerk, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from said System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created (or, where appropriate, continued) hereunder. Such schedule of rates and charges shall be changed and readjusted

whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest, if any, on the Series 2000 A Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with or junior to the Series 2000 A Bonds, including the Prior Bonds; provided that, in the event that amounts equal to or in excess of the reserve requirements are on deposit respectively in the Series 2000 A Bonds Reserve Account and any reserve accounts for obligations prior to or on a parity with or junior to the Series 2000 A Bonds, including the Prior Bonds, are funded at least at the requirement therefor, such balance each year need only equal at least 110% of the maximum amount required in any year for payment of principal of and interest, if any, on the Series 2000 A Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with or junior to the Series 2000 A Bonds, including the Prior Bonds. In any event, subject to any requirements of law, the Issuer shall not reduce the rates or charges for services set forth in the rate ordinance described in Section 7.04 hereof.

Section 7.10. Operating Budget and Monthly Financial Report. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year and shall submit a copy of such budget to the Authority and the DEP within 30 days of adoption thereof. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget until the Issuer shall have approved such additional expenditures by a resolution duly adopted. No increased expenditures in excess of 10% of the amount of such budgetar shall be made except upon the certificate by a professional engineer, that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Authority, the DEP and to any Holder of any Bonds who shall file his or her address with the Issuer and request in writing that copies of all such budgets and resolutions be furnished him or her, within 30 days of adoption thereof, and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to any Holder of any Bonds, or anyone acting for and in behalf of such Holder of any Bonds.

Commencing on the date contracts are executed for the acquisition and construction of the Project and for two years following the completion of the Project, the Issuer shall each month complete a "Monthly Financial Report," a form of which is attached

to the Loan Agreement as Exhibit B, and forward a copy of such report to the Authority and the DEP by the 10th day of each month.

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

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

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

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

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

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

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

Whenever any fees, rates, rentals or other charges for the services and facilities of the System shall remain unpaid for a period of 30 days after the same shall become due and payable, the property and the owner thereof, as well as the user of the services and facilities, shall be delinquent until such time as all such rates and charges are fully paid. To the extent authorized by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, rates, rentals and other charges, if not paid when due, shall become a lien on the premises served by the System. The Issuer further covenants and agrees that, it will, to the full extent permitted by law and the rules and regulations promulgated by the Public Service Commission of West Virginia, discontinue and shut off the services of the System, to all users of the services of the System delinquent in payment of charges for the services of the System and will not restore such services of either system until all delinquent charges for the services of the System, plus reasonable interest and penalty charges for the restoration of service, have been fully paid and shall take all further actions to enforce collections to the maximum extent permitted by law.

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

Section 7.15. Insurance and Construction Bonds. A. The Issuer hereby covenants and agrees that so long as the Series 2000 A Bonds remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance with a reputable insurance carrier or carriers as is customarily covered with respect to works and properties similar to the System. Such insurance shall initially cover the following risks and be in the following amounts:

(1) FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE, on all above-ground insurable portions of the System in an amount equal to the actual

cost thereof. In time of war the Issuer will also carry and maintain insurance to the extent available against the risks and hazards of war. In the event of any damage to or destruction of any portion of the System, the proceeds of all such insurance policies shall be placed in the Renewal and Replacement Fund and used only for the repairs and restoration of the damaged or destroyed properties or for the other purposes provided herein for the Renewal and Replacement Fund. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance (fire and extended coverage) to protect the interests of the Issuer, the Authority, the prime contractor and all subcontractors as their respective interests may appear, in accordance with the Loan Agreement, during construction of the Project on a 100% basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Authority, the Issuer, the contractors and subcontractors, as their interests may appear.

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

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

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

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

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

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

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

Section 7.16. Mandatory Connections. The mandatory use of the sewerage facilities portion of the System is essential and necessary for the protection and preservation of the public health, comfort, safety, convenience and welfare of the inhabitants and residents of, and the economy of, the Issuer and in order to assure the rendering harmless of sewage and water-borne waste matter produced or arising within the territory served by the System. Accordingly, every owner, tenant or occupant of any house, dwelling or building located near the System, where sewage will flow by gravity or be transported by such other methods approved by the State Division of Health from such house, dwelling or building into the System, to the extent permitted by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, shall connect with and use the System and shall cease the use of all other means for the collection, treatment and disposal of sewage and waste matters from such house, dwelling or building where there is such gravity flow or transportation by such other method approved by the State Division of Health and such house, dwelling or building can be adequately served by the System, and every such owner, tenant or occupant shall, after a 30-day notice of the availability of the System, pay the rates and charges established therefor.

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

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

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

Section 7.18. Compliance with Loan Agreement and Law. The Issuer shall perform, satisfy and comply with all the terms and conditions of the Loan Agreement and the Act. Notwithstanding anything herein to the contrary, the Issuer will provide the DEP with copies of all documents submitted to the Authority.

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

Section 7.19. Tax Covenants. The Issuer hereby further covenants and agrees as follows:

A. PRIVATE BUSINESS USE LIMITATION. The Issuer shall assure that (i) not in excess of 10% of the Net Proceeds of the Series 2000 A Bonds are used for Private Business Use if, in addition, the payment of more than 10% of the principal or 10% of the interest due on the Series 2000 A Bonds during the term thereof is, under the terms of the Series 2000 A Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for a Private Business Use or in payments in respect of property used or to be used for a Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for a Private Business Use; and (ii) and that, in the event that both (A) in excess of 5% of the Net Proceeds of the Series 2000 A Bonds are used for a Private Business Use, and (B) an amount in excess of 5% of the principal or 5% of the interest due on the Series 2000 A Bonds during the term thereof is, under the terms of the Series 2000 A Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for said Private Business Use or in payments in respect of property used or to be used for said Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for said Private Business Use, then said excess over said 5% of Net Proceeds of the Series 2000 A Bonds used for a Private Business Use shall be used for a Private Business Use related to the governmental use of the Project, or if the Series 2000 A Bonds are for the purpose of financing more than one project, a portion of the Project, and shall not exceed the proceeds used for the governmental use of that portion of the Project to which such Private Business Use is related, all of the foregoing to be determined in accordance with the Code.

B. PRIVATE LOAN LIMITATION. The Issuer shall assure that not in excess of 5% of the Net Proceeds of the Series 2000 A Bonds are used, directly or indirectly, to make or finance a loan (other than loans constituting Nonpurpose Investments) to persons other than state or local government units.

C. FEDERAL GUARANTEE PROHIBITION. The Issuer shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Series 2000 A Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

D. INFORMATION RETURN. If required, the Issuer shall file all statements, instruments and returns necessary to assure the tax-exempt status of the Series 2000 A Bonds and the interest, if any, thereon, including, without limitation, the information return required under Section 149(e) of the Code.

E. FURTHER ACTIONS. The Issuer shall take any and all actions that may be required of it (including, without limitation, those deemed necessary by the Authority) so that the interest, if any, on the Series 2000 A Bonds will be and remain excludable from gross income for federal income tax purposes, and shall not take any actions, or fail to take any actions (including, without limitation, those deemed necessary by the Authority), the result of which would adversely affect such exclusion.

Section 7.21. Statutory Mortgage Lien. For the further protection of the Holders of the Series 2000 A Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, shall take effect immediately upon delivery of the Series 2000 A Bonds and shall be on a parity with the statutory mortgage lien in favor of the Holders of the Prior Bonds.

Section 7.22. Contracts; Public Releases. A. The Issuer shall, simultaneously with the delivery of the Series 2000 A Bonds or immediately thereafter, enter into written contracts for the immediate acquisition or construction of the Project.

B. The Issuer shall submit all proposed change orders to the DEP for written approval. The Issuer shall obtain the written approval of the DEP before expending any proceeds of the Series 2000 A Bonds held in "contingency" as set forth in the schedule attached to the Certificate of the Consulting Engineer. The Issuer shall also obtain the written approval of the DEP before expending any proceeds of the Series 2000 A Bonds made available due to bid or construction or project underruns.

C. The Issuer shall list the funding provided by the DEP and the Authority in any press release, publication, program bulletin, sign or other public communication that

references the Project, including but not limited to any program document distributed in conjunction with any ground breaking or dedication of the Project.

ARTICLE VIII

INVESTMENT OF FUNDS; USE OF PROCEEDS

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

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

The Depository Bank shall keep complete and accurate records of all funds, accounts and investments, and shall distribute to the Issuer, at least once each year, or more often as reasonably requested by the Issuer, a summary of such funds, accounts and investment earnings. The Issuer shall retain all such records and any additional records with respect to such funds, accounts and investment earnings so long as any of the Series 2000 A Bonds are Outstanding and as long thereafter as necessary to comply with the Code and assure the exclusion of interest, if any, on the Series 2000 A Bonds from gross income for federal income tax purposes.

Section 8.02. Small Issuer Exemption from Rebate. In accordance with Section 148(f)(4)(D) of the Code, the Issuer covenants that it is a governmental unit with general taxing powers; that no part of the Series 2000 A Bonds are private activity bonds; that 95% or more of the Net Proceeds of the Series 2000 A Bonds are to be used for local governmental activities of the Issuer (or of a governmental unit the jurisdiction of which is entirely within the jurisdiction of the Issuer); and that the aggregate face amount of all the

tax-exempt obligations (other than private activity bonds) issued by the Issuer during the calendar year in which the Series 2000 A Bonds are issued does not and will not exceed $5,000,000, determined in accordance with Section 148(f)(4)(D) of the Code and the Regulations from time to time in effect and applicable to the Series 2000 A Bonds. For purposes of this first paragraph of Section 8.03 and for purposes of applying Section 148(f)(4)(D) of the Code, the Issuer and all entities which issue obligations on behalf of the Issuer shall be treated as one issuer; all obligations issued by a governmental unit to make loans to other governmental units with general taxing powers not subordinate to such unit shall, for purposes of applying this first paragraph of Section 8.03 and Section 148(f)(4)(D) of the Code, be treated as not issued by such unit; all obligations issued by a subordinate entity shall, for purposes of applying this first paragraph of Section 8.03 and Section 148(f)(4)(D) of the Code to each other entity to which such entity is subordinate, be treated as issued by such other entity; and an entity formed (or, to the extent provided by the Secretary, as set forth in the Code, availed of) to avoid the purposes of such Section 148(f)(4)(D) of the Code and all other entities benefiting thereby shall be treated as one issuer.

Notwithstanding the foregoing, if in fact the Issuer is subject to the rebate requirements of Section 148(f) of the Code, and not exempted from such requirements, the Issuer covenants to make, or cause to be made, all rebate calculations, computations and payments in the time, manner and as required in Section 148(f) of the Code and the Regulations from time to time in effect and applicable to the Series 2000 A Bonds and otherwise covenants and agrees to comply with the provisions of such Section 148(f) of the Code and the Regulations from time to time in effect and applicable to the Series 2000 A Bonds. In the event of a failure to pay the correct rebate amount, the Issuer will pay, from any lawful sources available therefor, to the United States such rebate amount, plus a penalty equal to 50% of the rebate amount not paid when required to be paid, plus interest on that amount, unless waived. In order to provide for the administration of this paragraph, the Issuer may provide for the employment of independent attorneys, accountants and consultants compensated on such reasonable basis as the Issuer may deem appropriate.

The Issuer shall furnish to the Authority, annually, and at such time as it is required to perform its rebate calculations under the Code, a certificate with respect to its rebate calculations and, at any time, any additional information relating thereto as may be requested by the Authority. In addition, the Issuer shall cooperate with the Authority in preparing any required rebate calculations and in all other respects in connection with rebates and hereby consents to the performance of all matters in connection with such rebates by the Authority at the expense of the Issuer.

The Issuer shall submit to the Authority within 15 days following the end of each Bond Year a certified copy of its rebate calculation or, if the Issuer qualifies for the small governmental issue exception to rebate, the Issuer shall submit a certificate stating that it is exempt from the rebate provisions and that no event has occurred to its knowledge during

the Bond Year which would make the Series 2000 A Bonds subject to rebate. The Issuer shall also furnish to the Authority, at any time, such additional information relating to rebate as may be reasonably requested by the Authority, including information with respect to earnings on all funds constituting "gross proceeds" of the Bonds (as such term "gross proceeds" is defined in the Code).

ARTICLE IX

DEFAULT AND REMEDIES

Section 9.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Series 2000 A Bonds:

(1) If default occurs in the due and punctual payment of the principal of or interest on the Series 2000 A Bonds; or

(2) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Series 2000 A Bonds set forth in this Bond Legislation, any supplemental resolution or in the Series 2000 A Bonds, and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Commission, the Depository Bank, the Registrar, the Paying Agent or any other Paying Agent or a Holder of a Bond; or

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

(4) If default occurs with respect to the Prior Bonds or the Prior Ordinances.

Section 9.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of a Bond may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his or her rights and, in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Registered Owners including the right to require the Issuer to perform its duties under the Act and the Bond Legislation relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Bonds; (iv) by action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Registered Owners of the Bonds, and (v) by action or bill in equity enjoin any acts in violation of the Bond Legislation with respect to the Bonds, or the rights of such Registered Owners; provided that, all rights and remedies of the Holders of the Series 2000 A Bonds shall be on a parity with those of the Holders of the Prior Bonds.

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

commencement of operation of the System, the making and collection of sufficient rates and charges for services rendered by the System and segregation of the revenues therefrom and the application thereof. If there be any Event of Default with respect to the Series 2000 A Bonds, any Registered Owner of a Bond shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System or to complete the acquisition and construction of the Project on behalf of the Issuer, with the power to charge rates, rentals, fees and other charges sufficient to provide for the payment of Operating Expenses of the System, the payment of the Bonds and interest and the deposits into the funds and accounts hereby established, and to apply such rates, rentals, fees, charges or other revenues in conformity with the provisions of this Bond Legislation and the Act.

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

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

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

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

Legislation, and the title to and ownership of said System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, assign, mortgage or otherwise dispose of any assets of the System.

ARTICLE X

PAYMENT OF BONDS

Section 10.01. Payment of Bonds. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of the Series 2000 A Bonds, the principal of and interest, if any, due or to become due thereon at the times and in the manner stipulated therein and in this Bond Legislation, then the pledge of Gross Revenues and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 2000 A Bonds shall thereupon cease, terminate and become void and be discharged and satisfied, except as may otherwise be necessary to assure the exclusion of interest, if any, on the Series 2000 A Bonds from gross income for federal income tax purposes.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Amendment or Modification of Bond Legislation. Prior to issuance of the Series 2000 A Bonds, this Ordinance may be amended or supplemented in any way by the Supplemental Resolution. Following issuance of the Series 2000 A Bonds, no material modification or amendment of this Ordinance, or of any ordinance, resolution or order amendatory or supplemental hereto, that would materially and adversely affect the rights of Registered Owners of the Series 2000 A Bonds shall be made without the consent in writing of the Registered Owners of the Series 2000 A Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of any Bond or Bonds or the rate of interest, if any, thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest, if any, out of the funds herein 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 the Series 2000 A Bonds required for consent to the above-permitted amendments or modifications. Notwithstanding the foregoing, this Bond Legislation may be amended without the consent of any Bondholder as may be necessary to assure compliance with Section 148(f) of the Code relating to rebate requirements or otherwise as may be necessary to assure the exclusion of interest, if any, on the Series 2000 A Bonds from gross income of the holders thereof.

Section 11.02. Bond Legislation Constitutes Contract. The provisions of the Bond Legislation shall constitute a contract between the Issuer and the Registered Owners of the Series 2000 A Bonds, and no change, variation or alteration of any kind of the provisions of the Bond Legislation shall be made in any manner, except as in this Bond Legislation provided.

Section 11.03. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Ordinance should be held invalid by any court of competent jurisdiction, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Ordinance, the Supplemental Resolution or the Series 2000 A Bonds.

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

Section 11.05. Conflicting Provisions Repealed; Prior Ordinances. Except for the Prior Ordinances, all ordinances, orders or resolutions and or parts thereof in conflict with the provisions of this Ordinance are, to the extent of such conflict, hereby repealed,

provided that, in the event of any conflict between this Ordinance and the Prior Ordinances, the Prior Ordinances shall control (unless less restrictive), so long as the Prior Bonds or any portion thereof are Outstanding.

Section 11.06. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the adoption of this Ordinance do exist, have happened, have been performed and have been taken in regular and due time, form and manner as required by and in full compliance with the laws and Constitution of the State of West Virginia applicable thereto; and that the Mayor, the City Manager, the City Clerk and members of the Governing Body were at all times when any actions in connection with this Ordinance occurred and are duly in office and duly qualified for such office.

Section 11.07. Effective Date. This Ordinance shall take effect immediately following public hearing hereon.

Section 11.08. Statutory Notice and Public Hearing. Upon adoption hereof, an abstract of this Ordinance determined by the Governing Body to contain sufficient information as to give notice of the contents hereof shall be published once a week for 2 successive weeks within a period of fourteen consecutive days, with at least 6 full days intervening between each publication, in the Spirit of Jefferson Advocate, a qualified newspaper published and of general circulation in the City of Charles Town, together with a notice stating that this Ordinance has been adopted and that the Issuer contemplates the issuance of the Series 2000 A Bonds, and that any person interested may appear before the Governing Body upon a date certain, not less than ten days subsequent to the date of the first publication of such abstract of this Ordinance and notice, and present protests, and that a certified copy of this Ordinance is on file with the Governing Body for review by interested persons during office hours of the Governing Body. At such hearing, all objections and suggestions shall be heard and the Governing Body shall take such action as it shall deem proper in the premises.

Passed on First Reading:	-	May 15, 2000
Passed on Second Reading:	-	June 5, 2000
Passed on Final Reading Following Public Hearing	-	June 19, 2000

J. Randolph Hilton
Mayor

CL596648.3

CERTIFICATION

Certified a true copy of an Ordinance duly enacted by the Council of the CITY OF CHARLES TOWN on the 19th day of June, 2000.

Dated: June 22, 2000.

[SEAL]

Brenda S Hamilton
City Clerk

05/11/00
144220/99002

CL596648.3

EXHIBIT A

Loan Agreement included in bond transcript as Document No. 3

CITY OF CHARLES TOWN

Combined Waterworks and Sewerage System Revenue Bonds,
Series 2000 A (West Virginia SRF Program)

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNT, DATE, MATURITY DATE, REDEMPTION PROVISIONS, INTEREST RATE, INTEREST AND PRINCIPAL PAYMENT DATES, SALE PRICE AND OTHER TERMS OF THE COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2000 A (WEST VIRGINIA SRF PROGRAM), OF THE CITY OF CHARLES TOWN; APPROVING AND RATIFYING THE LOAN AGREEMENT RELATING TO SUCH BONDS AND THE SALE AND DELIVERY OF SUCH BONDS TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; DESIGNATING A REGISTRAR, PAYING AGENT AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the city council (the "Governing Body") of the City of Charles Town (the "Issuer") has duly and officially adopted and enacted a bond ordinance, effective June 19, 2000 (the "Bond Ordinance"), entitled:

ORDINANCE AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE SEWERAGE PORTION OF THE EXISTING PUBLIC COMBINED WATERWORKS AND SEWERAGE SYSTEM OF THE CITY OF CHARLES TOWN AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE CITY OF NOT MORE THAN $3,500,000 IN AGGREGATE PRINCIPAL AMOUNT OF COMBINED WATERWORKS AND SEWERAGE SYSTEM

REVENUE BONDS, SERIES 2000 A (WEST VIRGINIA SRF PROGRAM); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING A LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

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

WHEREAS, the Bond Ordinance provides for the issuance of Combined Waterworks and Sewerage System Revenue Bonds, Series 2000 A (West Virginia SRF Program), of the Issuer (the "Series 2000 A Bonds"), in the aggregate principal amount not to exceed $3,500,000, and has authorized the execution and delivery of a loan agreement relating to the Series 2000 A Bonds, by and among the Issuer, the West Virginia Water Development Authority (the "Authority") and the West Virginia Division of Environmental Protection (the "DEP") (the "Loan Agreement"), all in accordance with Chapter 8, Article 20 and Chapter 22C, Article 2 of the West Virginia Code of 1931, as amended (collectively, the "Act"); and in the Bond Ordinance it is provided that the form of the Loan Agreement and the exact principal amount, date, maturity date, redemption provisions, interest rate, interest and principal payment dates, sale price and other terms of the Series 2000 A Bonds should be established by a supplemental resolution pertaining to the Series 2000 A Bonds; and that other matters relating to the Series 2000 A Bonds be herein provided for;

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

WHEREAS, the Series 2000 A Bonds are proposed to be purchased by the Authority pursuant to the Loan Agreement; and

WHEREAS, the Governing Body deems it essential and desirable that this supplemental resolution (the "Supplemental Resolution") be adopted, that the Loan Agreement be approved and ratified by the Issuer, that the exact principal amount, the date,

the maturity date, the redemption provisions, the interest rate, the interest and principal payment dates and the sale price of the Series 2000 A Bonds be fixed hereby in the manner stated herein, and that other matters relating to the Series 2000 A Bonds be herein provided for;

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

Section 1. Pursuant to the Bond Ordinance and the Act, this Supplemental Resolution is adopted and there are hereby authorized and ordered to be issued the Combined Waterworks and Sewerage System Revenue Bonds, Series 2000 A (West Virginia SRF Program), of the Issuer, originally represented by a single Bond, numbered AR-1, in the principal amount of $3,163,781. The Series 2000 A Bonds shall be dated the date of delivery thereof, shall finally mature December 1, 2021, and shall bear interest at the rate of 2% per annum. The principal of and the interest on the Series 2000 A Bonds shall be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing March 1, 2002, and ending December 1, 2021, and in the amounts as set forth in the "Schedule Y" attached to the Loan Agreement and incorporated in and made a part of the Series 2000 A Bonds. The Series 2000 A Bonds shall be subject to redemption upon the written consent of the Authority and the DEP, and upon payment of the interest and redemption premium, if any, and otherwise in compliance with the Loan Agreement, so long as the Authority shall be the registered owner of the Series 2000 A Bonds. The Issuer does hereby approve and shall pay the SRF Administrative Fee equal to 1% of the principal amount of the Series 2000 A Bonds set forth in the "Schedule Y" attached to the Loan Agreement.

Section 2. All other provisions relating to the Series 2000 A Bonds and the text of the Series 2000 A Bonds shall be in substantially the form provided in the Bond Ordinance.

Section 3. The Issuer does hereby authorize, approve, ratify and accept the Loan Agreement, a copy of which is incorporated herein by reference, and the execution and delivery of the Loan Agreement by the Mayor, and the performance of the obligations contained therein, on behalf of the Issuer, are hereby authorized, directed, ratified and approved. The Issuer hereby affirms all covenants and representations made in the Loan Agreement and in the application to the DEP and the Authority. The price of the Series 2000 A Bonds shall be 100% of par value, there being no interest accrued thereon.

Section 4. The Issuer does hereby appoint and designate One Valley Bank, National Association, Charleston, West Virginia, to serve as Registrar (the "Registrar") for the Series 2000 A Bonds under the Bond Ordinance and does approve and accept the Registrar's Agreement to be dated the date of delivery of the Series 2000 A Bonds, by and

between the Issuer and the Registrar, and the execution and delivery of the Registrar's Agreement by the Mayor, and the performance of the obligations contained therein, on behalf of the Issuer, are hereby authorized, approved and directed.

Section 5. The Issuer does hereby appoint and designate the West Virginia Municipal Bond Commission, Charleston, West Virginia, to serve as Paying Agent for the Series 2000 A Bonds under the Bond Ordinance.

Section 6. The Issuer does hereby appoint and designate F & M Bank - West Virginia, Inc., Ranson, West Virginia, to serve as Depository Bank under the Bond Ordinance.

Section 7. Series 2000 A Bonds proceeds in the amount of $-0- shall be deposited in the Series 2000 A Bonds Sinking Fund, as capitalized interest.

Section 8. Series 2000 A Bonds proceeds in the amount of $192,320 shall be deposited in the Series 2000 A Bonds Reserve Account.

Section 9. The balance of the proceeds of the Series 2000 A Bonds shall be deposited in or credited to the Series 2000 A Bonds Construction Trust Fund for payment of the costs of the Project, including, without limitation, costs of issuance of the Series 2000 A Bonds and related costs.

Section 10. The Mayor, City Manager and the City Clerk are hereby authorized and directed to execute and deliver such other documents and certificates required or desirable in connection with the Series 2000 A Bonds hereby and by the Bond Ordinance approved and provided for, to the end that the Series 2000 A Bonds may be delivered on or about June 22, 2000, to the Authority pursuant to the Loan Agreement.

Section 11. The acquisition and construction of the Project and the financing thereof in part with proceeds of the Series 2000 A Bonds are in the public interest, serve a public purpose of the Issuer and will promote the health, welfare and safety of the residents of the Issuer.

Section 12. The Issuer does hereby ratify, approve and accept all contracts relating to the financing, acquisition and construction of the Project.

Section 13. The Issuer hereby determines to invest all moneys in the funds and accounts established by the Bond Ordinance held by the Depository Bank until expended, in repurchase agreements or time accounts, secured by a pledge of Government Obligations, and therefore, the Issuer hereby directs the Depository Bank to take such actions as may be necessary to cause such moneys to be invested in such repurchase agreements or time accounts until further directed in writing by the Issuer. Moneys in the Sinking Funds,

including the Reserve Accounts therein, shall be invested by the West Virginia Municipal Bond Commission in the West Virginia Consolidated Fund.

Section 14. The Issuer hereby approves payment of all invoices and bills for the Project which have been received to date from the proceeds of the Bonds. The Issuer hereby appoints the City of Charles Town Utility Board as its agent for the review and approval of all future invoices for the Project to be paid from the proceeds of the Bonds.

Section 15. The Issuer shall not permit at any time or times any of the proceeds of the Series 2000 A Bonds or any other funds of the Issuer to be used directly or indirectly in a manner which would result in the exclusion of the Series 2000 A Bonds from the treatment afforded by Section 103(a) of the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder or under any predecessor thereto (the "Code"), by reason of the classification of the Series 2000 A Bonds as "private activity bonds" within the meaning of the Code. The Issuer will take all actions necessary to comply with the Code and Treasury Regulations to be promulgated thereunder.

Section 16. This Supplemental Resolution shall be effective immediately following adoption hereof.

Adopted this 19th day of June, 2000.

J. Randolph Hitt

Mayor

CERTIFICATION

Certified a true copy of a Supplemental Resolution duly adopted by the Council of the City of Charles Town on the 19th day of June, 2000.

Dated: June 22, 2000.

[SEAL]

Brenda J Hamilton

City Clerk

06/14/00
144220/99002

CL616338.1

CITY OF CHARLES TOWN

COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2002 A (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY) AND SERIES 2002 B (WEST VIRGINIA INFRASTRUCTURE FUND)

BOND ORDINANCE

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ORDINANCE AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE WATERWORKS PORTION OF THE EXISTING PUBLIC COMBINED WATERWORKS AND SEWERAGE SYSTEM OF THE CITY OF CHARLES TOWN AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE CITY OF NOT MORE THAN $2,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2002 A (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), AND NOT MORE THAN $3,600,000 IN AGGREGATE PRINCIPAL AMOUNT OF COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2002 B (WEST VIRGINIA INFRASTRUCTURE FUND); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING LOAN AGREEMENTS RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

NOW, THEREFORE, BE IT ORDAINED AND ENACTED BY THE COUNCIL OF THE CITY OF CHARLES TOWN:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01. Authority for this Ordinance. This Ordinance (together with any ordinance, order or resolution supplemental hereto or amendatory hereof, the "Bond Legislation") is enacted pursuant to the provisions of Chapter 8, Article 20, Chapter 22C,

Article 1 and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended (collectively, the "Act"), and other applicable provisions of law.

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

A. The City of Charles Town (the "Issuer") is a municipal corporation and political subdivision of the State of West Virginia in Jefferson County of said State.

B. The Issuer presently owns and operates a public combined waterworks and sewerage system. However, it is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer that there be acquired and constructed certain additions, betterments and improvements to the waterworks portion of the existing public combined waterworks and sewerage system of the Issuer, consisting of the replacement of 22,000 linear feet of water main and the erection of a new 332,000 gallon storage tank, and all appurtenant facilities (collectively, the "Project") (the existing public combined waterworks and sewerage system of the Issuer, the Project and any further additions thereto or extensions thereof are herein called the "System"), in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications have heretofore been filed with the City Clerk of the Issuer.

C. The Issuer intends to permanently finance the costs of acquisition and construction of the Project through the issuance of its revenue bonds to the West Virginia Water Development Authority (the "Authority"), in connection with the Authority's loan program and the West Virginia Infrastructure Fund, all pursuant to the Act.

D. It is deemed necessary for the Issuer to issue its Combined Waterworks and Sewerage System Revenue Bonds, in the total aggregate principal amount of not more than $5,600,000 in two series, being the Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 A (West Virginia Water Development Authority), in the aggregate principal amount of not more than $2,000,000 (the "Series 2002 A Bonds"), and the Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 B (West Virginia Water Development Authority), in the aggregate principal amount of not more than $3,600,000 (the "Series 2002 B Bonds"), to permanently finance the costs of acquisition and construction of the Project. Said costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest, if any, upon the Series 2002 A Bonds and Series 2002 B Bonds prior to and during acquisition or construction and for a period not exceeding 6 months after completion of acquisition and construction of the Project; amounts which may be deposited in the Series 2002 A Bonds Reserve Account and the Series 2002 B Bonds Reserve Account (as hereinafter defined); engineering and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise; administrative expense; commitment fees; fees

and expenses of the Authority; discount; initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Series 2002 A Bonds and the Series 2002 B Bonds and such other expenses as may be necessary or incidental to the financing herein authorized; the acquisition and construction of the Project and the placing of same in operation; and the performance of the things herein required or permitted, in connection with any thereof, provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Series 2002 A Bonds and the Series 2002 B Bonds or the repayment of indebtedness incurred by the Issuer for such purposes shall be deemed Costs of the Project, as hereinafter defined.

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

F. It is in the best interests of the Issuer that its Series 2002 A Bonds be sold to the Authority pursuant to the terms and provisions of a loan agreement by and between the Issuer and the Authority, and its Series 2002 B Bonds be sold to the Authority pursuant to the terms and provisions of a loan agreement by and between the Issuer and the Authority, on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), both loan agreements, respectively, in form satisfactory to the respective parties (collectively, the "Loan Agreements"), are approved hereby if not previously approved by resolution of the Issuer.

G. There are outstanding obligations of the Issuer which will rank on a parity with the Series 2002 A Bonds and the Series 2002 B Bonds as to liens, pledge, source of and security for payment, as follows:

(1) Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 B, dated November 18, 1987, issued in the original aggregate principal amount of $413,629 (the "Series 1987 B Bonds") ;

(2) Combined Waterworks and Sewerage System Revenue Bonds, Series 1988 B-1, dated May 4, 1988, issued in the original aggregate principal amount of $295,916 (the "Series 1988 B-1 Bonds");

(3) Combined Waterworks and Sewerage System Revenue Bonds, Series 1988 B-2, dated May 20, 1988, issued in the original aggregate principal amount of $558,000 (the "Series 1988 B-2 Bonds");

(4) Combined Waterworks and Sewerage System Revenue Bonds, Series 1989 B, dated April 13, 1989, issued in the original aggregate principal amount of $117,480 (the "Series 1989 B Bonds");

(5) Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 1998, dated May 15, 1998, issued in the original aggregate principal amount of $10,355,000 (the "Series 1998 Refunding Bonds");

(6) Combined Waterworks and Sewerage System Design Revenue Bonds, Series 1998 (West Virginia SRF Program), dated September 29, 1998, issued in the original aggregate principal amount of $437,601 (the "Series 1998 Design Bonds"); and

(7) Combined Waterworks and Sewerage System Revenue Bonds, Series 2000 A (West Virginia SRF Program), dated June 22, 2000, issued in the original aggregate principal amount of $3,163,781 (the "Series 2000 A Bonds").

The Series 1987 B Bonds, the Series 1988 B-1 Bonds, the Series 1988 B-2 Bonds, the Series 1989 B Bonds, the Series 1998 Refunding Bonds, the Series 1998 Design Bonds and the Series 2000 A Bonds are hereinafter collectively called the "Prior Bonds". The ordinances which authorized the issuance of the Prior Bonds are herein collectively referred to as the "Prior Ordinances."

The Series 2002 A Bonds and the Series 2002 B Bonds shall be issued on a parity with the Prior Bonds, all of which shall have a first lien position with respect to pledge and source of and security for payment and in all other respects. The Issuer has met the coverage requirements for issuance of parity bonds of the Prior Bonds and the Prior Ordinances and has substantially complied with all other parity requirements, except to the extent that noncompliance with any such other parity requirements is not of a material nature.

Prior to the issuance of the Series 2002 A Bonds and the Series 2002 B Bonds, the Issuer will obtain (i) the certificate of an Independent Certified Public Accountant stating that the coverage and parity tests of the Prior Bonds are met; and (ii) the written consent of the Holders of the Prior Bonds (other than the Series 1998 Refunding Bonds) to the issuance of the Series 2002 A Bonds and the Series 2002 B Bonds on a parity with such Bonds.

Other than the Prior Bonds, there are no other outstanding bonds or obligations of the Issuer which are secured by revenues or assets of the System.

H. The estimated revenues to be derived in each year after completion of the Project from the operation of the System will be sufficient to pay all costs of operation and maintenance of the System, the principal of and interest on the Prior Bonds, the Series 2002 A Bonds and the Series 2002 B Bonds and to make all payments into all funds and accounts and other payments provided for herein and in the Prior Ordinances.

I. With the advance written consent of the Authority and the Council, the Issuer may, in lieu of funding the Series 2002 A Bonds Reserve Account or the Series 2002 B

Bonds Reserve Account with cash or Qualified Investments, satisfy the Series 2002 A Bonds Reserve Requirement and the Series 2002 B Bonds Reserve Requirement by the deposit into the Series 2002 A Bonds Reserve Account and the Series 2002 B Bonds Reserve Account of a reserve account letter of credit, a surety bond, or other credit facility satisfactory to the Authority and the Council in an amount at least equal to the Series 2002 A Bonds Reserve Requirement and the Series 2002 B Bonds Reserve Requirement, respectively. The Issuer hereby authorizes the purchase of a reserve account letter of credit, a surety bond, or other credit facility satisfactory to the Authority and the Council and the execution and delivery of any applicable reimbursement agreement or note in such forms as shall be described in the Supplemental Resolution.

J. The Issuer has complied with all requirements of West Virginia law and the Loan Agreements relating to authorization of the acquisition, construction and operation of the Project and the System and issuance of the Series 2002 A Bonds and the Series 2002 B Bonds, or will have so complied prior to issuance of any thereof, including, among other things, the approval of the Project and the financing thereof by the West Virginia Infrastructure and Jobs Development Council and the obtaining of a certificate of public convenience and necessity from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which will either have expired prior to the issuance of the Series 2002 A Bonds and the Series 2002 B Bonds or such final order will not be subject to appeal.

K. The Issuer is a governmental unit which has general taxing powers to finance operations of or facilities of the nature of the Project and the System; 95% or more of the Net Proceeds of the Series 2002 A Bonds and the Series 2002 B Bonds are to be used for local governmental activities of the Issuer (or of a governmental unit the jurisdiction of which is entirely within the jurisdiction of the Issuer); and the Issuer, all subordinate entities, all entities which issue obligations on behalf of the Issuer, and all entities formed or, to the extent provided under Section 148 of the Code, herein defined, availed of, to avoid the purposes of Section 148(f)(4)(D) of the Code and all other entities benefitting thereby reasonably expect to issue less than $5,000,000 aggregate principal amount of tax-exempt obligations (other than private activity bonds) during the calendar year in which the Series 2002 A Bonds and the Series 2002 B Bonds are to be issued.

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

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of Series 2002 A Bonds and the Series 2002 B Bonds by those who shall be the Registered Owners of the same from time to time, this Bond Legislation shall be deemed to be and shall constitute a contract between the Issuer and such Bondholders, and the

covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the Registered Owners of any and all of such Series 2002 A Bonds and the Series 2002 B Bonds, all which shall be of equal rank and without preference, priority or distinction between any one Bond of a series and any other Bonds of the same series, by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

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

"Act" means, collectively, Chapter 8, Article 20, Chapter 22C, Article 1 and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended and in effect on the date of enactment hereof.

"Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser and Registered Owner of the Series 2002 A Bonds and the Series 2002 B Bonds, or any other agency, board or department of the State of West Virginia that succeeds to the functions of the Authority.

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

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

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

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

"Bonds" means, collectively, the Series 2002 A Bonds and the Series 2002 B Bonds, the Prior Bonds and, where appropriate, any bonds on a parity therewith subsequently authorized to be issued hereunder or by another ordinance of the Issuer.

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

"City Clerk" means the City Clerk of the Issuer.

"City Manager" means the City Manager of the Issuer.

"Closing Date" means the date upon which there is an exchange of the Series 2002 A Bonds and the Series 2002 B Bonds for all or a portion of the proceeds of the Series 2002 A Bonds and the Series 2002 B Bonds from the Authority.

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

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

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

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

"Council" means the West Virginia Infrastructure and Jobs Development Council or any other agency, of the State of West Virginia that succeeds to the functions of the Council.

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

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

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

"Governing Body" means the Council of the Issuer, as it may now or hereafter be constituted.

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

"Gross Revenues" means the aggregate gross operating and non-operating revenues of the System, as hereinafter defined, determined in accordance with generally accepted accounting principles, after deduction of prompt payment discounts, if any, and reasonable provision for uncollectible accounts, and includes any proceeds from the sale or other disposition of capital assets, but does not include any increase in the value of capital assets (including Qualified Investments, as hereinafter defined, purchased pursuant to Article 8.01 hereof) or any Tap Fees, as hereinafter defined.

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

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

"Investment Property" means

(A) any security (within the meaning of Section 165(g)(2)(A) or (B) of the Code),

(B) any obligation,

(C) any annuity contract,

(D) any investment-type property, or

(E) in the case of a bond other than a private activity bond, any residential rental property for family units which is not located within the jurisdiction of the Issuer and which is not acquired to implement a court ordered or approved housing desegregation plan.

Except as provided in the following sentence, the term "Investment Property" does not include any tax-exempt bond. With respect to an issue other than an issue a part of which is a specified private activity bond (as defined in section 57(a)(5)(C) of the Code), the term "Investment Property" includes a specified private activity bond (as so defined).

"Issuer" means the City of Charles Town, a municipal corporation and political subdivision of the State of West Virginia, in Jefferson County, West Virginia, and, unless the context clearly indicates otherwise, includes the Governing Body and the Utility Board of the Issuer.

"Loan Agreements" means, collectively, the Loan Agreement, heretofore entered, or to be entered, into by and among the Authority and the Issuer, providing for the purchase of the Series 2002 A Bonds from the Issuer by the Authority, and the Loan Agreement heretofore entered, or to be entered, into by and between the Issuer and the Authority, on behalf of the Council, providing for the purchase of the Series 2002 B Bonds from the Issuer by the Authority, the forms of which shall be approved, and the execution and delivery by the Issuer authorized and directed or ratified, by the Supplemental Resolution.

"Mayor" means the Mayor of the Issuer.

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

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

"Nonpurpose Investment" means any Investment Property as defined in Section 148(b) of the Code, that is not a purpose investment.

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

"Outstanding," when used with reference to Bonds and as of any particular date, describes all Bonds theretofore and thereupon being authenticated and delivered except (i) any Bond canceled by the Bond Registrar, at or prior to said date; (ii) any Bond for the payment

of which monies, equal to its principal amount and redemption premium, if applicable, with interest to the date of maturity or redemption shall be in trust hereunder, and set aside for such payment (whether upon or prior to maturity); (iii) any Bond deemed to have been paid as provided in Article X hereof; and (iv) for purposes of consents or other action by a specified percentage of Bondholders, any Bonds registered to the Issuer.

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

"Paying Agent" means the Commission or other entity or authority designated as such for the Series 2002 A Bonds and the Series 2002 B Bonds in the Supplemental Resolution with the written consent of the Authority and the Council.

"Prior Bonds" means, collectively, the Series 1987 B Bonds, the Series 1988 B-1 Bonds, the Series 1988 B-2 Bonds, the Series 1989 B Bonds, the Series 1998 Refunding Bonds, the Series 1998 Design Bonds and the Series 2000 A Bonds.

"Prior Bonds Reserve Accounts" means, collectively, the respective reserve accounts established at the Commission for the Prior Bonds.

"Prior Bonds Sinking Funds" means, collectively, the respective sinking funds established at the Commission for the payment of the Prior Bonds.

"Prior Ordinances" means, collectively, the ordinance of the Issuer enacted November 16, 1987, the ordinance of the Issuer enacted April 18, 1988, the ordinance of the Issuer enacted May 16, 1988, the ordinance of the Issuer enacted April 3, 1989, the ordinance of the Issuer enacted March 16, 1998, and the ordinance of the Issuer enacted June 19, 2000, authorizing the issuance of the Prior Bonds.

"Private Business Use" means use (directly or indirectly) in a trade or business carried on by any person other than a governmental unit; provided that, use as a member of the general public shall not be taken into account, all as determined by the Code.

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

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

(a) Government Obligations;

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

evidencing payments from Government Obligations or interest coupons stripped from Government Obligations;

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

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

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

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

(g) Repurchase agreements, fully secured by investments of the types described in paragraphs (a) through (e) above, with banks or national banking associations which are members of FDIC or with government bond dealers recognized as primary dealers by the Federal Reserve Bank of New York, provided, that said investments securing said repurchase agreements either must mature as nearly as practicable coincident with the maturity of said repurchase agreements or must be replaced or increased so that the market value thereof is always

at least equal to the principal amount of said repurchase agreements, and provided further that the holder of such repurchase agreement shall have a prior perfected security interest in the collateral therefor; must have (or its agent must have) possession of such collateral; and such collateral must be free of all claims by third parties;

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

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

"Registered Owner," "Bondholder," "Holder" or any similar term means name such Bond is registered.

"Registrar" means the Bond Registrar.

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

"Renewal and Replacement Fund" means the Renewal and Replacement Fund established by the Prior Ordinances and continued hereby.

"Reserve Accounts" means, collectively, the respective reserve accounts established for the Prior Bonds, the Series 2002 A Bonds and the Series 2002 B Bonds.

"Reserve Requirement" means, collectively, the respective amounts required to be on deposit in any reserve account for the Prior Bonds, the Series 2002 A Bonds and the Series 2002 B Bonds.

"Revenue Fund" means the Revenue Fund established by the Prior Ordinances and continued hereby.

"Series 1987 B Bonds" means the Issuer's Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 B, dated November 18, 1987, issued in the original aggregate principal amount of $413,629.

"Series 1988 B-1 Bonds" means the Issuer's Combined Waterworks and Sewerage System Revenue Bonds, Series 1988 B-1, dated May 4, 1988, issued in the original aggregate principal amount of $295,916.

"Series 1988 B-2 Bonds" means the Issuer's Combined Waterworks and Sewerage System Revenue Bonds, Series 1988 B-2, dated May 20, 1988, issued in the original aggregate principal amount of $558,000.

"Series 1989 B Bonds" means the Issuer's Combined Waterworks and Sewerage System Revenue Bonds, Series 1989 B, dated April 13, 1989, issued in the original aggregate principal amount of $117,480.

"Series 1998 Refunding Bonds" means the Issuer's Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 1998, dated May 15, 1998, issued in the original aggregate principal amount of $10,355,000.

"Series 1998 Design Bonds" means the Issuer's Combined Waterworks and Sewerage System Design Revenue Bonds, Series 1998 (West Virginia SRF Program), dated September 29, 1998, issued in the original aggregate principal amount of $437,601.

"Series 2000 A Bonds" means the Issuer's Combined Waterworks and Sewerage System Revenue Bonds, Series 2000 A (West Virginia SRF Program), dated June 22, 2000, issued in the original aggregate principal amount of $3,163,781.

"Series 2002 A Bonds" means the Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 A (West Virginia Water Development Authority), of the Issuer, authorized by this Bond Legislation.

"Series 2002 A Bonds Construction Trust Fund" means the Series 2002 A Bonds Construction Trust Fund established by Section 5.01 hereof.

"Series 2002 A Bonds Reserve Account" means the Series 2002 A Bonds Reserve Account established in the Series 2002 A Bonds Sinking Fund pursuant to Section 5.02 hereof.

"Series 2002 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 2002 A Bonds in the then current or any succeeding year.

"Series 2002 A Bonds Sinking Fund" means the Series 2002 A Bonds Sinking Fund established by Section 5.02 hereof.

"Series 2002 B Bonds" means the Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 B (West Virginia Infrastructure Fund), of the Issuer, authorized by this Bond Legislation.

"Series 2002 B Bonds Construction Trust Fund" means the Series 2002 B Bonds Construction Trust Fund established by Section 5.01 hereof.

"Series 2002 B Bonds Reserve Account" means the Series 2002 B Bonds Reserve Account established in the Series 2002 B Bonds Sinking Fund pursuant to Section 5.02 hereof.

"Series 2002 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 2002 B Bonds in the then current or any succeeding year.

"Series 2002 B Bonds Sinking Fund" means the Series 2002 B Bonds Sinking Fund established by Section 5.02 hereof.

"Sinking Funds" means, collectively, the respective sinking funds established for the Prior Bonds, the Series 2002 A Bonds and the Series 2002 B Bonds.

"State" means the State of West Virginia.

"Supplemental Resolution" means any resolution, ordinance or order of the Issuer supplementing or amending this Ordinance and, when preceded by the article "the," refers specifically to the supplemental resolution authorizing the sale of the Series 2002 A Bonds and the Series 2002 B Bonds; provided, that any matter intended by this Ordinance to be included in the Supplemental Resolution with respect to the Series 2002 A Bonds and the Series 2002 B Bonds, and not so included may be included in another Supplemental Resolution.

"Surplus Revenues" means the Net Revenues not required by the Bond Legislation to be set aside and held for the payment of or security for the Bonds or any other obligations of the Issuer, including, without limitation, the Sinking Funds, the Renewal and Replacement Fund and the Reserve Accounts.

"System" means the complete public combined waterworks and sewerage system of the Issuer, as presently existing, in its entirety or any integral part thereof, and shall include the Project and any and all extensions, additions, betterments and improvements thereto hereafter acquired or constructed for the System from any sources whatsoever.

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

Additional terms and phrases are defined in this Ordinance as they are used. Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations; and words importing the masculine, feminine or neutral gender shall include any other gender.

ARTICLE II

AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT

Section 2.01. Authorization of Acquisition and Construction of the Project. There is hereby authorized and ordered the acquisition and construction of the Project, at an estimated cost of not more than $5,600,000, in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed in the office of the Governing Body. The proceeds of the Series 2002 A Bonds and the Series 2002 B Bonds hereby authorized shall be applied as provided in Article VI hereof. The Issuer has received bids and will enter into contracts for the acquisition and construction of the Project, in an amount and otherwise compatible with the financing plan submitted to the Council and the Authority.

The cost of the Project is estimated not to exceed $5,600,000, of which approximately $2,000,000 will be obtained from proceeds of the Series 2002 A Bonds and approximately $3,600,000 will be obtained from proceeds of the Series 2002 B Bonds.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND SALE OF BONDS; AUTHORIZATION AND EXECUTION OF LOAN AGREEMENTS

Section 3.01. Authorization of Bonds. For the purposes of capitalizing interest on the Series 2002 A Bonds and the Series 2002 B Bonds, funding reserve accounts for the Series 2002 A Bonds and the Series 2002 B Bonds, paying Costs of the Project not otherwise provided for, and paying certain costs of issuance of the Series 2002 A Bonds and the Series 2002 B Bonds and related costs, or any or all of such purposes, as determined by the Supplemental Resolution, there shall be and hereby are authorized to be issued negotiable Series 2002 A Bonds and the Series 2002 B Bonds of the Issuer, in an aggregate principal amount of not more than $5,600,000. The Series 2002 A Bonds shall be issued as a single bond, designated as "Combined Waterworks and Sewerage System Revenue Bond, Series 2002 A (West Virginia Water Development Authority),"in an aggregate principal amount of not more than $2,000,000, and shall have such terms as set forth hereinafter and in the Supplemental Resolution. The Series 2002 B Bonds shall be issued as a single bond, designated as "Combined Waterworks and Sewerage System Revenue Bond, Series 2002 B (West Virginia Infrastructure Fund),"in an aggregate principal amount of not more than $3,600,000 and shall have such terms as set forth hereinafter and in the Supplemental Resolution. The proceeds of the Series 2002 A Bonds remaining after funding of the Series 2002 A Bonds Reserve Account (if funded from Bond proceeds) and capitalization of interest, if any, on the Series 2002 A Bonds shall be deposited in or credited to the Series 2002 A Bonds Construction Trust Fund established by Section 5.01 hereof and applied as set forth in Article VI hereof. The proceeds of the Series 2002 B Bonds remaining after funding of the Series 2002 B Bonds Reserve Account (if funded from Bond proceeds) and capitalization of interest, if any, on the Series 2002 B Bonds shall be deposited in or credited to the Series 2002 B Bonds Construction Trust Fund established by Section 5.01 hereof and applied as set forth in Article VI hereof.

Section 3.02. Terms of Bonds. The Series 2002 A Bonds and the Series 2002 B Bonds shall be issued in such principal amounts; shall bear interest, if any, at such rate or rates, not exceeding the then legal maximum, payable quarterly on such dates; shall mature on such dates and in such amounts; and shall be redeemable, in whole or in part, all as the Issuer shall prescribe in a Supplemental Resolution or as specifically provided in the Loan Agreements. The Series 2002 A Bonds and the Series 2002 B Bonds shall be payable as to principal at the office of the Paying Agent, in any coin or currency which, on the dates of payment of principal is legal tender for the payment of public or private debts under the laws of the United States of America. Interest, if any, on the Series 2002 A Bonds and the Series 2002 B shall be paid by check or draft of the Paying Agent or its agent, mailed to the Registered Owner thereof at the address as it appears on the books of the Bond Registrar, or

by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner thereof.

Unless otherwise provided by the Supplemental Resolution, the Series 2002 A Bonds and the Series 2002 B Bonds shall initially be issued in the form of a single bond, fully registered to the Authority, with a record of advances and a debt service schedule attached, representing the aggregate principal amount of Series 2002 A Bonds and Series 2002 B Bonds, and shall mature in principal installments, all as provided in the Supplemental Resolution. The Series 2002 A Bonds and Series 2002 B Bonds shall be exchangeable at the option and expense of the Registered Owner for another fully registered Bond or Bonds of the same series in aggregate principal amount equal to the amount of said Bonds then Outstanding and being exchanged, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of said Bonds; provided, that the Authority shall not be obligated to pay any expenses of such exchange.

Subsequent series of Bonds, if any, shall be issued in fully registered form and in denominations as determined by a Supplemental Resolution. The Bonds shall be dated and shall bear interest, if any, as of the date specified in a Supplemental Resolution.

Section 3.03. Execution of Bonds. The Series 2002 A Bonds and the Series 2002 B Bonds shall be executed in the name of the Issuer by the Mayor and City Manager, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the City Clerk. In case any one or more of the officers who shall have signed or sealed Series 2002 A Bonds and the Series 2002 B Bonds shall cease to be such officer of the Issuer before Series 2002 A Bonds and the Series 2002 B Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Series 2002 A Bonds and the Series 2002 B Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of the authorization of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.04. Authentication and Registration. No Series 2002 A Bond or the Series 2002 B Bonds shall be valid or obligatory for any purpose or entitled to any security or benefit under this Bond Legislation unless and until the Certificate of Authentication and Registration on such Bond, substantially in the form set forth in Section 3.10 hereof shall have been manually executed by the Bond Registrar. Any such executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Bond Legislation. The Certificate of Authentication and Registration on any Series 2002 A Bond or the Series 2002 B shall be deemed to have been executed by the Bond Registrar if manually

signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

Section 3.05. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, Series 2002 A Bonds and the Series 2002 B Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder, in accepting Series 2002 A Bonds and the Series 2002 B Bonds shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder shall further be conclusively deemed to have agreed that said Bonds shall be incontestable in the hands of a bona fide holder for value.

So long as Series 2002 A Bonds and Series 2002 B Bonds remain outstanding, the Issuer, through the Bond Registrar as its agent, shall keep and maintain books for the registration and transfer of such Bonds.

The registered Series 2002 A Bonds and Series 2002 B 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 or transferring the registered Series 2002 A Bonds or Series 2002 B Bonds are exercised, all Series 2002 A Bonds and Series 2002 B Bonds shall be delivered in accordance with the provisions of this Bond Legislation. All Series 2002 A Bonds or Series 2002 B Bonds surrendered in any such exchanges or transfers shall forthwith be canceled by the Bond Registrar. For every such exchange or transfer of Series 2002 A Bonds or Series 2002 B Bonds, the Bond Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer and the cost of preparing each new Bond upon each exchange or transfer, and any other expenses of the Bond Registrar incurred in connection therewith, which sum or sums shall be paid by the Issuer. The Bond Registrar shall not be obliged to make any such exchange or transfer of Series 2002 A Bonds or Series 2002 B Bonds during the period commencing on the 15th day of the month next preceding an interest payment date on the Series 2002 A Bonds or Series 2002 B Bonds or, in the case of any proposed redemption of such Bonds, next preceding the date of the selection of such Bonds to be redeemed, and ending on such interest payment date or redemption date.

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Series 2002 A Bond or Series 2002 B Bonds shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Bond Registrar shall, if so advised by the Issuer, authenticate and deliver, a new Bond of the same series and of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer and the Bond Registrar may incur. All Bonds so surrendered shall be canceled by the Bond Registrar and held for the account of the Issuer. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Section 3.07. Bonds not to be Indebtedness of the Issuer. The Series 2002 A Bonds and the Series 2002 B Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Gross Revenues derived from the operation of the System as herein provided. No Holder or Holders of the Series 2002 A Bonds or the Series 2002 B Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Series 2002 A Bonds or the Series 2002 B Bonds or the interest, if any, thereon.

Section 3.08. Bonds Secured by Pledge of Gross Revenues; Lien Position with respect to Prior Bonds. The payment of the debt service of the Series 2002 A Bonds and the Series 2002 B Bonds shall be secured forthwith equally and ratably by a first lien on the Gross Revenues derived from the System, on a parity with the lien on the Gross Revenues in favor of the Holders of the Prior Bonds. Such Gross Revenues in an amount sufficient to pay the principal of and interest, if any, on and other payments for the Prior Bonds, the Series 2002 A Bonds and the Series 2002 B Bonds and to make the payments into all funds and accounts and all other payments provided for in the Bond Legislation, are hereby irrevocably pledged to such payments as the same become due.

Section 3.09. Delivery of Bonds. The Issuer shall execute and deliver the Series 2002 A Bonds and the Series 2002 B Bonds to the Bond Registrar, and the Bond Registrar shall authenticate, register and deliver the Series 2002 A Bonds and the Series 2002 B Bonds to the original purchasers upon receipt of the documents set forth below:

A. If other than the Authority, a list of the names in which the Series 2002 A Bonds and the Series 2002 B Bonds are to be registered upon original issuance, together with such

taxpayer identification and other information as the Bond Registrar may reasonably require;

B. A request and authorization to the Bond Registrar on behalf of the Issuer, signed by an Authorized Officer, to authenticate and deliver the Series 2002 A Bonds and the Series 2002 B Bonds to the original purchasers;

C. An executed and certified copy of Bond Legislation;

D. An executed copy of the Loan Agreement; and

E. The unqualified approving opinion of bond counsel on the Series 2002 A Bonds and the Series 2002 B.

Section 3.10. Form of Bonds. The text of the Series 2002 A Bonds and the Series 2002 B Bonds shall be in substantially the following form, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted hereby, or by any Supplemental Resolution adopted prior to the issuance thereof:

[FORM OF SERIES 2002 A BOND]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF CHARLES TOWN
COMBINED WATERWORKS AND SEWERAGE SYSTEM
REVENUE BOND, SERIES 2002 A
(WEST VIRGINIA WATER DEVELOPMENT AUTHORITY)

No. AR-____ $_____

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF CHARLES TOWN, a municipal corporation and political subdivision of the State of West Virginia in Jefferson County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the West Virginia Water Development Authority (the "Authority") or registered assigns the sum of _____ DOLLARS ($_____), in annual installments on October 1 of each year, beginning October 1, 20___, as set forth on the "Debt Service Schedule" attached as Exhibit A hereto and incorporated herein by reference, with interest on each installment at the rate per annum set forth on said Exhibit A.

The interest on each installment shall run from the original date of delivery of this Bond to the Authority and payment therefor, and until payment of such installment, such interest shall be payable semiannually on April 1 and October 1 of each year, beginning _____ 1, ____, as set forth on Exhibit A attached hereto. Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent"). The interest on this Bond is payable by check or draft of the Paying Agent mailed to the registered owner hereof at the address as it appears on the books of Branch Banking and Trust Company, Charleston, West Virginia, as registrar (the "Registrar"), on the 15th day of the month next preceding an interest payment date, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner hereof.

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and upon the terms and

conditions prescribed by, and otherwise in compliance with, the Loan Agreement between the Issuer and the Authority dated _____, 2002.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain additions, betterments and improvements to the waterworks portion of the existing public combined waterworks and sewerage system of the Issuer (the "Project"); (ii) to fund a reserve account for the Bonds of this Series (the "Bonds"); (iii) capitalize interest on the Bonds; and (iv) to pay certain costs of issuance of the Bonds and related costs. The existing public combined waterworks and sewerage system of the Issuer, the Project, and any further extensions, additions, betterments or improvements thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 8, Article 20 and Chapter 22C, Article 1 of the West Virginia Code of 1931, as amended (the "Act"), a Bond Ordinance duly enacted by the Issuer on _____, 2002, and a Supplemental Resolution duly adopted by the Issuer on _____, 2002 (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE ISSUER'S (1) COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1987 B, DATED NOVEMBER 18, 1987, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $413,629 (THE "SERIES 1987 B BONDS"), (2) COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1988 B-1, DATED MAY 4, 1988, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $295,916 (THE "SERIES 1988 B-1 BONDS"), (3) COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1988 B-2, DATED MAY 20, 1988, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $558,000 (THE "SERIES 1988 B-2 BONDS"), (4) COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1989 B, DATED APRIL 13, 1989, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $117,480 (THE "SERIES 1989 B BONDS"), (5) COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS, SERIES 1998, DATED MAY 15, 1998, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $10,355,000 (THE "SERIES 1998 REFUNDING BONDS"), (6) COMBINED WATERWORKS AND SEWERAGE SYSTEM DESIGN REVENUE BONDS, SERIES 1998 (WEST VIRGINIA SRF PROGRAM), DATED SEPTEMBER 29, 1998, ISSUED

IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $437,601 (THE "SERIES 1998 DESIGN BONDS"), (7) COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2000 A (WEST VIRGINIA SRF PROGRAM), DATED JUNE 22, 2000, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $3,163,781 (THE "SERIES 2000 A BONDS"), AND (8) COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BOND, SERIES 2002 B (WEST VIRGINIA INFRASTRUCTURE FUND); DATED _____, 2002, ISSUED CONCURRENTLY HEREWITH IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $_____ (THE "SERIES 2002 B BONDS").

THE SERIES 1987 B BONDS, THE SERIES 1988 B-1 BONDS, THE SERIES 1988 B-2 BONDS, THE SERIES 1989 B BONDS, THE SERIES 1998 REFUNDING BONDS, THE SERIES 1998 DESIGN BONDS, AND THE SERIES 2000 A BONDS ARE HEREINAFTER COLLECTIVELY CALLED THE "PRIOR BONDS."

This Bond is payable only from and secured by a pledge of the Gross Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, on a parity with the pledge of Gross Revenues in favor of the holders of the Prior Bonds and the Series 2002 B Bonds, and from monies in the reserve account created under the Bond Legislation for the Bonds (the "Series 2002 A Bonds Reserve Account"), and unexpended proceeds of the Bonds. Such Gross Revenues shall be sufficient to pay all operating expenses of the System and the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, nor shall the Issuer be obligated to pay the same or the interest hereon, except from said special fund provided from the Gross Revenues, the monies in the Series 2002 A Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest on the Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Bonds, including the Prior Bonds and the Series 2002 B Bonds; provided however, that so long as there exists in the Series 2002 A Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest, which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with the Bonds, including

the Prior Bonds and the Series 2002 B Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Bond Legislation, only upon the books of the Registrar by the registered owner, or by its attorney duly authorized in writing, upon the surrender of this Bond, together with a written instrument of transfer satisfactory to the Registrar, duly executed by the registered owner or its attorney duly authorized in writing.

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

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

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

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

IN WITNESS WHEREOF, the CITY OF CHARLES TOWN has caused this Bond to be signed by its Mayor and City Manager and its corporate seal to be hereunto affixed and attested by its City Clerk, and has caused this Bond to be dated _____, 2002.

[SEAL]

_____
Mayor

_____
City Manager

ATTEST:

_____
City Clerk

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 2002 A Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: _____, 2002.

_____, as Registrar

By _____
Its Authorized Officer

EXHIBIT A

RECORD OF ADVANCES

	AMOUNT	DATE		AMOUNT	DATE
(1)	$		(19)	$	
(2)	$		(20)	$	
(3)	$		(21)	$	
(4)	$		(22)	$	
(5)	$		(23)	$	
(6)	$		(24)	$	
(7)	$		(25)	$	
(8)	$		(26)	$	
(9)	$		(27)	$	
(10)	$		(28)	$	
(11)	$		(29)	$	
(12)	$		(30)	$	
(13)	$		(31)	$	
(14)	$		(32)	$	
(15)	$		(33)	$	
(16)	$		(34)	$	
(17)	$		(35)	$	
(18)	$		(36)	$	

TOTAL $_____

EXHIBIT B

DEBT SERVICE SCHEDULE

(Form of)

ASSIGNMENT

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

Dated: _____, _____.

_____

In the presence of:

_____

[FORM OF SERIES 2002 B BOND]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF CHARLES TOWN
COMBINED WATERWORKS AND SEWERAGE SYSTEM
REVENUE BOND, SERIES 2002 B
(WEST VIRGINIA INFRASTRUCTURE FUND)

No. BR-____ $_____

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF CHARLES TOWN, a municipal corporation and political subdivision of the State of West Virginia in Jefferson County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the West Virginia Water Development Authority (the "Authority") or registered assigns the sum of _____ DOLLARS ($_____), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as EXHIBIT A hereto and incorporated herein by reference, in quarterly installments on March 1, June 1, September 1 and December 1 of each year, commencing _____ 1, _____, as set forth on the "Debt Service Schedule" attached as EXHIBIT B hereto and incorporated herein by reference.

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

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and the West Virginia Infrastructure and Jobs Development Council (the "Council"), and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement by and between the Issuer and the Authority, on behalf of the Council dated _____, 2002.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain additions, betterments and improvements to the waterworks portion of the existing public combined waterworks and sewerage system of the Issuer (the "Project"); (ii) to fund a reserve account for the Bonds of this Series (the "Bonds"); and (iii) to pay certain

costs of issuance of the Bonds and related costs. The existing public combined waterworks and sewerage system of the Issuer, the Project, and any further extensions, additions, betterments or improvements thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 8, Article 20 and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended (the "Act"), a Bond Ordinance duly enacted by the Issuer on _____, 2002, and a Supplemental Resolution duly adopted by the Issuer on _____, 2002 (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE ISSUER'S (1) COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1987 B, DATED NOVEMBER 18, 1987, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $413,629 (THE "SERIES 1987 B BONDS"), (2) COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1988 B-1, DATED MAY 4, 1988, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $295,916 (THE "SERIES 1988 B-1 BONDS"), (3) COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1988 B-2, DATED MAY 20, 1988, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $558,000 (THE "SERIES 1988 B-2 BONDS"), (4) COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1989 B, DATED APRIL 13, 1989, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $117,480 (THE "SERIES 1989 B BONDS"), (5) COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS, SERIES 1998, DATED MAY 15, 1998 , ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $10,355,000 (THE "SERIES 1998 REFUNDING BONDS"), (6) COMBINED WATERWORKS AND SEWERAGE SYSTEM DESIGN REVENUE BONDS, SERIES 1998 (WEST VIRGINIA SRF PROGRAM), DATED SEPTEMBER 29, 1998, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $437,601 (THE "SERIES 1998 DESIGN BONDS"), (7) COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2000 A (WEST VIRGINIA SRF PROGRAM), DATED JUNE 22, 2000, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $3,163,781 (THE "SERIES 2000 A BONDS"), AND (8) COMBINED WATERWORKS AND SEWERAGE

SYSTEM REVENUE BOND, SERIES 2002 A (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), DATED _____, 2002, ISSUES CONCURRENTLY HEREWITH IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $_____ (THE "SERIES 2002 A BONDS").

THE SERIES 1987 B BONDS, THE SERIES 1988 B-1 BONDS, THE SERIES 1988 B-2 BONDS, THE SERIES 1989 B BONDS, THE SERIES 1998 REFUNDING BONDS, THE SERIES 1998 DESIGN BONDS AND THE SERIES 2002 A BONDS ARE HEREINAFTER COLLECTIVELY CALLED THE "PRIOR BONDS."

This Bond is payable only from and secured by a pledge of the Gross Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, on a parity with the pledge of Gross Revenues in favor of the holders of the Prior Bonds and the Series 2002 A Bonds, and from monies in the reserve account created under the Bond Legislation for the Bonds (the "Series 2002 B Bonds Reserve Account"), and unexpended proceeds of the Bonds. Such Gross Revenues shall be sufficient to pay all operating expenses of the System and the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, nor shall the Issuer be obligated to pay the same or the interest, if any, hereon, except from said special fund provided from the Gross Revenues, the monies in the Series 2002 B Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Bonds, including the Prior Bonds and the Series 2002 A Bonds; provided however, that so long as there exists in the Series 2002 B Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest, if any, which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with the Bonds, including the Prior Bonds and the Series 2002 A Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond, is transferable, as provided in the Bond Legislation, only upon the books of the Registrar by the registered owner, or by its attorney duly authorized in writing, upon the surrender of this Bond, together with a written instrument of transfer satisfactory to the Registrar, duly executed by the registered owner or its attorney duly authorized in writing.

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

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

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

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

IN WITNESS WHEREOF, the CITY OF CHARLES TOWN has caused this Bond to be signed by its Mayor and City Manager and its corporate seal to be hereunto affixed and attested by its City Clerk, and has caused this Bond to be dated _____, 2002.

[SEAL]

_____
Mayor

_____
City Manager

ATTEST:

_____
City Clerk

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 2002 B Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: _____, 2002.

_____, as Registrar

By _____
Its Authorized Officer

EXHIBIT A

RECORD OF ADVANCES

	AMOUNT	DATE		AMOUNT	DATE
(1)	$		(19)	$	
(2)	$		(20)	$	
(3)	$		(21)	$	
(4)	$		(22)	$	
(5)	$		(23)	$	
(6)	$		(24)	$	
(7)	$		(25)	$	
(8)	$		(26)	$	
(9)	$		(27)	$	
(10)	$		(28)	$	
(11)	$		(29)	$	
(12)	$		(30)	$	
(13)	$		(31)	$	
(14)	$		(32)	$	
(15)	$		(33)	$	
(16)	$		(34)	$	
(17)	$		(35)	$	
(18)	$		(36)	$	

TOTAL $_____

EXHIBIT B

DEBT SERVICE SCHEDULE

(Form of)

ASSIGNMENT

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

Dated: _____, _____.

_____

In the presence of:

_____

Section 3.11. Sale of Bonds; Approval and Ratification of Execution of Loan Agreement. The Series 2002 A Bonds and the Series 2002 B Bonds shall be sold to the Authority, pursuant to the terms and conditions of the Loan Agreements. If not so authorized by previous ordinance or resolution, the Mayor is specifically authorized and directed to execute the Loan Agreements in the forms attached hereto as "Exhibit A" and made a part hereof, and the City Clerk is directed to affix the seal of the Issuer, attest the same and deliver the Loan Agreements to the Authority, and any such prior execution and delivery is hereby authorized, approved, ratified and confirmed. The Loan Agreements, including all schedules and exhibits attached thereto, are hereby approved and incorporated into this Bond Legislation.

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

ARTICLE IV

[RESERVED]

ARTICLE V

FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

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

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

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

(3) Series 2002 A Bonds Construction Trust Fund; and

(4) Series 2002 B Bonds Construction Trust Fund.

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

(1) Series 2002 A Bonds Sinking Fund;

(2) Series 2002 A Bonds Reserve Account.

(3) Series 2002 B Bonds Sinking Fund; and

(4) Series 2002 B Bonds Reserve Account.

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

(1) The Issuer shall first, on the first day of each month, transfer from the Revenue Fund and, simultaneously remit to the Commission, (i) the amounts required by the Prior Ordinances to be deposited in the Prior Bonds Sinking Funds for payment of interest on the Prior Bonds; and (ii) commencing 6 months prior to the first date of payment of interest on the Series 2002 A Bonds for which interest has not been capitalized or as required in the Loan Agreement, for deposit in the Series 2002 A Bonds Sinking Fund, an amount equal to 1/6th of the amount of interest which will become due on the Series 2002 A Bonds on the next ensuing semiannual interest payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 2002 A Bonds Sinking Fund and the next semiannual interest payment date is less than 7 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next semiannual interest payment date, the required amount of interest coming due on such date.

(2) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and, simultaneously remit to the Commission, (i) the amounts required by the Prior Ordinances to be deposited in the Prior Bonds Sinking Funds and Redemption Accounts for payment of principal of the Prior Bonds; (ii) commencing 13 months prior to the first date of payment of principal of the Series 2002 A Bonds, for deposit in the Series 2002 A Bonds Sinking Fund, an amount equal to 1/12th of the amount of principal which will mature and become due on the Series 2002 A Bonds on the next ensuing annual principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 2002 A Bonds Sinking Fund and the next annual principal payment date is less than 13 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next annual principal payment date, the required amount of principal coming due on such date; and (iii) commencing 3 months prior to the first date of payment of principal of the Series 2002 B Bonds, for deposit in the Series 2002 B Bonds Sinking Fund, an amount equal to 1/3rd of the amount of principal which will mature and become due on the Series 2002 B Bonds on the next ensuing quarterly principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 2002 B Bonds Sinking Fund and the next annual principal payment date is less than 3 months, then such monthly payments shall be increased proportionately to provide, 1 month prior to the next annual principal payment date, the required amount of principal coming due on such date.

(3) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and, simultaneously remit to the Commission, (i) the amounts required by the Prior Ordinances to be deposited in the Prior Bonds Reserve Accounts;(ii) commencing 13 months prior to the first date of payment of principal of the Series 2002 A Bonds or upon completion of construction of the Project, whichever is earlier, if not fully funded upon issuance of the

Series 2002 A Bonds, for deposit in the Series 2002 A Bonds Reserve Account, an amount equal to 1/120th of the Series 2002 A Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2002 A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2002 A Bonds Reserve Requirement; and (iii) commencing 3 months prior to the first date of payment of principal of the Series 2002 B Bonds or upon completion of construction of the Project, whichever is earlier, if not fully funded upon issuance of the Series 2002 B Bonds, for deposit in the Series 2002 B Bonds Reserve Account, an amount equal to 1/120th of the Series 2002 B Bonds Reserve Requirement; provided, that no further payments shall be made into the Series 2002 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 2002 B Bonds Reserve Requirement.

(4) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund an amount sufficient to pay current Operating Expenses of the System.

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

Monies in the Series 2002 A Bonds Sinking Fund and the Series 2002 B Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest, if any, on the Series 2002 A Bonds and the Series 2002 B Bonds, respectively, as the same shall become due. Monies in the Series 2002 A Bonds Reserve Account and the Series 2002 B Bonds Reserve Account shall be used only for the purpose of paying principal of and interest, if any, on the Series 2002 A Bonds and the Series 2002 B Bonds, respectively, as the same shall come due, when other monies in the Series 2002 A Bonds Sinking Fund and the Series 2002 B Bonds Sinking Fund are insufficient therefor, and for no other purpose.

All investment earnings on monies in the Series 2002 A Bonds Sinking Fund, the Series 2002 A Bonds Reserve Account, the Series 2002 B Bonds Sinking Fund and the Series 2002 B Bonds Reserve Account shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payment, if any, due on the Series 2002 A Bonds and the Series 2002 B Bonds, respectively, and then to the next ensuing principal payment due thereon, all on a pro rata basis.

Any withdrawals from the Series 2002 A Bonds Reserve Account and the Series 2002 B Bonds Reserve Requirement which result in a reduction in the balance of the Series 2002 A Bonds Reserve Account and the Series 2002 B Bonds Reserve Account to below the Series 2002 A Bonds Reserve Requirement and the Series 2002 B Bonds Reserve Requirement, respectively, shall be subsequently restored from the first Gross Revenues available after all required payments have been made in full in the order set forth above.

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

The Issuer shall not be required to make any further payments into the Series 2002 A Bonds Sinking Fund, the Series 2002 A Bonds Reserve Account, the Series 2002 B Bonds Sinking Fund or the Series 2002 B Bonds Reserve Account when the aggregate amount of funds therein are at least equal to the aggregate principal amount of the Series 2002 A Bonds and the Series 2002 B Bonds, respectively, issued pursuant to this Bond Legislation then Outstanding and all interest to accrue until the maturity thereof.

Principal and interest payments, and any payments made for the purpose of funding any Reserve Account, whether for a deficiency or otherwise, shall be made on a parity basis and pro rata with respect to the Prior Bonds, the Series 2002 A Bonds and the Series 2002 B Bonds in accordance with the respective principal amounts then Outstanding.

The Commission is hereby designated as the fiscal agent for the administration of the Series 2002 A Bonds Sinking Fund, the Series 2002 A Bonds Reserve Account, the Series 2002 B Bonds Sinking Fund and the Series 2002 B Bonds Reserve Account created hereunder, and all amounts required for said funds and accounts, shall be remitted to the Commission from the Revenue Fund by the Issuer at the times provided herein. If required by the Authority at anytime, the Issuer shall make the necessary arrangements whereby required payments into the Series 2002 A Bonds Sinking Fund, the Series 2002 A Bonds Reserve Account, the Series 2002 B Bonds Sinking Fund or the Series 2002 B Bonds Reserve Account, shall be automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates required hereunder.

Monies in the Series 2002 A Bonds Sinking Fund, the Series 2002 A Bonds Reserve Account, the Series 2002 B Bonds Sinking Fund or the Series 2002 B Bonds Reserve Account shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The Series 2002 A Bonds Sinking Fund and the Series 2002 A Bonds Reserve Account shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 2002 A Bonds and any additional Bonds ranking on a parity therewith that may be issued and Outstanding under the conditions and restrictions hereinafter set forth.

The Series 2002 B Bonds Sinking Fund and the Series 2002 B Bonds Reserve Account shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 2002 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.

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

C. The Issuer shall on the first day of each month (if the first day is not a business day, then the first business day of each month), deposit with the Commission the required interest, principal and reserve account payments with respect to the Series 2002 A Bonds and the Series 2002 B Bonds and all such payments shall be remitted to the Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Bond Legislation. All remittances made by the Issuer to the Commission shall clearly identify the fund or account into which each amount is to be deposited.

D. The Issuer shall complete the "Monthly Payment Form," a form of which is attached to the Loan Agreements, and submit a copy of said form along with a copy of its payment check to the Authority by the 5th day of each calendar month.

E. The Issuer shall remit from the Revenue Fund to the Commission, the Registrar, the Paying Agent or the Depository Bank, on such dates as the Commission, the Registrar, the Paying Agent or the Depository Bank, as the case may be, shall require, such additional sums as shall be necessary to pay their respective charges and fees then due. In the case of payments to the Commission under this paragraph, the Issuer shall, if required by the Authority at anytime, make the necessary arrangements whereby such required payments shall be automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates required.

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

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

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

Section 5.04. Reserve Account Letter of Credit or Surety Bond. With the advance written consent of the Authority and the Council, the Issuer may, in lieu of funding the respective Reserve Accounts for the Series 2002 A Bonds and Series 2002 B Bonds with cash or Qualified Investments, satisfy the respective Reserve Requirements by the deposit into the respective Reserve Accounts of a reserve account letter of credit, a surety bond, or other credit facility satisfactory to the Authority and the Council in an amount at least equal to the respective Reserve Requirement. The Issuer hereby authorizes the purchase of a reserve account letter of credit, a surety bond, or other credit facility satisfactory to the Authority and the Council and the execution and delivery of any applicable reimbursement agreement or note in such forms as shall be described in a Supplemental Resolution.

ARTICLE VI

BOND PROCEEDS; CONSTRUCTION DISBURSEMENT

Section 6.01. Application of Bond Proceeds; Pledge of Unexpended Bond Proceeds. From the monies received from the sale of the Series 2002 A Bonds and Series 2002 B Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Series 2002 A Bonds, there shall first be deposited with the Commission in the Series 2002 A Bonds Sinking Fund, the amount, if any, set forth in the Supplemental Resolution as capitalized interest; provided, that such amount may not exceed the amount necessary to pay interest on the Series 2002 A Bonds for the period commencing on the date of issuance of the Series 2002 A Bonds and ending 6 months after the estimated date of completion of construction of the Project.

B. From the proceeds of the Series 2002 B Bonds, there shall first be deposited with the Commission in the Series 2002 B Bonds Sinking Fund, the amount, if any, set forth in the Supplemental Resolution as capitalized interest; provided, that such amount may not exceed the amount necessary to pay interest on the Series 2002 B Bonds for the period commencing on the date of issuance of the Series 2002 B Bonds and ending 6 months after the estimated date of completion of construction of the Project.

C. Next, from the proceeds of the Series 2002 A Bonds, there shall be deposited with the Commission in the Series 2002 A Bonds Reserve Account, the amount, if any, set forth in the Supplemental Resolution for funding of the Series 2002 A Bonds Reserve Account.

D. Next, from the proceeds of the Series 2002 B Bonds, there shall be deposited with the Commission in the Series 2002 B Bonds Reserve Account, the amount, if any, set forth in the Supplemental Resolution for funding of the Series 2002 B Bonds Reserve Account.

E. The remaining moneys derived from the sale of the Series 2002 A Bonds, shall be deposited with the Depository Bank in the Series 2002 A Bonds Construction Trust Fund and applied solely to payment of the costs of the Project in the manner set forth in Section 6.02 hereof and, until so expended, are hereby pledged as additional security for the Series 2002 A Bonds.

F. As the Issuer receives advances of the remaining moneys derived from the sale of the Series 2002 B Bonds, such moneys shall be deposited with the Depository Bank in the Series 2002 B Bonds Construction Trust Fund and applied solely to payment of the costs of the Project in the manner set forth in Section 6.02 hereof and, until so expended, are hereby pledged as additional security for the Series 2002 B Bonds.

Section 6.02. Disbursements From the Bond Construction Trust Fund. Payments for Costs of the Project shall be made monthly. Except as provided in Section 6.01 hereof, disbursements from the Series 2002 A Bonds Construction Trust Fund shall be made only after submission to the Depository Bank of a certificate, signed by an Authorized Officer and the Consulting Engineers, stating that:

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

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

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

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

In case any contract provides for the retention of a portion of the contract price, the Depository Bank shall disburse from the Series 2002 A Bonds Construction Trust Fund only the net amount remaining after deduction of any such portion. All payments made from the Series 2002 A Bond Construction Trust Fund shall be presumed by the Depository Bank to be made for the purposes set forth in said certificate, and the Depository Bank shall not be required to monitor the application of disbursements from the Series 2000 A Bonds Construction Trust Fund. The Consulting Engineers shall from time to time file with the Depository Bank written statements advising the Depository Bank of its then authorized representative.

The Issuer shall each month provide the Council with a requisition for the costs incurred for the Project, together with such documentation as the Council shall require. Except as provided in Section 6.01 hereof, disbursements from the Series 2002 B Bonds Construction Trust Fund shall be made only after submission to, and approval from, the Council of a certificate, signed by an Authorized Officer and the Consulting Engineers, stating that:

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

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

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

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

Pending such application, monies in the Series 2002 A Bonds Construction Trust Fund and the Series 2002 B Bonds Construction Trust Fund shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

After completion of construction of the Project, as certified by the Consulting Engineers, and all costs of the Project have been paid, any remaining proceeds of the Series 2002 A Bonds shall be applied as directed by the Authority and any remaining proceeds of the Series 2002 B Bonds shall be applied as directed by the Council.

The Issuer shall expend all proceeds of the Series 2002 A Bonds within 3 years of the date of issuance of the Authority's bonds, the proceeds of which were used to make the loan to the Issuer.

The Issuer shall expend all proceeds of the Series 2002 B Bonds within 3 years of the date of issuance of the Council's bonds, the proceeds of which were used to make the loan to the Issuer.

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01. General Covenants of the Issuer. All the covenants, agreements and provisions of this Bond Legislation shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Series 2002 A Bonds and the Series 2002 B Bonds. In addition to the other covenants, agreements and provisions of this Bond Legislation, the Issuer hereby covenants and agrees with the Holders of the Series 2002 A Bonds and the Series 2002 B Bonds as hereinafter provided in this Article VII. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of the Series 2002 A Bonds and the Series 2002 B Bonds or the interest thereon is Outstanding and unpaid.

Section 7.02. Bonds not to be Indebtedness of the Issuer. The Series 2002 A Bonds and the Series 2002 B Bonds shall not be nor constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness, but shall be payable solely from the funds pledged for such payment by this Bond Legislation. No Holder or Holders of the Series 2002 A Bonds and the Series 2002 B Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Series 2002 A Bonds and the Series 2002 B Bonds or the interest thereon.

Section 7.03. Bonds Secured by Pledge of Gross Revenues; Lien Position with respect to Prior Bonds. The payment of the debt service of the Series 2002 A Bonds and the Series 2002 B Bonds issued hereunder shall be secured forthwith equally and ratably by a first lien on the Gross Revenues derived from the operation of the System, on a parity with the lien on the Gross Revenues in favor of the Holders of the Prior Bonds. Such Gross Revenues, in an amount sufficient to pay the principal of and interest on the Prior Bonds, the Series 2002 A Bonds and the Series 2002 B Bonds and to make the payments into all funds and accounts and all other payments provided for in the Bond Legislation, are hereby irrevocably pledged, in the manner provided herein, to such payments as they become due, and for the other purposes provided in the Bond Legislation.

Section 7.04. Rates and Charges. The Issuer has obtained any and all approvals of rates and charges required by State law and has taken any other action required to establish and impose such rates and charges, with all requisite appeal periods having expired without successful appeal. Such rates and charges shall be sufficient to comply with the requirements of the Loan Agreement. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth in the sewer rate ordinance of the Issuer enacted on September 7, 1999, and the water rate ordinance of the Issuer enacted July 17, 1995, which rates are incorporated herein by reference as a part hereof.

So long as the Series 2002 A Bonds and the Series 2002 B Bonds are outstanding, the Issuer covenants and agrees to fix and collect rates, fees and other charges for the use of the System and to take all such actions necessary to provide funds sufficient to produce the required sums set forth in the Bond Legislation and in compliance with the Loan Agreements. In the event the schedule of rates and charges initially established for the System in connection with the Series 2002 A Bonds and the Series 2002 B Bonds shall prove to be insufficient to produce the required sums set forth in this Bond Legislation and the Loan Agreements, the Issuer hereby covenants and agrees that it will, to the extent or in the manner authorized by law, immediately adjust and increase such schedule of rates, fees and charges and take all such actions necessary to provide funds sufficient to produce the required sums set forth in this Bond Legislation and the Loan Agreements.

Section 7.05. Sale of the System. So long as the Prior Bonds are outstanding, the Issuer shall not sell, mortgage, lease or otherwise dispose of or encumber the System, or any part thereof, except as provided in the Prior Ordinances and with the written consent of the Authority and the Council. Additionally, so long as the Series 2002 A Bonds and the Series 2002 B Bonds are outstanding and except as otherwise required by law or with the written consent of the Authority and the Council, the System may not be sold, mortgaged, leased or otherwise disposed of, except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Bonds Outstanding in accordance with Article X hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Series 2002 A Bonds and the Series 2002 B Bonds, immediately be remitted to the Commission for deposit in the Series 2002 A Bonds Sinking Fund and the Series 2002 B Bonds Sinking Fund, and, with the written permission of the Authority, or in the event the Authority is no longer a Bondholder, the Issuer shall direct the Commission to apply such proceeds to the payment of principal of and interest, if any, on the Series 2002 A Bonds and the Series 2002 B Bonds as prescribed by Section 10.01 hereof. Any balance remaining after the payment of the Bonds and the interest, if any, thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

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

such properties, shall be in excess of $10,000 but not in excess of $50,000, the Issuer shall first, determine, upon consultation with the Consulting Engineers, that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then, if it be so advised, by resolution duly adopted, authorize such sale, lease or other disposition of such property upon public bidding. The proceeds derived from any such sale, lease or other disposition of such property, aggregating during such Fiscal Year in excess of $10,000 and not in excess of $50,000, shall, with the written consent of the Authority, be remitted by the Issuer to the Commission for deposit in the Sinking Funds and shall be applied only to the purchase of Bonds of the last maturities then Outstanding at prices not greater than the par value thereof plus 3% of such par value. Such payment of such proceeds into the Sinking Funds or the Renewal and Replacement Fund shall not reduce the amounts required to be paid into said funds by other provisions of this Bond Legislation.

No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, shall be in excess of $50,000 and insufficient to pay all Bonds then Outstanding, without the prior approval and consent in writing of the Holders of all Bonds then Outstanding. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 7.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. Except as provided for in Section 7.07 hereof, the Issuer shall not issue any other obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Series 2002 A Bonds, the Series 2002 B Bonds and the Prior Bonds. All obligations issued by the Issuer after the issuance of the Series 2002 A Bonds and the Series 2002 B Bonds are 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 2002 A Bonds, the Series 2002 B Bonds and the Prior Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into all funds and accounts established by this Bond Legislation and the Prior Ordinances at the time of the issuance of such subordinate obligations have been made and are current.

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

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

Section 7.07. Parity Bonds. So long as the Prior Bonds are outstanding, the limitations on the issuance of parity obligations set forth in the Prior Ordinances shall be applicable. Additionally, no Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of the Series 2002 A Bonds and the Series 2002 B Bonds pursuant to this Bond Legislation, without the prior written consent of the Authority and the Council and without complying with the conditions and requirements herein provided (unless less restrictive than the provisions of the Prior Ordinances).

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

No such Parity Bonds shall be issued except for the purpose of financing the costs of acquisition or construction of additions, extensions, improvements or betterments to the System or refunding the Series 2002 A Bonds, the Series 2002 B Bonds or the Prior Bonds issued pursuant hereto, or both such purposes.

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

(1) The Bonds then Outstanding;

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

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

The "estimated average increased annual Net Revenues expected to be received in each of the 3 succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from the improvements to be financed by such Parity Bonds and any increase in rates enacted by the Issuer, the time for appeal of which shall have expired (without successful appeal) prior to the issuance of such Parity Bonds, and shall not exceed the amount to be stated in a

certificate of the Independent Certified Public Accountants, which shall be filed in the office of the City Clerk prior to the issuance of such Parity Bonds.

The Net Revenues actually derived from the System during the 12 consecutive month period hereinabove referred to may be adjusted by adding to such Net Revenues such additional Net Revenues which would have been received, in the opinion of the Independent Certified Public Accountants, as stated in a certificate, on account of increased rates, rentals, fees and charges for the System enacted by the Issuer, the time for appeal of which shall have expired (without successful appeal) prior to issuance of such Parity Bonds.

All covenants and other provisions of this Bond Legislation (except as to details of such Parity Bonds inconsistent herewith) shall be for the equal benefit, protection and security of the Holders of the Series 2002 A Bonds and the Series 2002 B Bonds and the Holders of any Parity Bonds subsequently issued from time to time within the limitations of and in compliance with this section and the Prior Ordinances. All such Bonds, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the Gross Revenues of the System, and their source of and security for payment from said Gross Revenues, without preference of any Bond over any other. The Issuer shall comply fully with all the increased payments into the various funds and accounts created in this Bond Legislation required for and on account of such Parity Bonds, in addition to the payments required for Bonds theretofore issued pursuant to this Bond Legislation.

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

No additional Parity Bonds shall be issued at any time, however, unless all of the payments into the respective funds and accounts provided for in this Bond Legislation and the Prior Ordinances with respect to the Bonds then Outstanding, and any other payments provided for in this Bond Legislation and the Prior Ordinances, shall have been made in full as required to the date of delivery of the Parity Bonds, and the Issuer then be in full compliance with all the covenants, agreements and terms of this Bond Legislation and the Prior Ordinances and every ordinance supplemental thereto, or shall have fully corrected any delinquency or deficiency in such payments and compliance.

Section 7.08. Books; Records and Audit. The Issuer shall keep complete and accurate records of the cost of acquiring the Project site and the costs of acquiring, constructing and installing the Project. The Issuer shall permit the Authority and the Council, or their agents and representatives, to inspect all books, documents, papers and records relating to the Project and the System at all reasonable times for the purpose of audit and

examination. The Issuer shall submit to the Authority and the Council such documents and information as they may reasonably require in connection with the acquisition, construction and installation of the Project, the operation and maintenance of the System and the administration of the loan or any grants or other sources of financing for the Project.

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

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

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

The Issuer shall file with the Authority and the Council, or any other original purchaser of the Series 2002 A Bonds and the Series 2002 B Bonds, and shall mail in each year to any Holder or Holders of the Series 2002 A Bonds and the Series 2002 B Bonds requesting the same, an annual report containing the following:

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

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

(C) The amount of any Bonds, notes or other obligations payable from the revenues of the System outstanding.

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants in compliance with the applicable OMB Circular, or any successor thereto, and the Single Audit Act, or any successor thereto, to the extent legally required, and shall mail upon request, and make available generally, the report of said Independent Certified Public Accountants, or a summary thereof, to any Holder or Holders of the Series 2002 A Bonds and the Series 2002 B Bonds and shall submit said report to the Authority and the Council, or any other original purchaser of the Series 2002 A Bonds and the Series 2002 B Bonds. Such audit report submitted to the Authority and the Council shall include a statement that the Issuer is in compliance with the terms and provisions of the Loan Agreement, the Act and this Bond Legislation and that the revenues of the System are adequate to meet the Issuer's Operating Expenses and debt service and reserve requirements.

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

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

Section 7.09. Rates. Prior to the issuance of the Series 2002 A Bonds and the Series 2002 B Bonds, equitable rates or charges for the use of and service rendered by the System have been established all in the manner and form required by law, and copies of the rates and charges so established will be continuously on file with the City Clerk, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from said System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created (or, where appropriate, continued) hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest, if any,

on the Series 2002 A Bonds and the Series 2002 B Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2002 A Bonds and the Series 2002 B Bonds, including the Prior Bonds; provided that, in the event that amounts equal to or in excess of the reserve requirements are on deposit respectively in the Series 2002 A Bonds Reserve Account and the Series 2002 B Bonds Reserve Account and any reserve accounts for obligations on a parity with the Series 2002 A Bonds and the Series 2002 B Bonds, including the Prior Bonds, are funded at least at the requirement therefor, such balance each year need only equal at least 110% of the maximum amount required in any year for payment of principal of and interest, if any, on the Series 2002 A Bonds and the Series 2002 B Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2002 A Bonds and the Series 2002 B Bonds, including the Prior Bonds. In any event, subject to any requirements of law, the Issuer shall not reduce the rates or charges for services set forth in the rate ordinance described in Section 7.04 hereof.

Section 7.10. Operating Budget and Monthly Financial Report. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year and shall submit a copy of such budget to the Authority and the Council within 30 days of adoption thereof. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget until the Issuer shall have approved such additional expenditures by a resolution duly adopted. No increased expenditures in excess of 10% of the amount of such budget shall be made except upon the certificate by a professional engineer, that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Authority, the Council and to any Holder of any Bonds who shall file his or her address with the Issuer and request in writing that copies of all such budgets and resolutions be furnished him or her, within 30 days of adoption thereof, and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to any Holder of any Bonds, or anyone acting for and in behalf of such Holder of any Bonds.

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

Section 7.11. Engineering Services and Operating Personnel. The Issuer shall obtain a certificate of the Consulting Engineers in the form attached to the Loan Agreement, stating, among other things, that the Project has been or will be constructed in

accordance with the approved plans, specifications and designs as submitted to the Authority and the Council, the Project is adequate for the purposes for which it was designed, the funding plan as submitted to the Authority and the Council is sufficient to pay the costs of acquisition and construction of the Project, and all permits required by federal and state laws for construction of the Project have been obtained.

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

The Issuer shall employ qualified personnel properly certified by the State to operate the System during the entire term of the Loan Agreement.

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

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

Whenever any fees, rates, rentals or other charges for the services and facilities of the System shall remain unpaid for a period of 30 days after the same shall become due and payable, the property and the owner thereof, as well as the user of the services and facilities, shall be delinquent until such time as all such rates and charges are fully paid. To the extent authorized by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, rates, rentals and other charges, if not paid when due, shall become a lien on the premises served by the System. The Issuer further covenants and agrees that, it will, to the full extent permitted by law and the rules and regulations promulgated by the Public Service Commission of West Virginia, discontinue and shut off the services of the System, to all users of the services of the System delinquent in payment of charges for the services of the System and will not restore such services of either system until all delinquent charges for the services of the System, plus reasonable interest and

penalty charges for the restoration of service, have been fully paid and shall take all further actions to enforce collections to the maximum extent permitted by law.

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

Section 7.15. Insurance and Construction Bonds. A. The Issuer hereby covenants and agrees that so long as the Series 2002 A Bonds and the Series 2002 B Bonds remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance with a reputable insurance carrier or carriers as is customarily covered with respect to works and properties similar to the System. Such insurance shall initially cover the following risks and be in the following amounts:

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

(2) PUBLIC LIABILITY INSURANCE, with limits of not less than $1,000,000 per occurrence to protect the Issuer from claims for bodily injury and/or death and not less than $500,000 per occurrence from claims for damage to property of others which may arise from the operation of the

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

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

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

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

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

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

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

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

and residents of, and the economy of, the Issuer and in order to assure the rendering harmless of sewage and water-borne waste matter produced or arising within the territory served by the System. Accordingly, every owner, tenant or occupant of any house, dwelling or building located near the System, where sewage will flow by gravity or be transported by such other methods approved by the State Bureau for Public 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 Bureau for Public Health and such house, dwelling or building can be adequately served by the System, and every such owner, tenant or occupant shall, after a 30-day notice of the availability of the System, pay the rates and charges established therefor.

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

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

The Issuer has obtained all permits required by State and federal laws for the acquisition and construction of the Project, all orders and approvals from the Public Service Commission of West Virginia and the Council necessary for the acquisition and construction of the Project and the operation of the System and all approvals for issuance of the Series 2002 A Bonds and the Series 2002 B Bonds required by State law, with all requisite appeal periods having expired without successful appeal.

Section 7.18. Compliance with Loan Agreements and Law. The Issuer shall perform, satisfy and comply with all the terms and conditions of the Loan Agreements and the Act. Notwithstanding anything herein to the contrary, the Issuer will provide the Council with copies of all documents submitted to the Authority.

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

Section 7.19. Tax Covenants. The Issuer hereby further covenants and agrees as follows:

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

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

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

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

E. FURTHER ACTIONS. The Issuer shall take any and all actions that may be required of it (including, without limitation, those deemed necessary by the Authority) so that the interest, if any, on the Series 2002 A Bonds will be and remain excludable from gross income for federal income tax purposes, and shall not take any actions, or fail to take any actions (including, without limitation, those deemed necessary by the Authority), the result of which would adversely affect such exclusion.

Section 7.20. Statutory Mortgage Lien. For the further protection of the Holders of the Series 2002 A Bonds and the Series 2002 B Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, shall take effect immediately upon delivery of the Series 2002 A Bonds and the Series 2002 B Bonds and shall be on a parity with the statutory mortgage lien in favor of the Holders of the Prior Bonds.

Section 7.21. Contracts; Public Releases. A. The Issuer shall, simultaneously with the delivery of the Series 2002 A Bonds and the Series 2002 B Bonds or immediately thereafter, enter into written contracts for the immediate acquisition or construction of the Project.

B. The Issuer shall submit all proposed change orders to the Council for written approval. The Issuer shall obtain the written approval of the Council before expending any proceeds of the Series 2002 B Bonds held in "contingency" as set forth in the schedule attached to the Certificate of the Consulting Engineer. The Issuer shall also obtain the written approval of the Council before expending any proceeds of the Series 2002 B Bonds made available due to bid or construction or project underruns.

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

Section 7.22. Securities Laws Compliance. The Issuer shall provide the Authority, in a timely manner, with any and all information that may be requested of it (including its annual audit report, financial statements, related information and notices of changes in usage and customer base) so that the Authority may comply with the provisions of SEC Rule 15c2-12 (17 CFR Part 240).

ARTICLE VIII

INVESTMENT OF FUNDS; NON-ARBITRAGE

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

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

The Depository Bank shall keep complete and accurate records of all funds, accounts and investments, and shall distribute to the Issuer, at least once each year, or more often as reasonably requested by the Issuer, a summary of such funds, accounts and investment earnings. The Issuer shall retain all such records and any additional records with respect to such funds, accounts and investment earnings so long as any of the Series 2002 A Bonds and the Series 2002 B Bonds are Outstanding and as long thereafter as necessary to comply with the Code and assure the exclusion of interest, if any, on the Series 2002 A Bonds and the Series 2002 B Bonds from gross income for federal income tax purposes.

Section 8.02. Arbitrage and Tax Exemption. The Issuer covenants that (i) it shall not take, or permit or suffer to be taken, any action with respect to the gross or other proceeds of the Series 2002 A Bonds which would cause the Series 2002 A Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code, and (ii) it will take any and all actions that may be required of it (including, without implied limitation, the timely filing

of a federal information return with respect to the Series 2002 A Bonds) so that the interest on the Series 2002 A Bonds will be and remain excluded from gross income for federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 8.03. Small Issuer Exemption from Rebate. In accordance with Section 148(f)(4)(D) of the Code, the Issuer covenants that it is a governmental unit with general taxing powers; that no part of the Series 2002 A Bonds are private activity bonds; that 95% or more of the Net Proceeds of the Series 2002 A Bonds are to be used for local governmental activities of the Issuer (or of a governmental unit the jurisdiction of which is entirely within the jurisdiction of the Issuer); and that the aggregate face amount of all the tax-exempt obligations (other than private activity bonds) issued by the Issuer during the calendar year in which the Series 2002 A Bonds are issued does not and will not exceed $5,000,000, determined in accordance with Section 148(f)(4)(D) of the Code and the Regulations from time to time in effect and applicable to the Series 2002 A Bonds. For purposes of this first paragraph of Section 8.03 and for purposes of applying Section 148(f)(4)(D) of the Code, the Issuer and all entities which issue obligations on behalf of the Issuer shall be treated as one issuer; all obligations issued by a governmental unit to make loans to other governmental units with general taxing powers not subordinate to such unit shall, for purposes of applying this first paragraph of Section 8.03 and Section 148(f)(4)(D) of the Code, be treated as not issued by such unit; all obligations issued by a subordinate entity shall, for purposes of applying this first paragraph of Section 8.03 and Section 148(f)(4)(D) of the Code to each other entity to which such entity is subordinate, be treated as issued by such other entity; and an entity formed (or, to the extent provided by the Secretary, as set forth in the Code, availed of) to avoid the purposes of such Section 148(f)(4)(D) of the Code and all other entities benefitting thereby shall be treated as one issuer.

Notwithstanding the foregoing, if in fact the Issuer is subject to the rebate requirements of Section 148(f) of the Code, and not exempted from such requirements, the Issuer covenants to make, or cause to be made, all rebate calculations, computations and payments in the time, manner and as required in Section 148(f) of the Code and the Regulations from time to time in effect and applicable to the Series 2002 A Bonds and otherwise covenants and agrees to comply with the provisions of such Section 148(f) of the Code and the Regulations from time to time in effect and applicable to the Series 2002 A Bonds. In the event of a failure to pay the correct rebate amount, the Issuer will pay, from any lawful sources available therefor, to the United States such rebate amount, plus a penalty equal to 50% of the rebate amount not paid when required to be paid, plus interest on that amount, unless waived. In order to provide for the administration of this paragraph, the Issuer may provide for the employment of independent attorneys, accountants and consultants compensated on such reasonable basis as the Issuer may deem appropriate.

The Issuer shall furnish to the Authority, annually, and at such time as it is required to perform its rebate calculations under the Code, a certificate with respect to its rebate calculations and, at any time, any additional information relating thereto as may be requested by the Authority. In addition, the Issuer shall cooperate with the Authority in preparing any required rebate calculations and in all other respects in connection with rebates and hereby consents to the performance of all matters in connection with such rebates by the Authority at the expense of the Issuer.

The Issuer shall submit to the Authority within 15 days following the end of each Bond Year a certified copy of its rebate calculation or, if the Issuer qualifies for the small governmental issue exception to rebate, the Issuer shall submit a certificate stating that it is exempt from the rebate provisions and that no event has occurred to its knowledge during the Bond Year which would make the Series 2002 A Bonds subject to rebate. The Issuer shall also furnish to the Authority, at any time, such additional information relating to rebate as may be reasonably requested by the Authority, including information with respect to earnings on all funds constituting "gross proceeds" of the Bonds (as such term "gross proceeds" is defined in the Code).

ARTICLE IX

DEFAULT AND REMEDIES

Section 9.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Series 2002 A Bonds and the Series 2002 B Bonds:

(1) If default occurs in the due and punctual payment of the principal of or interest on the Series 2002 A Bonds or the Series 2002 B Bonds; or

(2) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Series 2002 A Bonds or the Series 2002 B Bonds set forth in this Bond Legislation, any supplemental resolution or in the Series 2002 A Bonds or the Series 2002 B Bonds, and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Commission, the Depository Bank, the Registrar, the Paying Agent or any other Paying Agent or a Holder of a Bond; or

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

(4) If default occurs with respect to the Prior Bonds or the Prior Ordinances.

Section 9.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of a Bond may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his or her rights and, in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Registered Owners including the right to require the Issuer to perform its duties under the Act and the Bond Legislation relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Bonds; (iv) by action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Registered Owners of the Bonds, and (v) by action or bill in equity enjoin any acts in violation of the Bond Legislation with respect to the Bonds, or the rights of such Registered Owners; provided that, all rights and remedies of the Holders of the Series 2002 A Bonds and the Series 2002 B Bonds shall be on a parity with those of the Holders of the Prior Bonds.

Section 9.03. Appointment of Receiver. Any Registered Owner of a Bond may, by proper legal action, compel the performance of the duties of the Issuer under the Bond Legislation and the Act, including, the completion of the Project and after commencement of operation of the System, the making and collection of sufficient rates and charges for services rendered by the System and segregation of the revenues therefrom and the application thereof. If there be any Event of Default with respect to the Series 2002 A Bonds or the Series 2002 B Bonds, any Registered Owner of a Bond shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System or to complete the acquisition and construction of the Project on behalf of the Issuer, with the power to charge rates, rentals, fees and other charges sufficient to provide for the payment of Operating Expenses of the System, the payment of the Bonds and interest and the deposits into the funds and accounts hereby established, and to apply such rates, rentals, fees, charges or other revenues in conformity with the provisions of this Bond Legislation and the Act.

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

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

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

Any receiver appointed as provided herein shall hold and operate the System in the name of the Issuer and for the joint protection and benefit of the Issuer and Registered Owners of the Bonds. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the completion of the Project

and the possession, operation and maintenance of the System for the sole purpose of the protection of both the Issuer and Registered Owners of such Bonds and the curing and making good of any Event of Default with respect thereto under the provisions of this Bond Legislation, and the title to and ownership of said System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, assign, mortgage or otherwise dispose of any assets of the System.

ARTICLE X

PAYMENT AND DEFEASANCE OF BONDS

Section 10.01. Defeasance of Series 2002 A Bonds. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all of the Series 2002 A Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then the pledge of Gross Revenues and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 2002 A Bonds shall thereupon cease, terminate and become void and be discharged and satisfied, except as may otherwise be necessary to assure the exclusion of interest on the Series 2002 A Bonds from gross income for federal income tax purposes.

Series 2002 A Bonds for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Paying Agent at the same or earlier time, shall be sufficient, to pay as and when due either at maturity or at the next redemption date, the principal installments of and interest on such Series 2002 A Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Series 2002 A Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited with the 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 2002 A Bonds on and prior to the next redemption date or 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 2002 A 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 Bonds on and prior to the next redemption date or the maturity dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer 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 10.02. Payment of Series 2002 B Bonds. If the Issuer shall pay or there shall otherwise be paid, to the Holders of the Series 2002 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 Bond Legislation, then the pledge of Gross Revenues and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 2002 B Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Amendment or Modification of Bond Legislation. Prior to issuance of the Series 2002 A Bonds and the Series 2002 B Bonds, this Ordinance may be amended or supplemented in any way by the Supplemental Resolution. Following issuance of the Series 2002 A Bonds and the Series 2002 B Bonds, no material modification or amendment of this Ordinance, or of any ordinance, resolution or order amendatory or supplemental hereto, that would materially and adversely affect the rights of Registered Owners of the Series 2002 A Bonds and the Series 2002 B Bonds shall be made without the consent in writing of the Registered Owners of the Series 2002 A Bonds and the Series 2002 B Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of any Bond or Bonds or the rate of interest, if any, thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest, if any, out of the funds herein 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 the Series 2002 A Bonds and the Series 2002 B Bonds required for consent to the above-permitted amendments or modifications. Notwithstanding the foregoing, this Bond Legislation may be amended without the consent of any Bondholder as may be necessary to assure compliance with Section 148(f) of the Code relating to rebate requirements or otherwise as may be necessary to assure the exclusion of interest on the Series 2002 A Bonds from gross income of the holders thereof.

Section 11.02. Bond Legislation Constitutes Contract. The provisions of the Bond Legislation shall constitute a contract between the Issuer and the Registered Owners of the Series 2002 A Bonds and the Series 2002 B Bonds, and no change, variation or alteration of any kind of the provisions of the Bond Legislation shall be made in any manner, except as in this Bond Legislation provided.

Section 11.03. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Ordinance should be held invalid by any court of competent jurisdiction, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Ordinance, the Supplemental Resolution, the Series 2002 A Bonds or the Series 2002 B Bonds

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

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

Section 11.06. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the adoption of this Ordinance do exist, have happened, have been performed and have been taken in regular and due time, form and manner as required by and in full compliance with the laws and Constitution of the State of West Virginia applicable thereto; and that the Mayor, the City Manager, the City Clerk and members of the Governing Body were at all times when any actions in connection with this Ordinance occurred and are duly in office and duly qualified for such office.

Section 11.07. Effective Date. This Ordinance shall take effect immediately following public hearing hereon.

Section 11.08. Statutory Notice and Public Hearing. Upon adoption hereof, an abstract of this Ordinance determined by the Governing Body to contain sufficient information as to give notice of the contents hereof shall be published once a week for 2 successive weeks within a period of fourteen consecutive days, with at least 6 full days intervening between each publication, in the Spirit of Jefferson Advocate, a qualified newspaper published and of general circulation in the City of Charles Town, together with a notice stating that this Ordinance has been adopted and that the Issuer contemplates the issuance of the Series 2002 A Bonds and the Series 2002 B Bonds, and that any person interested may appear before the Governing Body upon a date certain, not less than ten days subsequent to the date of the first publication of such abstract of this Ordinance and notice, and present protests, and that a certified copy of this Ordinance is on file with the Governing Body for review by interested persons during office hours of the Governing Body. At such hearing, all objections and suggestions shall be heard and the Governing Body shall take such action as it shall deem proper in the premises.

Passed on First Reading:	-	July 29, 2002
Passed on Second Reading:	-	August 5, 2002
Passed on Final Reading Following Public Hearing	-	August 19, 2002

[SEAL]

J. Randolph Hilton
Mayor

Jane E. Arnett
City Manager

ATTEST:

Brenda S. Hamilton
City Clerk

CERTIFICATION

Certified a true copy of an Ordinance duly enacted by the Council of the CITY OF CHARLES TOWN on the 19th day of August, 2002.

Dated: August 22, 2002.

[SEAL]

Brenda J. Hamilton
City Clerk

08/09/02
144220.00003

CH531121.2

EXHIBIT A

Loan Agreements included in bond transcript as Documents No. 3 and No. 4

CITY OF CHARLES TOWN

Combined Waterworks and Sewerage System Revenue Bonds,
Series 2002 A (West Virginia Water Development Authority) and
Series 2002 B (West Virginia Infrastructure Fund)

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNTS, DATES, MATURITY DATES, REDEMPTION PROVISIONS, INTEREST RATES, INTEREST AND PRINCIPAL PAYMENT DATES, SALE PRICES AND OTHER TERMS OF THE COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2002 A (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY) AND COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2002 B (WEST VIRGINIA INFRASTRUCTURE FUND) , OF THE CITY OF CHARLES TOWN; APPROVING AND RATIFYING THE LOAN AGREEMENTS RELATING TO SUCH BONDS AND THE SALE AND DELIVERY OF SUCH BONDS TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; DESIGNATING A REGISTRAR, PAYING AGENT AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the city council (the "Governing Body") of the City of Charles Town (the "Issuer") has duly and officially adopted and enacted a bond ordinance, effective August 19, 2002 (the "Bond Ordinance"), entitled:

ORDINANCE AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE WATERWORKS PORTION OF THE EXISTING PUBLIC COMBINED WATERWORKS AND SEWERAGE SYSTEM OF THE CITY OF CHARLES TOWN AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE CITY OF NOT MORE THAN $2,000,000 IN

AGGREGATE PRINCIPAL AMOUNT OF COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2002 A (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), AND NOT MORE THAN $3,600,000 IN AGGREGATE PRINCIPAL AMOUNT OF COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2002 B (WEST VIRGINIA INFRASTRUCTURE FUND); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING LOAN AGREEMENTS RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

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

WHEREAS, the Bond Ordinance provides for the issuance of Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 A (West Virginia Water Development Authority) and the Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 B (West Virginia Infrastructure Fund), of the Issuer (collectively, the "Bonds" and individually, the "Series 2002 A Bonds" and the "Series 2002 B Bonds"), in the respective aggregate principal amounts not to exceed $2,000,000 and $3,600,000, and has authorized the execution and delivery of a loan agreement relating to the Series 2002 A Bonds, by and between the Issuer and the West Virginia Water Development Authority (the "Authority") and the loan agreement relating to the Series 2002 B Bonds, by and between the Issuer and the Authority, on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council") (collectively, the "Loan Agreement"), all in accordance with Chapter 8, Article 20, Chapter 22C, Article 1 and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended (collectively, the "Act"); and in the Bond Ordinance it is provided that the form of the Loan Agreement and the exact principal amounts, dates, maturity dates, redemption provisions, interest rates, interest and principal payment dates, sale prices and other terms of the Bonds should be established by a supplemental resolution pertaining to the Bonds; and that other matters relating to the Bonds be herein provided for;

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

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

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

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

Section 1. Pursuant to the Bond Ordinance and the Act, this Supplemental Resolution is adopted and there are hereby authorized and ordered to be issued the following bonds of the Issuer:

A. The Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 A (West Virginia Water Development Authority), of the Issuer, originally represented by a single Bond, numbered AR-1, in the principal amount of $1,100,000. The Series 2002 A Bonds shall be dated the date of delivery thereof, shall finally mature October 1, 2039, and shall bear interest at the rate of 5.8% per annum, payable semiannually on April 1 and October 1 of each year, commencing October 1, 2002. The principal of the Series 2002 A Bonds shall be payable in annual installments on October 1 of each year, commencing October 1, 2003, and maturing October 1, 2039, and in the amounts as set forth in the "Schedule Y" attached to the Loan Agreement and incorporated in and made a part of the Series 2002 A Bonds. The Series 2002 A Bonds shall be subject to redemption upon the written consent of the Authority, and upon payment of the interest and redemption premium and otherwise in compliance with the Loan Agreement, as long as the Authority shall be the registered owner of the Series 2002 A Bonds.

B. The Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 B (West Virginia Infrastructure Fund), of the Issuer, originally represented by a single Bond, numbered BR-1, in the principal amount of $3,600,000. The Series 2002 B Bonds shall be dated the date of delivery thereof, shall finally mature June 1, 2042, and shall bear no interest. The principal of the Series 2002 B Bonds shall be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing March 1, 2004, and maturing June 1, 2042, and in the amounts as set forth in the "Schedule Y" attached to the

Loan Agreement and incorporated in and made a part of the Series 2002 B Bonds. The Series 2002 B Bonds shall be subject to redemption upon the written consent of the Authority and the Council, and upon payment of the interest and redemption premium, if any, and otherwise in compliance with the Loan Agreement, so long as the Authority shall be the registered owner of the Series 2002 B Bonds.

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

Section 3. The Issuer does hereby authorize, approve, ratify and accept the Loan Agreement, a copy of which is incorporated herein by reference, and the execution and delivery of the Loan Agreement by the Mayor, and the performance of the obligations contained therein, on behalf of the Issuer, are hereby authorized, directed, ratified and approved. The Issuer hereby affirms all covenants and representations made in the Loan Agreement and in the application to the Council and the Authority. The price of the Bonds shall be 100% of par value, there being no interest accrued thereon.

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

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

Section 6. The Issuer does hereby appoint and designate Branch Banking and Trust Company, Ranson, West Virginia, to serve as Depository Bank under the Bond Ordinance.

Section 7. Series 2002 A Bonds proceeds in the amount of $70,712 shall be deposited in the Series 2002 A Bonds Sinking Fund, as capitalized interest.

Section 8. Series 2002 A Bonds proceeds in the amount of $-0- shall be deposited in the Series 2002 A Bonds Reserve Account.

Section 9. Series 2002 B Bonds proceeds in the amount of $-0- shall be deposited in the Series 2002 B Bonds Sinking Fund, as capitalized interest.

Section 10. Series 2002 B Bonds proceeds in the amount of $-0- shall be deposited in the Series 2002 B Bonds Reserve Account.

Section 11. The balance of the proceeds of the Series 2002 A Bonds and the Series 2002 B Bonds shall be deposited in or credited to the respective Bonds Construction Trust Funds for payment of the costs of the Project, including, without limitation, costs of issuance of the Bonds and related costs.

Section 12. The Mayor, the City Manager and the City Clerk are hereby authorized and directed to execute and deliver such other documents and certificates required or desirable in connection with the Bonds hereby and by the Bond Ordinance approved and provided for, to the end that the Bonds may be delivered on or about August 22, 2002, to the Authority pursuant to the Loan Agreement.

Section 13. The acquisition and construction of the Project and the financing thereof in part with proceeds of the Bonds are in the public interest, serve a public purpose of the Issuer and will promote the health, welfare and safety of the residents of the Issuer.

Section 14. The Issuer does hereby ratify, approve and accept all contracts relating to the financing, acquisition and construction of the Project.

Section 15. The Issuer hereby determines to invest all moneys in the funds and accounts established by the Bond Ordinance held by the Depository Bank until expended, in repurchase agreements or time accounts, secured by a pledge of Government Obligations, and therefore, the Issuer hereby directs the Depository Bank to take such actions as may be necessary to cause such moneys to be invested in such repurchase agreements or time accounts until further directed in writing by the Issuer. Moneys in the Sinking Funds and the Reserve Accounts shall be invested by the West Virginia Municipal Bond Commission in the West Virginia Consolidated Fund.

Section 16. The Issuer shall not permit at any time or times any of the proceeds of the Bonds or any other funds of the Issuer to be used directly or indirectly in a manner which would result in the exclusion of the Bonds from the treatment afforded by Section 103(a) of the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder or under any predecessor thereto (the "Code"), by reason of the classification of the Bonds as "private activity bonds" within the meaning of the Code. The Issuer will take all actions necessary to comply with the Code and Treasury Regulations to be promulgated thereunder.

Section 17. The Issuer hereby approves payment of all invoices and bills for the Project which have been received to date from the proceeds of the Bonds. The Issuer hereby appoints the City of Charles Town Utility Board as its agent for the review and approval of all future invoices for the Project to be paid from the proceeds of the Bonds.

Section 18. This Supplemental Resolution shall be effective immediately following adoption hereof.

Adopted this 19th day of August, 2002.

J. Randolph Hill
Mayor

CERTIFICATION

Certified a true copy of a Supplemental Resolution duly adopted by the Council of the City of Charles Town on the 19th day of August, 2002.

Dated: August 22, 2002.

[SEAL]

Brenda S. Hamilton
City Clerk

08/16/02
144220.00003

CITY OF CHARLES TOWN, WEST VIRGINIA

COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2002 C AND COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2003 A (AMT)

BOND ORDINANCE

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CITY OF CHARLES TOWN, WEST VIRGINIA

AN ORDINANCE AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING COMBINED WATERWORKS AND SEWERAGE SYSTEM OF THE CITY OF CHARLES TOWN AND THE FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE BY THE CITY OF NOT MORE THAN $6,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2002 C AND NOT MORE THAN $1,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2003 A (AMT); PROVIDING FOR THE RIGHTS AND REMEDIES OF, AND THE SECURITY FOR, THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING THE EXECUTION AND DELIVERY OF BOND PURCHASE AGREEMENTS, A CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS RELATING TO THE BONDS; AND ENACTING OTHER PROVISIONS WITH RESPECT TO SUCH BONDS.

WHEREAS, the City of Charles Town (the "Issuer" or the "City") presently owns and operates, through the City of Charles Town Utility Board (the "Board"), a combined municipal waterworks and sewerage system (the "System") and has heretofore financed the acquisition and construction of the System and certain additions, betterments and improvements thereto through the issuance of several series of bonds or refunding bonds, of which there are presently outstanding the Prior Bonds, as hereinafter defined.

WHEREAS, all of the Prior Bonds were issued pursuant to ordinances of the Issuer previously enacted (such ordinances, as so amended and supplemented, collectively herein called the "Prior Ordinances");

WHEREAS, under the provisions of Chapter 8, Article 20 of the West Virginia Code of 1931, as amended (the "Act"), the Issuer is authorized and empowered

to acquire, construct and operate extensions, additions, betterments and improvements for the System;

WHEREAS, the Issuer has determined, and does hereby affirm, that the acquisition and construction of certain extensions, additions, betterments and improvements to the System, which includes the acquisition of certain existing waterworks and sewerage systems, or portions thereof, is necessary, appropriate, useful and desirable for the health, safety, and welfare of the inhabitants of the City and surrounding areas;

WHEREAS, the Issuer has determined that the aforementioned acquisitiong25 and construction of extensions, additions, betterments and improvements to the waterworks and sewerage portions of the System should be financed, as provided under the Act, in whole or in part, from the proceeds of revenue bonds to be issued by the Issuer, to pay all or any portion of the costs thereof, and to enact this Ordinance and issue its Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 C (the "Series 2002 C Bonds") and its Combined Waterworks and Sewerage System Revenue Bonds, Seris 2003 A (AMT) (the "Series 2003 A Bonds" and collectively with the Series 2002 C Bonds herein called the "Bonds"), such Series 2002 C Bonds and Series 2003 A Bonds to be secured by and payable from the Gross Revenues of the System, and containing such other terms and provisions as are hereinafter provided, all in the manner set forth herein; and

WHEREAS, the Issuer has determined and hereby determines that it is in the best interest of the residents of the City that its Series 2002 C Bonds and Series 2003 A Bonds be sold to the Original Purchaser (as hereinafter defined) thereof pursuant to the terms and provisions of a bond purchase agreement, or bond purchase agreements (collectively, the "Bond Purchase Agreement") between the Issuer and the Original Purchaser, hereinafter defined;

NOW, THEREFORE, THE COUNCIL OF THE CITY OF CHARLES TOWN HEREBY ORDAINS:

ARTICLE I

DEFINITIONS; STATUTORY AUTHORITY; FINDINGS

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

"Act" means Chapter 8, Article 20 of the West Virginia Code of 1931, as amended and in effect on the Closing Date for the Series 2002 C Bonds and the Series 2003 A Bonds.

"Authorized Newspaper" means a financial journal or newspaper of general circulation in the City of New York, New York, printed in the English language and customarily published on each business day of the Registrar, whether or not published on Saturdays, Sundays or legal holidays, and so long as so published, shall include The Bond Buyer.

"Authorized Officer" means the Mayor or City Manager of the Issuer or any other officer of the Issuer specifically designated by resolution of the Council of the Issuer.

"Board" shall mean the City of Charles Town Utility Board, created by an ordinance of the Issuer, or any successor thereto.

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

"Bond Counsel" means any law firm having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds, appointed by the Issuer or the Board, and shall initially mean Steptoe & Johnson PLLC, Charleston, West Virginia.

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

"Bond Insurer" means any entity which shall insure all or any portion of the payment of principal of and interest on the Bonds, and with respect to the Series 2002 C Bonds and the Series 2003 A Bonds, shall initially mean the bond insurer or bond insurers, if any, named in the Supplemental Resolution.

"Bond Register" means the books of the Issuer maintained by the Registrar for the registration and transfer of Series 2002 C Bonds and the Series 2003 A Bonds.

"Bond Year" means with respect to each series of Series 2002 C Bonds, and Series 2003 A Bonds, the 12 month period beginning on the anniversary of the Closing Date in each year and ending on the day prior to the anniversary date of the Closing Date in the following year, except that the first Bond Year shall begin on the Closing Date.

"Bonds" means, collectively, the Series 2002 C Bonds, the Series 2003 A Bonds, the Prior Bonds and any additional parity Bonds hereafter issued within the terms, restrictions and conditions contained herein.

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

"Certificate of Authentication and Registration" means the Certificate of Authentication and Registration on the Series 2002 C Bonds and the Series 2003 A Bonds, in substantially the form set forth in EXHIBIT A - SERIES 2002 C BOND FORM and EXHIBIT B - SERIES 2003 A BOND FORM hereto.

"City" or "Issuer" means the City of Charles Town, a municipal corporation and political subdivision of the State of West Virginia, in Jefferson County thereof, and, where appropriate, the Council, the Board and any successor thereto.

"City Manager" means the City Manager of the Issuer.

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

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

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

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

"Costs" or similar terms means all those costs now or hereafter permitted by the Act to be financed with bonds issued pursuant hereto, including, without limitation those costs set forth in Section 1.02C.

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

"Debt Service" with reference to a specified period, means the amount of principal, including any sinking fund payments, and interest payable with respect to the Bonds during such period.

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

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

"DTC-eligible" means, with respect to the Series 2002 C Bonds and the Series 2003 A Bonds, meeting the qualifications prescribed by DTC.

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

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

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

"Government Obligations" shall have the meaning set forth in the Supplemental Resolution.

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

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

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

"Maximum Annual Debt Service" means, at the time of computation, the greatest amount of Debt Service required to be paid on the Bonds for the then current or any succeeding Fiscal Year.

"Mayor" means the Mayor of the Issuer.

"Municipal Bond Insurance Policy" means the municipal bond insurance policy or policies, if any, issued by the Bond Insurer simultaneously with the delivery of the Series 2002 C Bonds and/or the Series 2003 A Bonds, insuring the timely payment of the principal of and interest on all or any of the Series 2002 C Bonds and the Series 2003 A Bonds, respectively, in accordance with the terms thereof.

"Net Proceeds" means the face amount of the Series 2002 C Bonds or the Series 2003 A Bonds, plus accrued interest and premium, if any, less original issue discount, if any, on such issue, and less proceeds deposited in the Series 2002 C Bonds Reserve Account or Series 2003 A Bonds Reserve Account, as applicable. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Series 2002 C Bonds or the Series 2003 A Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

"Net Revenues" means Gross Revenues less Operating Expenses.

"Nonpurpose Investment" means any Investment Property which is acquired with the gross proceeds of the Series 2002 C Bonds or the Series 2003 A Bonds and is not acquired in order to carry out the governmental purpose of the Series 2002 C Bonds or the Series 2003 A Bonds.

"Operating Expenses," unless qualified, means the current expenses, paid or accrued, of repair, operation and maintenance of the System, and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses (other than those capitalized as part of the costs of any project relating to the acquisition or construction of additions, betterments or improvements for the System), supplies, labor, wages, the cost of materials and supplies used for current operations, fees and expenses of fiscal agents and of the Depository Bank, Registrar and Paying Agent or Paying Agents, payments to pension or retirement funds, taxes and such other reasonable operating

costs and expenses as should normally and regularly be included under generally accepted accounting principles.

"Ordinance" or "Bond Ordinance" regardless of whether preceded by the article "the" or "this," means this Ordinance, as it may hereafter from time to time be amended or supplemented, by ordinance or by resolution.

"Original Purchaser" means the investment banking firm or firms, bank or banks or such other entity or entities as shall purchase the Series 2002 C Bonds and the Series 2003 A Bonds directly from the Issuer, as determined by a resolution supplemental hereto.

"Outstanding," when used with reference to the Series 2002 C Bonds, the Series 2003 A Bonds or the Prior Bonds and as of any particular date, describes all Bonds theretofore and thereupon being issued and delivered except (a) any Bond or Prior Bond canceled by the registrar for such Bond or Prior Bonds at or prior to said date; (b) any Bond or Prior Bonds for the payment of which monies, equal to its principal amount, with interest to the date of maturity, shall be held in trust under this Ordinance and set aside for such payment (whether upon or prior to maturity); (c) any Bond deemed to have been paid as provided by Section 9.01; and (d) with respect to determining the number or percentage of Bondholders or Bonds or Prior Bonds for the purpose of consents, notices and the like, any Bond registered to the Issuer. Notwithstanding the foregoing, in the event that a Bond Insurer has paid principal of and/or interest on any Bond or Prior Bond, such Bond or Prior Bond shall be deemed to be Outstanding until such time as such Bond Insurer has been reimbursed in full.

"Paying Agent" means, initially, the West Virginia Municipal Bond Commission and any other paying agent for the Series 2002 C Bonds and the Series 2003 A Bonds which may be appointed by a resolution supplemental hereto, all in accordance with Section 8.12 hereof.

"Prior Bonds" means, collectively, the Series 1987 B Bonds, the Series 1988 B-1 Bonds, the Series 1988 B-2 Bonds, the Series 1989 B Bonds, the Series 1988 Design Bonds, the Series 2000 A Bonds, the Series 2002 A Bonds and the Series 2002 B Bonds, as more fully defined in Section 1.03B hereof.

"Prior Ordinances" means, collectively, the ordinance of the Issuer enacted November 16, 1987, the ordinance of the Issuer enacted April 18, 1988, the ordinance of the Issuer enacted May 16, 1988, the ordinance of the Issuer enacted April 3, 1989, the ordinance of the Issuer enacted March 16, 1998, the ordinance of the Issuer enacted June 19, 2000 and the ordinance of the Issuer enacted August 19, 2002, authorizing the issuance of the Prior Bonds.

"Private Business Use" means use directly or indirectly in a trade or business carried on by a natural person or in any activity carried on by a person other than a natural person, excluding, however, use by a state or local governmental unit and use as a member of the general public.

"Project" means the acquisition and construction of certain additions, betterments and improvements to the System, including the acquisition of the waterworks and sewerage system of Tuscawilla Utilities, Inc., serving Tuscawilla Hills and Locust Hills, and the acquisition of certain additions and improvements to the waterworks system located near Old U.S. Route 340 in the southern portion of the corporate limits of the Issuer, including approximately one mile of water main and a water storage tank, and all necessary appurtenances.

"Purchase Price," for the purpose of computation of the Yield of the Series 2002 C Bonds and the Series 2003 A Bonds, has the same meaning as the term "issue price" in Sections 1273(b) and 1274 of the Code, and, in general, means the initial offering price of the Series 2002 C Bonds and the Series 2003 A Bonds to the public (not including bond houses and brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of the Bonds of each maturity is sold or, if the Series 2002 C Bonds or the Series 2003 A Bonds are privately placed, the price paid by the first buyer of the Series 2002 C Bonds and the Series 2003 A Bonds or the acquisition cost of the first buyer. "Purchase Price," for purposes of computing Yield of Nonpurpose Investments, means the fair market value of the Nonpurpose Investments on the date of use of Gross Proceeds of the Series 2002 C Bonds or the Series 2003 A Bonds for acquisition thereof, or if later, on the date that Investment Property constituting a Nonpurpose Investment becomes a Nonpurpose Investment of the Series 2002 C Bonds or the Series 2003 A Bonds.

"Qualified Investments" means and includes the investments set forth in the Supplemental Resolution and designated as such.

"Record Date" means the date or dates which shall be so stated in the Series 2002 C Bonds and the Series 2003 A Bonds, regardless of whether such day is a Saturday, Sunday or legal holiday.

"Recording Officer," "Recorder" or "Clerk" means the City Clerk of the Issuer.

"Redemption Date" means the date fixed for redemption of Bonds subject to redemption in any notice of redemption published or mailed in accordance herewith.

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

"Registrar" means the bank to be designated in the Supplemental Resolution as the Registrar for the Series 2002 C Bonds and the Series 2003 A Bonds, and any successor thereto appointed in accordance with Section 8.08 hereof.

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

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

"Series 2002 C Bonds" means the Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 C, of the Issuer, originally authorized to be issued pursuant to this Ordinance and the Supplemental Resolution.

"Series 2002 C Bonds Acquisition and Construction Fund" means the Series 2002 C Bonds Acquisition and Construction Fund created by Section 4.01 hereof.

"Series 2002 C Bonds Costs of Issuance Fund" means the Costs of Issuance Fund created by Section 4.01 hereof.

"Series 2002 C Bonds Redemption Account" means the Redemption Account created in the Series 2002 C Bonds Sinking Fund by Section 4.02 hereof.

"Series 2002 C Bonds Reserve Account" means the Series 2002 C Bonds Reserve Account created in the Series 2002 C Bonds Sinking Fund by Section 4.02 hereof.

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

"Series 2002 C Bonds Reserve Account Requirement" means an amount equal to the lesser of (i) 10% of the original principal amount of the Series 2002 C Bonds, (ii) Maximum Annual Debt Service at the time of original issuance of the Series 2002 C Bonds, or (iii) 125% of average annual Debt Service at the time of original issuance of the Series 2002 C Bonds.

"Series 2003 A Bonds" means the Combined Waterworks and Sewerage System Revenue Bonds, Series 2003 A (AMT), of the Issuer, originally authorized to be issued pursuant to this Ordinance and the Supplemental Resolution.

"Series 2003 A Bonds Costs of Issuance Fund" means the Costs of Issuance Fund created by Section 4.01 hereof.

"Series 2003 A Bonds Redemption Account" means the Redemption Account created in the Series 2003 A Bonds Sinking Fund by Section 4.02 hereof.

"Series 2003 A Bonds Reserve Account" means the Series 2003 A Bonds Reserve Account created in the Series 2003 A Bonds Sinking Fund by Section 4.02 hereof.

"Series 2003 A Bonds Reserve Account Requirement" means an amount equal to the lesser of (i) 10% of the original principal amount of the Series 2003 A Bonds, (ii) Maximum Annual Debt Service at the time of original issuance of the Series 2003 A Bonds, or (iii) 125% of average annual Debt Service at the time of original issuance of the Series 2003 A Bonds.

"Series 2003 A Bonds Sinking Fund" means the Series 2003 A Bonds Sinking Fund created by Section 4.02 hereof.

"Series 2003 A Bonds Acquisition and Construction Fund" means the Series 2003 A Bonds Acquisition and Construction Fund created by Section 4.01 hereof.

"State" means the State of West Virginia.

"Supplemental Resolution" means any ordinance or resolution amendatory hereof or supplemental hereto and, when preceded by the article "the," refers specifically to the Supplemental Resolution or Resolutions to be adopted by the Issuer following enactment of this Ordinance, setting forth the final amounts, maturities, interest rates, redemption provisions, Bond Insurer provisions (if any) and other terms of the Series 2002 C Bonds and Series 2003 A Bonds and authorizing the sale of the Series 2002 C Bonds and Series 2003 A Bonds to the Original Purchaser; provided, that any provision intended to be included in the Supplemental Resolution and not so included may be contained in any other Supplemental Resolution.

"System" means the complete existing combined municipal waterworks and sewerage system of the Issuer, consisting of a water treatment and distribution system, including a water filtration and treatment plant, reservoirs, water tanks, distribution lines and booster stations, and a sewage treatment and collection system, including a sewage treatment plant, collection and transportation lines and lift stations, now owned by the Issuer or any integral part thereof, and all other facilities necessary, appropriate, useful, convenient or incidental in connection with or to the waterworks and sewage systems, and shall include any additions, betterments and improvements thereto hereafter acquired or constructed for said waterworks or sewage systems from any sources whatsoever, both within and without the Issuer.

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

Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations and vice versa; and words importing the masculine gender shall include the feminine and neuter genders and vice versa.

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.

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.

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

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

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

A. The Issuer is a municipal corporation and political subdivision of the State of West Virginia in Jefferson County of said State.

B. The Issuer presently owns and operates a public combined waterworks and sewerage system. However, it is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer that there be acquired and constructed certain additions, betterments and improvements to the System, consisting of the Project, as defined in Section 1.01, in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications have heretofore been filed with the City Clerk of the Issuer.

C. It is deemed necessary for the Issuer to issue its Combined Waterworks and Sewerage System Revenue Bonds, in the total aggregate principal amount of not more than $7,000,000 in two series, being the Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 C in the aggregate principal amount of not more than $6,000,000, and the Combined Waterworks and Sewerage System Revenue Bonds, Series 2003 A (AMT), in the aggregate principal amount of not more than $1,000,000, to permanently finance the costs of acquisition and construction of the Project. Said costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest, if any, upon the Series 2002 C Bonds and Series 2003 A Bonds prior to and during acquisition or construction and for a period not exceeding

6 months after completion of acquisition and construction of the Project; amounts which may be deposited in the Series 2002 C Bonds Reserve Account and the Series 2003 A Bonds Reserve Account; underwriter's discount, engineering and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise; administrative expense; commitment fees; premiums for municipal bond insurance, reserve account insurance or reserve account surety bonds; letter of credit fees; discount; initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Series 2002 C Bonds and the Series 2003 A Bonds and such other expenses as may be necessary or incidental to the financing herein authorized; the acquisition and construction of the Project and the placing of same in operation; and the performance of the things herein required or permitted, in connection with any thereof, provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Series 2002 C Bonds and the Series 2003 A Bonds or the repayment of indebtedness incurred by the Issuer for such purposes shall be deemed Costs of the Project, as hereinafter defined.

D. The period of usefulness of the System after completion of the Project is not less than 30 years.

E. It is in the best interests of the Issuer that the Series 2002 C Bonds and the Series 2003 A Bonds be sold to the Original Purchaser pursuant to the terms and provisions of a bond purchase agreement or bond purchase agreements to be entered into by and between the Issuer and the Original Purchaser, as shall be approved by supplemental resolution of the Issuer.

F. There are outstanding obligations of the Issuer which will rank on a parity with the Series 2002 C Bonds and the Series 2003 A Bonds as to liens, pledge, source of and security for payment, as follows:

(1) Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 B, dated November 18, 1987, issued in the original aggregate principal amount of $413,629 (the "Series 1987 B Bonds");

(2) Combined Waterworks and Sewerage System Revenue Bonds, Series 1988 B-1, dated May 4, 1988, issued in the original aggregate principal amount of $295,916 (the "Series 1988 B-1 Bonds");

(3) Combined Waterworks and Sewerage System Revenue Bonds, Series 1988 B-2, dated May 20, 1988, issued in the original aggregate principal amount of $558,000 (the "Series 1988 B-2 Bonds");

(4) Combined Waterworks and Sewerage System Revenue Bonds, Series 1989 B, dated April 13, 1989, issued in the original aggregate principal amount of $117,480 (the "Series 1989 B Bonds");

(5) Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 1998, dated May 15, 1998, issued in the original aggregate principal amount of $10,355,000 (the "Series 1998 Refunding Bonds");

(6) Combined Waterworks and Sewerage System Design Revenue Bonds, Series 1998 (West Virginia SRF Program), dated September 29, 1998, issued in the original aggregate principal amount of $437,601 (the "Series 1998 Design Bonds");

(7) Combined Waterworks and Sewerage System Revenue Bonds, Series 2000 A (West Virginia SRF Program), dated June 22, 2000, issued in the original aggregate principal amount of $3,163,781 (the "Series 2000 A Bonds");

(8) Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 A (West Virginia Water Development Authority), dated August 22, 2002, issued in the original aggregate principal amount of $1,100,000 (the "Series 2002 A Bonds"); and

(9) Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 B (West Virginia Infrastructure Fund), dated August 22, 2002, issued in the original aggregate principal amount of $3,600,000 (the "Series 2002 B Bonds").

The Series 1987 B Bonds, the Series 1988 B-1 Bonds, the Series 1988 B-2 Bonds, the Series 1989 B Bonds, the Series 1998 Refunding Bonds, the Series 1998 Design Bonds, the Series 2000 A Bonds, the Series 2002 A Bonds and the Series 2002 B Bonds are hereinafter collectively called the "Prior Bonds." The ordinances which authorized the issuance of the Prior Bonds are herein collectively referred to as the "Prior Ordinances."

The Series 2002 C Bonds and the Series 2003 A Bonds shall be issued on a parity with one another and with the Prior Bonds, all of which shall have a first lien position with respect to pledge and source of and security for payment and in all other respects. The Issuer has met the coverage requirements for issuance of parity bonds of the Prior Bonds and the Prior Ordinances and has substantially complied with all other parity requirements, except to the extent that noncompliance with any such other parity requirements is not of a material nature.

Prior to the issuance of the Series 2002 C Bonds and the Series 2003 A Bonds, the Issuer will obtain (i) the certificate of an Independent Certified Public Accountant stating that the coverage and parity tests of the Prior Bonds are met; and (ii) the written consent of the Holders of the Prior Bonds (other than the Series 1998 Refunding Bonds) to the issuance of the Series 2002 C Bonds and the Series 2003 A Bonds on a parity with such Bonds.

Other than the Prior Bonds, there are no other outstanding bonds or obligations of the Issuer which are secured by revenues or assets of the System.

G. The Issuer intends to issue the Series 2002 C Bonds and the Series 2003 A Bonds and to pledge for payment thereof, from the Gross Revenues of the System, on a parity with one another and on a parity with such pledge in favor of the Holders of the Prior Bonds.

H. 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 repair, maintenance and operation of the System, the payment of interest upon the Series 2002 C Bonds, the Series 2003 A Bonds and the Prior Bonds and to create sinking funds, as hereinafter provided, to pay the principal on the Series 2002 C Bonds, the Series 2003 A Bonds and the Prior Bonds as and when it becomes due and reasonable reserves therefor, to provide an adequate renewal and replacement fund, as hereinafter provided, and to make all other payments provided for in this Ordinance.

I. It is in the best interests of the Issuer, and the residents thereof, that the Issuer issue the Series 2002 C Bonds, and secure the Series 2002 C Bonds by a pledge and assignment of the Gross Revenues derived from the operation of the System, the monies in the Series 2002 C Bonds Reserve Account, unexpended proceeds of the Series 2002 C Bonds and as further set forth herein.

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

K. It is in the best interests of the Issuer, and the residents thereof, that the Issuer issue the Series 2003 A Bonds, and secure the Series 2003 A Bonds by a pledge and assignment of the Gross Revenues derived from the operation of the System, the monies in the Series 2003 A Bonds Reserve Account, unexpended proceeds of the Series 2003 A Bonds and as further set forth herein.

L. The Series 2003 A Bonds and the Certificate of Authentication and Registration to be endorsed thereon are to be in substantially the forms set forth in EXHIBIT B - SERIES 2003 A BOND FORM attached hereto and incorporated herein by reference, with necessary and appropriate variations, omissions and insertions as permitted or required by this Ordinance or a Supplemental Resolution or as deemed necessary by the Registrar or the Issuer.

M. All things necessary to make the Series 2003 A Bonds and the Series 2003 A Bonds, when authenticated by the Registrar and issued as in this Ordinance provided, the valid, binding and legal special obligations of the Issuer according to the import thereof, and to validly pledge and assign those funds pledged hereby to the payment of the principal of and interest on the Series 2002 C Bonds and the Series 2003 A Bonds, will be timely done and duly performed.

N. The enactment of this Ordinance, the execution and issuance of the Series 2002 C Bonds and the Series 2003 A Bonds and the amendment, subject to the terms thereof, will not result in any breach of, or constitute a default under, any instrument to which the Issuer is a party or by which it may be bound or affected.

O. The Issuer has complied with all requirements of West Virginia law relating to authorization of the acquisition, construction and operation of the Project and the System and issuance of the Series 2002 C Bonds and the Series 2003 A Bonds, 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 will either have expired prior to the date of issuance of the Series 2002 C Bonds and the Series 2003 A Bonds or such final order will not be subject to appeal or rehearing.

Section 1.04. Ordinance Constitutes Contract. In consideration of the acceptance of the Series 2002 C Bonds and the Series 2003 A Bonds by those who shall own or hold the same from time to time, this Ordinance shall be deemed to be and shall constitute a contract between the Issuer and such Bondholders, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the legal Holders of any and all of such Bonds, all of which shall be of equal rank and without preference, priority or distinction between any one Bond and any other Bond, by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

ARTICLE II

AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT

Section 2.01. Authorization of Acquisition and Construction of the Project. There is hereby authorized and ordered the acquisition and construction of the Project, at an estimated cost of not more than $7,000,000. The proceeds of the Series 2002 C Bonds and the Series 2003 A Bonds hereby authorized shall be applied as provided herein.

ARTICLE III

THE SERIES 2002 C BONDS AND THE SERIES 2003 A BONDS

Section 3.01. Form and Payment of Bonds. A. No Series 2002 C Bond shall be issued pursuant to this Ordinance except as provided in this Article III. Any Series 2002 C Bonds issued pursuant to this Ordinance may be issued only as fully registered Series 2002 C Bonds without coupons, in the denomination of $5,000 or any integral multiple thereof for any year of maturity. All Series 2002 C Bonds shall be dated as of the date provided in a Supplemental Resolution applicable to such series. All Series 2002 C Bonds shall bear interest from the interest payment date next preceding the date of authentication or, if authenticated after the Record Date but prior to the applicable interest payment date or on such interest payment date, from such interest payment date or, if no interest on such Series 2002 C Bonds has been paid, from the date thereof; provided however, that, if, as shown by the records of the Registrar, interest on such Series 2002 C Bonds shall be in default, Bonds issued in exchange for Series 2002 C Bonds surrendered for transfer or exchange shall bear interest from the date to which interest has been paid in full on the initial Series 2002 C Bonds surrendered.

The principal of and the premium, if any, on the Series 2002 C Bonds shall be payable in any coin or currency which, on the respective date of such payment, is legal tender for the payment of public and private debts under the laws of the United States of America upon surrender at the principal office of the Paying Agent. Interest on the Series 2002 C Bonds shall be paid by check or draft made payable and mailed to the Holder thereof at his address as it appears in the Bond Register at the close of business on the Record Date, or, if requested, in the case of a Registered Owner of $1,000,000 or more of the Series 2002 C Bonds, by wire transfer to a domestic bank account specified in writing at least 5 days prior to such interest payment date by such Registered Owner.

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

B. No Series 2003 A Bond shall be issued pursuant to this Ordinance except as provided in this Article III. Any Series 2003 A Bonds issued pursuant to this Ordinance may be issued only as fully registered Series 2003 A Bonds without coupons, in the denomination of $5,000 or any integral multiple thereof for any year of maturity. All Series 2003 A Bonds shall be dated as of the date provided in a Supplemental Resolution applicable to such series. All Series 2003 A Bonds shall bear interest from the interest payment date next preceding the date of authentication or, if authenticated after the Record Date but prior to the applicable interest payment date or on such interest payment date, from such interest payment

date or, if no interest on such Series 2003 A Bonds has been paid, from the date thereof; provided however, that, if, as shown by the records of the Registrar, interest on such Series 2003 A Bonds shall be in default, Bonds issued in exchange for Series 2003 A Bonds surrendered for transfer or exchange shall bear interest from the date to which interest has been paid in full on the initial Series 2003 A Bonds surrendered.

The principal of and the premium, if any, on the Series 2003 A Bonds shall be payable in any coin or currency which, on the respective date of such payment, is legal tender for the payment of public and private debts under the laws of the United States of America upon surrender at the principal office of the Paying Agent. Interest on the Series 2003 A Bonds shall be paid by check or draft made payable and mailed to the Holder thereof at his address as it appears in the Bond Register at the close of business on the Record Date, or, if requested, in the case of a Registered Owner of $1,000,000 or more of the Series 2003 A Bonds, by wire transfer to a domestic bank account specified in writing at least 5 days prior to such interest payment date by such Registered Owner.

In the event any Series 2003 A Bond is redeemed in part, such bond shall be surrendered to and canceled by the Registrar, and the Issuer shall execute, and the Registrar shall authenticate and deliver to the Holder thereof, another Series 2003 A Bond in the principal amount of said 2003 A Bond then Outstanding.

Section 3.02. Execution of Bonds. The Series 2002 C Bonds and the Series 2003 A Bonds shall be executed in the name of the Issuer by the Mayor and City Manager, by their respective manual or facsimile signatures, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the City Clerk by his or her manual or facsimile signature; provided, that, all such signatures and the seal may be by facsimile. In case any one or more of the officers who shall have signed or sealed any of the Series 2002 C Bonds and the Series 2003 A Bonds shall cease to be such officer of the Issuer before the Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Series 2002 C Bonds or Series 2003 A 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 3.03. Authentication and Registration. A. No Series 2002 C 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 and Registration on such Series 2002 C Bond, substantially in the form set forth in EXHIBIT A - SERIES 2002 C BOND FORM attached hereto and incorporated herein by reference with respect to the Series 2002 C Bonds, shall have been duly manually executed by the Registrar. Any such manually executed Certificate of Authentication and Registration upon any such Series 2002 C Bond

shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Ordinance. The Certificate of Authentication and Registration on any Series 2002 C Bond shall be deemed to have been executed by the Registrar if signed by an authorized officer of the Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Series 2002 C Bonds issued hereunder.

B. No Series 2003 A 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 and Registration on such Series 2003 A Bond, substantially in the form set forth in EXHIBIT B - SERIES 2003 A BOND FORM attached hereto and incorporated herein by reference with respect to the Series 2003 A Bonds, shall have been duly manually executed by the Registrar. Any such manually executed Certificate of Authentication and Registration upon any such Series 2003 A Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Ordinance. The Certificate of Authentication and Registration on any Series 2003 A Bond shall be deemed to have been executed by the Registrar if signed by an authorized officer of the Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Series 2003 A Bonds issued hereunder.

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

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

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

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

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

B. Subject to the requirements for transfer set forth below, the Series 2003 A Bonds shall be, and have all of the qualities and incidents of, negotiable instruments under the Uniform Commercial Code of the State, and each successive Holder, in accepting any of said Bonds, shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State, and each successive Holder shall further be conclusively deemed to have agreed that said Bonds shall be incontestable in the hands of a bona fide holder for value.

So long as any of the Series 2003 A Bonds remains Outstanding, the Registrar shall keep and maintain books for the registration and transfer of the Series 2003 A Bonds. The Series 2003 A Bonds shall be transferable only by transfer of registration upon the Bond Register by the registered owner thereof in person or by his attorney or legal representative duly authorized in writing, upon surrender thereof, together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or such duly authorized attorney or legal representative. Upon transfer of a Series 2003 A Bond, there shall be issued at the option of the Holder or the transferee another Bond or Bonds of the aggregate principal amount equal to the unpaid amount of the transferred Bond and of the same series, interest rate and maturity of said transferred Bond.

Upon surrender thereof at the office of the Registrar with a written instrument of transfer satisfactory to the Registrar and duly executed by the registered owner or his attorney or legal representative duly authorized in writing, Series 2003 A Bonds may at the option of the Holder thereof be exchanged for an equal aggregate principal amount of Bonds of the same series, maturity and interest rate, in any authorized denominations.

In all cases in which the privilege of transferring or exchanging a Series 2003 A Bond is exercised, Bonds shall be delivered in accordance with the provisions of this Ordinance. All Series 2003 A Bonds surrendered in any such transfer or exchange shall forthwith be canceled by the Registrar. Transfers of Series 2003 A Bonds, the initial exchange of Bonds and exchanges of Bonds in the event of partial redemption of fully registered Bonds shall be made by the Registrar without charge to the Holder or the transferee thereof, except as provided below. For other exchanges of Series 2003 A Bonds, the Registrar may impose a service charge. For every such transfer or exchange of Series 2003 A Bonds, the Registrar may make a charge sufficient to reimburse its office for any tax or other governmental charge required to be paid with respect to such transfer or exchange, and such tax or governmental charge, and such service charge for exchange other than the initial exchange or in the event of partial redemption, shall be paid by the person requesting such transfer or exchange as a condition precedent to the exercise of the privilege of making such transfer or exchange. The Registrar shall not be obliged to make any such transfer or exchange of Series 2003 A Bonds that have been called for redemption.

Section 3.05. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Series 2002 C Bond or Series 2003 A Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may execute, in its discretion, and the Registrar shall authenticate, register and deliver any new Bond of like series, maturity and principal amount as the Bond, so mutilated, destroyed, stolen or lost, in exchange and upon surrender and cancellation of, such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing the Issuer and the Registrar proof of his ownership thereof and that said Bond has been destroyed, stolen or lost and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer or the Registrar may prescribe and paying such expenses as the Issuer or the Registrar may incur. The name of the Bondholder listed in the Bond Register shall constitute proof of ownership. All Series 2002 C Bonds and Series 2003 A Bonds so surrendered shall be submitted to and canceled by the Registrar, and evidence of such cancellation shall be given to the Issuer. If such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer, by and through the Registrar, may pay the same, upon being indemnified as aforesaid, and, if such Bond be lost, stolen or destroyed, without surrender therefor.

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

Section 3.06. Term Bonds. A. In the event Term Bonds are issued as part of the Series 2002 C Bonds pursuant to this Ordinance, the following provisions shall apply:

1. The amounts to be deposited, apportioned and set apart by the Issuer from the Revenue Fund and into the Series 2002 C Bonds Redemption Account in accordance with Subsection 4.03(A)(1) shall include (after credit as provided below) on the first of each month, beginning on the first day of that month which is 12 months prior to the first mandatory redemption date of said Term Bonds, a sum equal to 1/12th of the amount (or, if the Series 2002 C Bonds mature semiannually rather than annually, that month which is 6 months prior to the first mandatory redemption date of said Term Bonds, a sum equal to 1/6th of the amount) required to redeem the principal amount of such Term Bonds which are to be redeemed as of the next ensuing mandatory Redemption Date, which amounts and dates, if any, with respect to a series of Bonds shall be set forth in the Supplemental Resolution relating thereto.

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

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

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

5. The Registrar shall call for redemption, in the manner provided herein, an aggregate principal amount of such Term Bonds, at the principal amount thereof plus interest accrued to the Redemption Date (interest to be paid from the Series 2002 C Bonds Sinking Fund), as will exhaust as nearly as practicable such Series 2002 C Bonds Redemption Account payment designated to be made in accordance with paragraph (A)(1) of this section. Such redemption shall be by random selection made on the 45th day preceding the mandatory Redemption Date, in such manner as may be determined by the Registrar. For purposes of this section, "Term Bonds" shall include any portion of a fully registered Term Bond, in integrals of $5,000.

B. In the event Term Bonds are issued as part of the Series 2003 A Bonds pursuant to this Ordinance, the following provisions shall apply:

1. The amounts to be deposited, apportioned and set apart by the Issuer from the Revenue Fund and into the Series 2003 A Bonds Redemption Account in accordance with Subsection 4.03(A)(1) shall include (after credit as provided below) on the first of each month, beginning on the first day of that month which is 12 months prior to the first mandatory redemption date of said Term Bonds, a sum equal to 1/12th of the amount (or, if the Series 2003 A Bonds mature semiannually rather than annually, that month which is 6 months prior to the first mandatory redemption date of said Term Bonds, a sum equal to 1/6th of the amount) required to redeem the principal amount of such Term Bonds which are to be redeemed as of the next ensuing mandatory Redemption Date, which amounts and dates, if any, with respect to a series of Bonds shall be set forth in the Supplemental Resolution relating thereto.

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

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

4. After said 60th day but prior to the date on which the Registrar selects the Term Bonds to be redeemed, the Bond Commission may use the monies in the Series 2003 A Bonds Redemption Account to purchase Term Bonds at a price less than the par value thereof and accrued interest thereon. The Bond Commission shall advise the Issuer and the Registrar of any Term Bonds so purchased, and they shall be credited by the Registrar at 100% of the principal amount thereof against the obligation of the Issuer on such mandatory Redemption Date, and any excess shall be credited against future mandatory redemption obligations in the order directed by the Issuer, and the principal amount of such Term Bonds to be redeemed pursuant to mandatory sinking fund redemption shall be accordingly reduced.

5. The Registrar shall call for redemption, in the manner provided herein, an aggregate principal amount of such Term Bonds, at the principal amount thereof plus interest accrued to the Redemption Date (interest to be paid from the Series 2003 A Bonds Sinking Fund), as will exhaust as nearly as practicable such Series 2003 A Bonds Redemption Account payment designated to be made in accordance with paragraph (B)(1) of this section. Such redemption shall be by random selection made on the 45th day preceding the mandatory Redemption Date, in such manner as may be determined by the Registrar. For purposes of this section, "Term Bonds" shall include any portion of a fully registered Term Bond, in integrals of $5,000.

Section 3.07. Notice of Redemption. Unless waived by any Holder of the Series 2002 C Bonds or Series 2003 A Bonds to be redeemed, official notice of any redemption shall be given by the Registrar on behalf of the Issuer by mailing a copy of an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the applicable Bond Insurer, the Original Purchaser, and the registered owner of the Series 2002 C Bond or Bonds or Series 2003 A Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such registered owner to the Bond Registrar.

So long as DTC (as CEDE & CO.) is the registered Owner of the Series 2002 C Bonds and the Series 2003 A Bonds, the Registrar shall send all notices of redemption to DTC and shall verify that DTC has received notice. Copies of all redemption notices shall also be sent to registered securities depositories, nationally recognized municipal securities information repositories and to *Standard & Poor's Called Bond Record*.

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

(1) The Redemption Date,

(2) The Redemption Price,

(3) If less than all Outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed,

(4) That on the Redemption Date the Redemption Price and interest accrued will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date,

(5) The place where such Bonds are to be surrendered for payment of the Redemption Price, which place of payment shall be the principal office of the Registrar, and

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

If funds sufficient to redeem all Series 2002 C Bonds or Series 2003 A Bonds called for optional redemption have not been deposited with the Paying Agent at the time of mailing any notice of optional redemption, such notice shall also state that such optional redemption is subject to the deposit of such monies with the Paying Agent on or before the Redemption Date. If such monies are not so deposited, the Registrar shall notify all holders of Series 2002 C Bonds and Series 2003 A Bonds called for redemption of such fact.

Official notice of redemption having been given as aforesaid, the Series 2002 C Bonds, the Series 2003 A Bonds or portions of Bonds so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Issuer shall default in the payment of the Redemption Price) such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Series 2002 C Bonds or Series 2003 A Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Registrar at the Redemption Price. Installments of interest due on or prior to the Redemption Date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Bond, there shall be prepared for the registered owner a new Bond or Bonds of the same maturity in the amount of the unpaid principal of such Bond. All Series 2002 C Bonds and Series 2003 A Bonds which have been redeemed shall be canceled and destroyed by the Bond Registrar and shall not be reissued.

Failure to receive such notice or any defect therein or in the mailing thereof shall not affect the validity of proceedings for the redemption of Series 2002 C Bonds or Series 2003 A Bonds, and failure to mail such notice shall not affect the validity of proceedings for the redemption of any portion of Bonds for which there was no such failure.

Section 3.08. Persons Treated as Owners. The Issuer, the Registrar and any agent of the Issuer or the Registrar may treat the person in whose name any Bond is registered as the owner of such Bond for the purpose of receiving payment of the principal of, and interest on, such Bond and (except as provided in Section 6.18) for all other purposes, whether or not such Bond is overdue.

Section 3.09. Temporary Bonds. Until Bonds of any series in definitive form are ready for delivery, the Issuer may execute and the Registrar shall authenticate, register, if applicable, and deliver, subject to the same provisions, limitations and conditions set forth in this Article III, one or more printed, lithographed or typewritten Bonds in temporary form, substantially in the form of the definitive Bonds of such series, with appropriate omissions, variations and insertions, and in authorized denominations. Until exchanged for Bonds in definitive form, such Bonds in temporary form shall be entitled to the lien and benefit created under this Ordinance. Upon the presentation and surrender of any Bond or Bonds in temporary form, the Issuer shall, without unreasonable delay, prepare, execute and deliver to the Registrar, and the Registrar shall authenticate, register, if applicable, and deliver, in exchange therefor, a Bond or Bonds in definitive form. Such exchange shall be made by the Registrar without making any charge therefor to the Holder of such Bond in temporary form.

Section 3.10. Series 2002 C Bonds. For the purposes of paying costs of acquisition and construction of improvements and betterments to the System, capitalizing interest on the Series 2002 C Bonds, partially funding the Series 2002 C Bonds Reserve Account and paying costs in connection therewith, there shall be issued the Series 2002 C Bonds of the Issuer, in an aggregate principal amount of not more than $6,000,000. Said Series 2002 C Bonds shall be designated "Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 C," or such other designation as may be appropriate for the year and sequence of the issue, as may be set forth in a Supplemental Resolution, and shall be issued in fully registered form, in the denomination of $5,000 or any integral multiple thereof for any period of maturity, not exceeding the aggregate principal amount of Series 2002 C Bonds maturing in the period of maturity for which the denomination is to be specified. The Series 2002 C Bonds shall be numbered from CR-1 consecutively upward. The Series 2002 C Bonds shall be dated; shall be in such aggregate principal amount (not to exceed $6,000,000); shall bear interest at such rate or rates, not exceeding the then legally permissible rate (not to exceed 8%), payable semiannually on such dates; shall mature on such dates (which may be annual or semi-annual) (not to exceed 35 years) and in such amounts; shall be subject to such mandatory and optional redemption provisions; and shall have such other terms, all as the Issuer shall prescribe herein and in the Supplemental Resolution.

Section 3.11. Series 2003 A Bonds. For the purposes of paying costs of acquisition and construction of improvements and betterments to the System, capitalizing interest on the Series 2003 A Bonds, funding the Series 2003 A Bonds Reserve Account and paying costs in connection therewith, there shall be issued the Series 2003 A Bonds of the Issuer, in an aggregate principal amount of not more than $1,000,000. Said Series 2003 A Bonds shall be designated "Combined Waterworks and Sewerage System Revenue Bonds, Series 2003 A (AMT)," or such other designation as may be appropriate for the year and sequence of the issue, as may be set forth in a Supplemental Resolution, and shall be issued in fully registered form, in the denomination of $5,000 or any integral multiple thereof for any period of maturity, not exceeding the aggregate principal amount of Series 2003 A Bonds

maturing in the period of maturity for which the denomination is to be specified. The Series 2003 A Bonds shall be numbered from AR-1 consecutively upward. The Series 2003 A Bonds shall be dated; shall be in such aggregate principal amount (not to exceed $1,000,000); shall bear interest at such rate or rates, not exceeding the then legally permissible rate (not to exceed 8%), payable semiannually on such dates; shall mature on such dates (which may be annual or semi-annual) (not to exceed 35 years) and in such amounts; shall be subject to such mandatory and optional redemption provisions; and shall have such other terms, all as the Issuer shall prescribe herein and in the Supplemental Resolution.

Section 3.12. Book Entry System for Series 2002 C Bonds and Series 2003 A Bonds.

A. The Series 2002 C Bonds and Series 2003 A Bonds shall each initially be issued in the form of one fully-registered bond for the aggregate principal amount of the Series 2002 C Bonds and Series 2003 A Bonds of each maturity, registered in the name of CEDE & CO., as nominee of DTC. Except as provided in paragraph E below, all of the Series 2002 C Bonds and Series 2003 A Bonds shall be registered in the registration books kept by the Registrar in the name of CEDE & CO., as nominee of DTC; provided that if DTC shall request that the Series 2002 C Bonds and Series 2003 A Bonds be registered in the name of a different nominee, the Registrar shall exchange all or any portion of the Series 2002 C Bonds or the Series 2003 A Bonds registered in the name of such nominee or nominees. No person other than DTC or its nominee shall be entitled to receive from the Issuer or the Registrar either a Series 2002 C Bond or any other evidence of ownership of the Series 2002 C Bonds, or a Series 2003 A Bond or any other evidence of ownership of the Series 2003 A Bonds, or any right to receive any payment in respect thereof unless DTC or its nominee shall transfer record ownership of all or any portion of the Series 2002 C Bonds or the Series 2003 A Bonds on the registration books maintained by the Registrar, in connection with discontinuing the book entry system as provided in paragraph E below.

B. At or prior to settlement for the Series 2002 C Bonds and the Series 2003 A Bonds, the Issuer and the Registrar shall execute or signify their approval of a representation letter addressed to DTC in a form satisfactory to DTC (the "Representation Letter"). Any successor Registrar shall, in its written acceptance of its duties under this Ordinance, agree to take any actions necessary from time to time to comply with the requirements of the Representation Letter.

C. So long as the Series 2002 C Bonds or the Series 2003 A Bonds or any portion thereof are registered in the name of DTC or any nominee thereof, all payments of the principal or Redemption Price of or interest on such Series 2002 C Bonds and Series 2003 A Bonds shall be made to DTC or its nominee at the addresses set forth in the Representation Letter in New York Clearing House or equivalent next day funds on the dates provided for such payments to be made to any Bondholder under this Ordinance. Each such payment to DTC or its nominee shall be valid and effective to fully discharge all liability of the Issuer and the Registrar with respect to the principal or Redemption Price of or interest

on the Series 2002 C Bonds and the Series 2003 A Bonds to the extent of the sum or sums so paid. In the event of the redemption of less than all of the Series 2002 C Bonds or the Series 2003 A Bonds Outstanding of any maturity, the Registrar shall not require surrender by DTC of the Series 2002 C Bonds or the Series 2003 A Bonds so redeemed, but DTC may retain such Series 2002 C Bonds and Series 2003 A Bonds and make an appropriate notation on the Series 2002 C Bonds and Series 2003 A Bonds certificate as to the amount of such partial redemption; provided that DTC shall deliver to the Registrar, upon request, a written confirmation of such partial redemption. The records maintained by the Registrar shall be conclusive as to the amount of the Series 2002 C Bonds and the Series 2003 A Bonds of such maturity which have been redeemed.

D. The Issuer, the Paying Agent and the Registrar may treat DTC as the sole and exclusive owner of the Series 2002 C Bonds and the Series 2003 A Bonds registered in its name or the name of its nominee for the purposes of payment of the principal or Redemption Price of or interest on the Series 2002 C Bonds and the Series 2003 A Bonds, selecting the Series 2002 C Bonds and the Series 2003 A Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Bondholders under this Ordinance, registering the transfer of Series 2002 C Bonds and the Series 2003 A Bonds, obtaining any consent or other action to be taken by Bondholders and for all other purposes whatsoever; and neither the Issuer nor the Registrar shall be affected by any notice to the contrary. Neither the Issuer nor the Registrar shall have any responsibility or obligation to any direct or indirect participant in DTC, any person claiming a beneficial ownership interest in the Series 2002 C Bonds or the Series 2003 A Series under or through DTC or any such participant, or any other person which is not shown on the registration books of the Registrar as being a Bondholder with respect to (i) the Series 2002 C Bonds or the Series 2003 A Bonds, (ii) the accuracy of any records maintained by DTC or any such participant, (iii) the payment by DTC or any such participant of any amount in respect of the principal or Redemption Price of or interest on the Series 2002 C Bonds or the Series 2003 A Bonds, (iv) any notice which is permitted or required to be given to Bondholders under this Ordinance, (v) the selection by DTC or any such participant of any person to receive payment in the event of a partial redemption of the Series 2002 C Bonds, or the Series 2003 A Bonds or (vi) any consent given or other action taken by DTC as Bondholder.

E. The book entry system for registration of the ownership of the Series 2002 C Bonds and the Series 2003 A Bonds may be discontinued at any time if either: (i) DTC determines to resign as securities depository for the Series 2002 C Bonds or the Series 2003 A Bonds; or (ii) the Issuer determines that continuation of the system of book entry transfers through DTC (or through a successor securities depository) is not in the best interest of the beneficial owners of the Series 2002 C Bonds or the Series 2003 A Bonds. In either of such events (unless in the case described in clause (iii) above, the Issuer appoints a successor securities depository), the Series 2002 C Bonds and the Series 2003 A Bonds shall be delivered in registered certificate form to such persons, and in such maturities and principal amounts, as may be designated by DTC, but without any liability on the part of the Issuer or the Registrar for the accuracy of such designation. Whenever DTC requests the

Issuer and the Registrar to do so, the Issuer and the Registrar shall cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of certificates evidencing the Series 2002 C Bonds and the Series 2003 A Bonds.

Section 3.13. Delivery of Series 2002 C Bonds and the Series 2003 A Bonds.

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

(1) If not registered in the name of DTC or its nominee, a list of the names in which the Series 2002 C Bonds are to be registered upon original issuance, together with such taxpayer identification and other information as the Registrar may reasonably require;

(2) A request and authorization to the Registrar on behalf of the Issuer, signed by an Authorized Officer, to authenticate and deliver the Series 2002 C Bonds to DTC for the benefit of the Original Purchaser;

(3) Copies, certified by the City Clerk, of this Ordinance and the Supplemental Resolution;

(4) The unqualified approving opinion upon the Series 2002 C Bonds by Bond Counsel; and

(5) Such other opinions, certificates and documents as shall be reasonably requested by the Original Purchaser.

B. The Issuer shall execute and deliver the Series 2003 A Bonds to the Registrar, and the Registrar shall authenticate, register and deliver the Series 2003 A Bonds to the Original Purchaser upon receipt of the documents set forth below:

(1) If not registered in the name of DTC or its nominee, a list of the names in which the Series 2003 A Bonds are to be registered upon original issuance, together with such taxpayer identification and other information as the Registrar may reasonably require;

(2) A request and authorization to the Registrar on behalf of the Issuer, signed by an Authorized Officer, to authenticate and deliver the Series 2003 A Bonds to DTC for the benefit of the Original Purchaser;

(3) Copies, certified by the City Clerk, of this Ordinance and the Supplemental Resolution;

(4) The unqualified approving opinion upon the Series 2003 A Bonds by Bond Counsel; and

(5) Such other opinions, certificates and documents as shall be reasonably requested by the Original Purchaser.

Section 3.14. Form of Series 2002 C Bonds and Series 2003 A Bonds. A. The definitive Series 2002 C Bonds shall be in substantially the form set forth in EXHIBIT A - SERIES 2002 C BOND FORM attached hereto and incorporated herein by reference, with such necessary and appropriate omissions, insertions and variations as are approved by those officers executing such Series 2002 C Bonds on behalf of the Issuer and execution thereof by such officers shall constitute conclusive evidence of such approval, and the definitive Series 2002 C Bonds shall have the form of the opinion of Steptoe & Johnson PLLC, as Bond Counsel, attached thereto or printed on the reverse thereof.

B. The definitive Series 2003 A Bonds shall be in substantially the form set 17 forth in EXHIBIT B - SERIES 2003 A BOND FORM attached hereto and incorporated herein by reference, with such necessary and appropriate omissions, insertions and variations as are approved by those officers executing such Series 2003 A Bonds on behalf of the Issuer and execution thereof by such officers shall constitute conclusive evidence of such approval, and the definitive Series 2003 A Bonds shall have the form of the opinion of Steptoe & Johnson PLLC, as Bond Counsel, attached thereto or printed on the reverse thereof.

Section 3.15. Disposition of Proceeds of Series 2002 C Bonds and Series 2003 A Bonds. A. Upon the issuance and delivery of the Series 2002 C Bonds, the Issuer shall forthwith deposit the proceeds thereof as follows:

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

2. An amount of the proceeds of the Series 2002 C Bonds equal to the amount, if any, set forth in the Supplemental Resolution shall be remitted to the Bond Commission for deposit in the Series 2002 C Bonds Reserve Account, provided that, to the extent the Series 2002 C Bonds Reserve Requirement is satisfied in whole or in part from a reserve account letter of credit, surety bond or other credit facility, proceeds of the Series 2002 C Bonds shall be deposited in the Series 2002 C Bonds Reserve Account only to the extent needed to satisfy the balance of the Series 2002 C Bonds Reserve Requirement.

3. The amount of Series 2002 C Bond proceeds which, together with other monies or securities deposited therein shall be equal to the Costs of Issuance of the Series

2002 C Bonds shall be deposited with the Depository Bank in the Series 2002 C Bonds Costs of Issuance Fund and shall be drawn out, used and applied by the Issuer solely to pay costs of issuance of the Series 2002 C Bonds at the written direction of the Issuer. Monies not to be applied immediately to pay such costs of issuance may be invested in accordance with this Ordinance, subject however, to applicable yield restrictions as may be in effect under the Code. If for any reason such proceeds, or any part thereof, are not necessary for, or are not applied to such purpose within 120 days following the Closing Date for the Series 2002 C Bonds, such unapplied proceeds shall be transferred by the Issuer to the Series 2002 C Bonds Sinking Fund established in Section 4.01 hereof and applied to the next ensuing payment of interest on the Series 2002 C Bonds. All such proceeds shall constitute a trust fund for such purposes, and there hereby is created a lien upon such monies until so applied in favor of the Holders of the Series 2002 C Bonds from which such proceeds are derived.

4. The balance of Series 2002 C Bonds proceeds, if any, shall be deposited in the Series 2002 C Bonds Acquisition and Construction Fund and disbursed as provided in Section 3.16(A) hereof.

B. Upon the issuance and delivery of the Series 2003 A Bonds, the Issuer shall forthwith deposit the proceeds thereof as follows:

1. All interest accrued on the Series 2003 A Bonds from the date thereof to the date of delivery thereof shall be deposited in the Series 2003 A Bonds Sinking Fund and applied to payment of interest on the Series 2003 A Bonds at the first interest payment date.

2. An amount of the proceeds of the Series 2003 A Bonds equal to the Series 2003 A Bonds Reserve Requirement shall be remitted to the Bond Commission for deposit in the Series 2003 A Bonds Reserve Account, provided that, to the extent the Series 2003 A Bonds Reserve Requirement is satisfied in whole or in part from a reserve account letter of credit, surety bond or other credit facility, proceeds of the Series 2003 A Bonds shall be deposited in the Series 2003 A Bonds Reserve Account only to the extent needed to satisfy the balance of the Series 2003 A Bonds Reserve Requirement.

3. The amount of Series 2003 A Bond proceeds which, together with other monies or securities deposited therein shall be equal to the Costs of Issuance of the Series 2003 A Bonds shall be deposited with the Depository Bank in the Series 2003 A Bonds Costs of Issuance Fund and shall be drawn out, used and applied by the Issuer solely to pay costs of issuance of the Series 2003 A Bonds at the written direction of the Issuer. Monies not to be applied immediately to pay such costs of issuance may be invested in accordance with this Ordinance, subject however, to applicable yield restrictions as may be in effect under the Code. If for any reason such proceeds, or any part thereof, are not necessary for, or are not applied to such purpose within 120 days following the Closing Date for the Series 2003 A Bonds, such unapplied proceeds shall be transferred by the Issuer to the Series 2003 A Bonds Sinking Fund established in Section 4.01 hereof and applied to the next ensuing payment of interest on the Series 2003 A Bonds. All such proceeds shall constitute a trust fund for such

purposes, and there hereby is created a lien upon such monies until so applied in favor of the Holders of the Series 2003 A Bonds from which such proceeds are derived.

4. The balance of Series 2003 A Bonds proceeds, if any, shall be deposited in the Series 2003 A Bonds Acquisition and Construction Fund and disbursed as provided in Section 3.16(B) hereof.

Section 3.16. Disbursements from the Acquisition and Construction Funds.

A. Disbursements from the Series 2002 C Bonds Acquisition and Construction Fund, except for payment of Costs of Issuance of the Series 2002 C Bonds in excess of the monies available in the Costs of Issuance Fund which shall be made upon request of the Issuer, shall be made only for acquisition and construction of capital improvements, repairs and replacements for the System, including all necessary engineering and other professional services relating thereto. Pending such application, monies in the Series 2002 C Bonds Acquisition and Construction Fund, including any accounts therein, shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

B. Disbursements from the Series 2003 A Bonds Acquisition and Construction Fund, except for payment of Costs of Issuance of the Series 2003 A Bonds in excess of the monies available in the Costs of Issuance Fund which shall be made upon request of the Issuer, shall be made only for acquisition and construction of capital improvements, repairs and replacements for the System, including all necessary engineering and other professional services relating thereto. Pending such application, monies in the Series 2003 A Bonds Acquisition and Construction Fund, including any accounts therein, shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

ARTICLE IV

SYSTEM REVENUES; FUNDS AND ACCOUNTS

Section 4.01. Establishment of Funds and Accounts with Depository Bank. Pursuant to this Article IV, the following special funds are created with, and shall be held by, the Depository Bank, segregated from all other funds and accounts of the Depository Bank or the Issuer and from each other (except as set forth in this Section 4.01), and used solely for the purposes provided herein:

(1) Revenue Fund;

(2) Renewal and Replacement Fund;

(3) Series 2002 C Bonds Costs of Issuance Fund;

(4) Series 2002 C Bonds Acquisition and Construction Fund;

(5) Series 2003 A Bonds Costs of Issuance Fund:

(6) Series 2003 A Bonds Acquisition and Construction Fund; and

(7) Rebate Fund.

Section 4.02. Establishment of Funds and Accounts with Bond Commission. Pursuant to this Article IV, the following special fund and accounts are hereby established with and shall be held by the Bond Commission:

(1) Series 2002 C Bonds Sinking Fund;

(a) Within the Series 2002 C Bonds Sinking Fund:

(i) Series 2002 C Bonds Reserve Account; and

(ii) Series 2002 C Bonds Redemption Account;

(2) Series 2003 A Bonds Sinking Fund; and

(a) Within the Series 2003 A Bonds Sinking Fund;

(i) Series 2003 A Bonds Reserve Account; and

(ii) Series 2003 A Bonds Redemption Account.

Section 4.03. System Revenues and Application Thereof. So long as any of the Series 2002 C Bonds or the Series 2003 A Bonds shall be Outstanding and unpaid, the Issuer covenants as follows:

A. The entire Gross Revenues derived from the operation of the System and all parts thereof shall be deposited by the Issuer in the Revenue Fund. The Revenue Fund shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner herein provided. All Revenues at any time remaining on deposit in the Revenue Fund shall be disposed of only in the following manner and order of priority:

(1) The Issuer shall first, from the monies in the Revenue Fund, on the first day of each month, simultaneously remit to the Commission (i) the amounts required by the Prior Ordinances to be deposited in the Prior Bonds Sinking Funds for payment of interest on the Prior Bonds; (ii) beginning on the first day of that month which is 6 months prior to the first interest payment date on the Series 2002 C Bonds, apportion and set apart out of the Revenue Fund and deposit in the Series 2002 C Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on said Series 2002 C Bonds on the next ensuing semiannual interest payment date, provided, that in the event the period to elapse between the date of such initial deposit in the Series 2002 C Bonds Sinking Fund and the next ensuing semiannual interest payment date is less than or greater than 6 months, then such monthly payments shall be increased or decreased proportionately to provide, 1 month prior to the next ensuing semiannual interest payment date, the required amount of interest coming due on such date, and provided further, that the initial amount required to be transferred from the Revenue Fund and deposited in the Series 2002 C Bonds Sinking Fund shall be reduced by the amount of accrued interest on the Series 2002 C Bonds deposited therein and subsequent amounts required to be transferred from the Revenue Fund and deposited in the Series 2002 C Bonds Sinking Fund shall be reduced by the amount of any earnings credited to the Series 2002 C Bonds Sinking Fund; and (iii) beginning on the first day of that month which is 6 months prior to the first interest payment date on the Series 2003 A Bonds, apportion and set apart out of the Revenue Fund and deposit in the Series 2003 A Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on said Series 2003 A Bonds on the next ensuing semiannual interest payment date, provided, that in the event the period to elapse between the date of such initial deposit in the Series 2003 A Bonds Sinking Fund and the next ensuing semiannual interest payment date is less than or greater than 6 months, then such monthly payments shall be increased or decreased proportionately to provide, 1 month prior to the next ensuing semiannual interest payment date, the required amount of interest coming due on such date, and provided further, that the initial amount required to be transferred from the Revenue Fund and deposited in the Series 2003 A Bonds

Sinking Fund shall be reduced by the amount of accrued interest on the Series 2003 A Bonds deposited therein and subsequent amounts required to be transferred from the Revenue Fund and deposited in the Series 2003 A Bonds Sinking Fund shall be reduced by the amount of any earnings credited to the Series 2003 A Bonds Sinking Fund

(2) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and, simultaneously remit to the Commission (i) the amounts required by the Prior Ordinances to be deposited in the Prior Bonds Sinking Funds for payment of principal on the Prior Bonds; (ii) for deposit in the Series 2002 C Bonds Sinking Fund (and in the Series 2002 C Bonds Redemption Account therein in the case of Term Bonds which are to be redeemed) on the first day of each month, beginning on the first day of that month which is 12 months prior to the first principal payment or mandatory Redemption Date of the Series 2002 C Bonds, a sum equal to 1/12th of the amount (or 1/6th of the amount if the Series 2002 C Bonds mature semiannually rather than annually) of principal which will mature or be redeemed and become due on the Series 2002 C Bonds on the next ensuing principal payment or mandatory Redemption Date, provided, that in the event the period to elapse between the date of such initial deposit in the Series 2002 C Bonds Sinking Fund and the next ensuing principal payment or mandatory Redemption Date is less than or greater than 12 months (or 6 months if the Series 2002 C Bonds mature semiannually rather than annually), then such monthly payments shall be increased or decreased proportionately to provide, one month prior to the next ensuing principal payment date or mandatory Redemption Date, the required amount of principal coming due on such date, and provided further, that the amount of such deposits shall be reduced by the amount of any earnings credited to the Series 2002 C Bonds Sinking Fund and not previously credited pursuant to the preceding paragraph; and (iii) for deposit in the Series 2003 A Bonds Sinking Fund (and in the Series 2003 A Bonds Redemption Account therein in the case of Term Bonds which are to be redeemed) on the first day of each month, beginning on the first day of that month which is 12 months prior to the first principal payment or mandatory Redemption Date of the Series 2003 A Bonds, a sum equal to 1/12th of the amount (or 1/6th of the amount if the Series 2003 A Bonds mature semiannually rather than annually) of principal which will mature or be redeemed and become due on the Series 2003 A Bonds on the next ensuing principal payment or mandatory Redemption Date, provided, that in the event the period to elapse between the date of such initial deposit in the Series 2003 A Bonds Sinking Fund and the next ensuing principal payment or mandatory Redemption Date is less than or greater than 12 months (or 6 months if the Series 2003 A Bonds mature semiannually rather than annually), then such monthly payments shall be increased or decreased proportionately to provide, one month prior to the next ensuing principal payment date or mandatory Redemption Date, the required amount of principal coming due on such date, and provided further, that the amount of such

deposits shall be reduced by the amount of any earnings credited to the Series 2003 A Bonds Sinking Fund and not previously credited pursuant to the preceding paragraph.

(3) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and, simultaneously remit to the Commission .(i) the amounts required by the Prior Ordinances to be deposited in the Prior Bonds Reserve Accounts for the Prior Bonds; (ii) commencing 13 months prior to the first date of payment of principal of the Series 2002 C Bonds or upon completion of construction of the Project, whichever is earlier, if not fully funded upon issuance of the Series 2002 C Bonds, for deposit in the Series 2002 C Bonds Reserve Account, an amount equal to 1/120th of the Series 2002 C Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2002 C Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2002 C Bonds Reserve Requirement; provided further, that if the amounts in the Series 2002 C Bonds Reserve Account, as a result of a decrease in value of the Series 2002 C Bonds Reserve Account below the Series 2002 C Reserve Account Requirement or any withdrawal from the Series 2002 C Bonds Reserve Account, the Issuer shall apply such monies for deposit into the Series 2002 C Bonds Reserve Act, beginning with the first full calendar month following the date on which (i) the valuation of investments in the Series 2002 C Bonds Reserve Account results in a determination that the amount of monies and the value of the Qualified Investments deposited to the credit of the Series 2002 C Bonds Reserve Account is less than the Series 2002 C Reserve Account Requirement, or (ii) any amount is withdrawn from the Series 2002 C Bonds Reserve Account for deposit into the Series 2002 C Bonds Sinking Fund. To the extent Net Revenues and any other legally available funds are available therefor, the amount so deposited shall be used to restore the amount of monies on deposit in the Series 2002 C Bonds Reserve Account to an amount equal to the Series 2002 C Reserve Account Requirement to the full extent that such Net Revenues are available; provided, however, that if the shortfall in the Series 2002 C Bonds Reserve Account is due to a decrease in the value of investments therein, such shortfall shall be replenished by not less than 4 equal monthly payments, and if such shortfall is due to a withdrawal from the Series 2002 C Bonds Reserve Account, such shortfall shall be replenished by not less than 12 equal monthly payments, and provided further, that no payments shall be required to be made into the Series 2002 C Bonds Reserve Account whenever and as long as the amount deposited therein shall be equal to the Series 2002 C Reserve Account Requirement; and (iii) such monies, to the extent provided below, for deposit into the Series 2003 A Bonds Reserve Account, as a result of a decrease in value of the Series 2003 A Bonds Reserve Account below the Series 2003 A Reserve Account Requirement or any withdrawal from the Series 2003 A Bonds Reserve Account, beginning with the first full calendar month following the

date on which (i) the valuation of investments in the Series 2003 A Bonds Reserve Account results in a determination that the amount of monies and the value of the Qualified Investments deposited to the credit of the Series 2003 A Bonds Reserve Account is less than the Series 2003 A Reserve Account Requirement, or (ii) any amount is withdrawn from the Series 2003 A Bonds Reserve Account for deposit into the Series 2003 A Bonds Sinking Fund. Sinking Fund. To the extent Net Revenues and any other legally available funds are available therefor, the amount so deposited shall be used to restore the amount of monies on deposit in the Series 2003 A Bonds Reserve Account to an amount equal to the Series 2003 A Reserve Account Requirement to the full extent that such Net Revenues are available; provided, however, that if the shortfall in the Series 2003 A Bonds Reserve Account is due to a decrease in the value of investments therein, such shortfall shall be replenished by not less than 4 equal monthly payments, and if such shortfall is due to a withdrawal from the Series 2003 A Bonds Reserve Account, such shortfall shall be replenished by not less than 12 equal monthly payments, and provided further, that no payments shall be required to be made into the Series 2003 A Bonds Reserve Account whenever and as long as the amount deposited therein shall be equal to the Series 2003 A Reserve Account Requirement.

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

Amounts in the Series 2003 A Bonds Reserve Account shall be used only for the purpose of making payments of principal of and interest on the Series 2003 A Bonds when due, when amounts in the Series 2003 A Bonds Sinking Fund are insufficient therefor and for no other purpose.

(4) Thereafter from the monies remaining in the Revenue Fund, the Issuer shall next, each month, transfer from the Revenue Fund an amount sufficient to pay current Operating Expenses of the System.

(5) The Issuer shall next, on the first day of each month, transfer from the monies remaining in the Revenue Fund and remit to the Depository Bank for deposit in the Renewal and Replacement Fund (as previously set forth in the Prior Ordinances and not in addition thereto), a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any Reserve Account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII hereof. Subject to the restrictions contained in the Prior Ordinances, so long as the Prior Bonds are outstanding, withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency repairs, or improvements

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

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

B. The Bond Commission is hereby designated as the fiscal agent for the administration of the Series 2002 C Bonds Sinking Fund and the Series 2003 A Bonds Sinking Fund created hereunder, and all amounts required for said Sinking Fund shall be remitted to the Bond Commission from said Revenue Fund and from the proceeds of the sale of the Series 2002 C Bonds and the Series 2003 A Bonds, by the Issuer at the times and as otherwise provided herein. All remittances made by the Issuer to the Bond Commission shall clearly identify the fund or account into which each amount is to be deposited.

C. The monies on deposit in the Revenue Fund and the Renewal and Replacement Fund in excess of the sum insured by the FDIC shall at all times be secured, to the full extent thereof in excess of such insured sum, by Government Obligations or by other Qualified Investments as shall be eligible as security for deposits of municipal funds under the laws of the State.

D. Principal, interest or reserve payments, whether for a deficiency or otherwise, shall be made on a parity and pro rata, with respect to the Prior Bonds, the Series 2002 C Bonds and the Series 2003 A Bonds, all in accordance with the respective principal amounts then Outstanding.

ARTICLE V

INVESTMENTS; NON-ARBITRAGE; REBATES OF EXCESS INVESTMENT EARNINGS

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

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

The following specific provisions shall apply with respect to any investments made under this section (unless otherwise required by the Bond Insurer and as set forth in the Supplemental Resolution):

(A) Qualified Investments acquired for the Series 2002 C Bonds Reserve Account and the Series 2003 A Bonds Reserve Account shall mature or be subject to retirement at the option of the holder within not more than 5 years from the date of such investment.

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

(C) The Issuer shall, or shall cause the Bond Commission to, annually transfer from the Series 2003 A Bonds Reserve Account to the Sinking Fund any earnings on the monies deposited therein and any other funds in excess of the Series 2003 A Bonds Reserve Requirement, provided, however, that there

shall at all times remain on deposit in the Series 2003 A Bonds Reserve Account an amount at least equal to the Series 2003 A Bonds Reserve Requirement.

(D) In computing the amount in any fund or account, Qualified Investments shall be valued at the lower of the cost or the market price, exclusive of accrued interest. Valuation of all funds and accounts shall occur annually, except in the event of a withdrawal from the Series 2002 C Bonds Reserve Account or the Series 2003 A Bonds Reserve Account, whereupon it shall be valued immediately after such withdrawal. If amounts on deposit in the Series 2002 C Bonds Reserve Account shall, at any time, be less than the applicable Series 2002 C Bonds Reserve Requirement, the applicable Bond Insurer shall be notified immediately of such deficiency, and such deficiency shall be made up from the first available Gross Revenues after required deposits to the Sinking Fund and otherwise in accordance with Section 4.03(3). If amounts on deposit in the Series 2003 A Bonds Reserve Account shall, at any time, be less than the applicable Series 2003 A Bonds Reserve Requirement, the applicable Bond Insurer shall be notified immediately of such deficiency, and such deficiency shall be made up from the first available Gross Revenues after required deposits to the Sinking Fund and otherwise in accordance with Section 4.03(3).

(E) All amounts representing accrued and capitalized interest shall be held by the Bond Commission, pledged solely to the payment of interest on the Series 2002 C Bonds or the Series 2003 A Bonds, as appropriate, and invested only in Government Obligations maturing at such times and in such amounts as are necessary to match the interest payments to which they are pledged.

(F) Notwithstanding the foregoing, all monies deposited in the Series 2002 C Bonds Sinking Fund and in the Series 2003 A Bonds Sinking Fund may be invested by the Bond Commission in the West Virginia "consolidated fund" managed by the West Virginia Investment Management Board pursuant to Chapter 12, Article 6 of the Code of West Virginia, 1931, as amended.

Section 5.02. Arbitrage. The Issuer covenants that (i) it will restrict the use of the proceeds of the Series 2002 C Bonds and the Series 2003 A Bonds in such manner and to such extent as may be necessary, so that such the Series 2002 C Bonds and the 2003 A Bonds will not constitute "arbitrage bonds" under Section 148 of the Code and Regulations prescribed thereunder, and (ii) it will take all actions that may be required of it (including, without implied limitation, the timely filing of Federal information returns with respect to the Series 2002 C Bonds and the Series 2003 A Bonds) so that the interest on the Series 2002 C Bonds and the Series 2003 A Bonds will be and remain excluded from gross income for Federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 5.03. Tax Certificate and Rebate. A. The Issuer shall deliver a certificate of arbitrage, a tax certificate or other similar certificate to be prepared by nationally recognized bond counsel or tax counsel relating to payment of arbitrage rebate and other tax matters as a condition to issuance of the Series 2002 C Bonds and the Series 2002 B Bonds. In addition, the Issuer covenants to comply with all Regulations from time to time in effect and applicable to the Series 2002 C Bonds and the Series 2003 A Bonds as may be necessary in order to fully comply with Section 148(f) of the Code, and covenants to take such actions, and refrain from taking such actions, as may be necessary to fully comply with such Section 148(f) of the Code and such Regulations, regardless of whether such actions may be contrary to any of the provisions of this Ordinance.

B. The Issuer shall calculate, annually, the rebatable arbitrage, determined in accordance with Section 148(f) of the Code for the Series 2002 C Bonds and the Series 2003 A Bonds. Upon completion of each such annual calculation, the Issuer shall deposit, or cause to be deposited, in the Rebate Fund such sums as are necessary to cause the aggregate amount on deposit in the Rebate Fund to equal the sum determined to be subject to rebate to the United States, which, notwithstanding anything herein to the contrary, shall be paid from investment earnings on the underlying fund or account established hereunder and on which such rebatable arbitrage was earned or from other lawfully available sources. Notwithstanding anything herein to the contrary, the Rebate Fund shall be held free and clear of any lien or pledge hereunder and used only for payment of rebatable arbitrage to the United States. The Issuer shall pay, or cause to be paid, to the United States, from the Rebate Fund or from the Gross Revenues in the event that the Rebate Fund is insufficient therefor, the rebatable arbitrage in accordance with Section 148(f) of the Code and such Regulations. In the event that there are any amounts remaining in the Rebate Fund following all such payments required by the preceding sentence, the Depository Bank shall pay said amounts to the Issuer to be used for any lawful purpose of the System. The Issuer shall remit payments to the United States at the time and the address prescribed by the Regulations as the same may be in time to time in effect with such reports and statements as may be prescribed by such Regulations. In the event that, for any reason, amounts in the Rebate Fund are insufficient to make the payments to the United States which are required, the Issuer shall assure that such payments are made by the Issuer to the United States, on a timely basis, from any funds lawfully available therefor. The Issuer at its expense, may provide for the employment of independent attorneys, accountants or consultants compensated on such reasonable basis as the Issuer may deem appropriate in order to assure compliance with this Section 5.03. The Issuer shall keep and retain, or cause to be kept and retained, records of the determinations made pursuant to this Section 5.03 in accordance with the requirements of Section 148(f) of the Code and such Regulations. In the event the Issuer fails to make such rebates as required, the Issuer shall pay the required rebate amounts, and any and all penalties and other amounts, from lawfully available sources, and obtain a waiver from the Internal Revenue Service, if necessary, in order to maintain the exclusion of interest on the Series 2002 C Bonds and the Series 2003 A Bonds from gross income for federal income tax purposes.

Section 5.04. Continuing Disclosure Agreement. The Issuer shall deliver a continuing disclosure agreement or certificate in form acceptable to the Original Purchaser sufficient to ensure compliance with SEC Rule 15c2-12, as it may be amended from time to time, and the Issuer hereby instructs the Mayor and City Manager to take all actions necessary for the Issuer to comply with the continuing disclosure agreement.

ARTICLE VI

ADDITIONAL COVENANTS OF THE ISSUER

Section 6.01. Covenants Binding and Irrevocable. All the covenants, agreements and provisions of this Ordinance shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Series 2002 C Bonds or the Series 2003 A Bonds, as prescribed by Article VII. In addition to the other covenants, agreements and provisions of this Ordinance, the Issuer hereby covenants and agrees with the Holders of the Series 2002 C Bonds and the Series 2003 A Bonds, as hereinafter provided in this Article VI. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of the Series 2002 C Bonds or the Series 2002 B Bonds or the interest thereon, are Outstanding and unpaid.

Section 6.02. Bonds not to be Indebtedness of the Issuer. The Series 2002 C Bonds shall not be or constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness but shall be payable solely from the Gross Revenues of the System, the monies in the Series 2002 C Bonds Sinking Fund and all accounts therein, the unexpended proceeds of the Series 2002 C Bonds or monies in a construction fund, if any, all as herein provided. The Series 2003 A Bonds shall not be or constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness but shall be payable solely from the Gross Revenues of the System, the monies in the Series 2003 A Bonds Sinking Fund and all accounts therein, the unexpended proceeds of the Series 2003 A Bonds or monies in a construction fund, if any, all as herein provided. No Holder or Holders of any Series 2002 C Bonds or Series 2003 A Bonds issued hereunder shall ever have the right to compel the exercise of the taxing power of the Issuer to pay said Series 2002 C Bonds or Series 2003 A Bonds or the interest thereon.

Section 6.03. Bonds Secured by Pledge of Gross Revenues and Monies in Sinking Fund. The payment of the debt service of all of the Series 2002 C Bonds and the Series 2003 A Bonds issued hereunder shall be secured forthwith equally and ratably by a first lien on the Gross Revenues derived from the operation of the System on a parity with one another and with the lien on the Gross Revenues in favor of the Holders of the Prior Bonds and, in the instance of the Series 2002 C Bonds, all monies and securities in the Series 2002 C Sinking Fund, including the Series 2002 C Bonds Reserve Account therein, and, in the instance of the Series 2003 A Bonds, all monies and securities in the Series 2003 A Bonds Sinking Fund, including the Series 2003 A Bonds Reserve Account therein, to the extent necessary to make the payments required under Section 4.03. The Gross Revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Prior Bonds and the Series 2002 C Bonds and the Series 2003 A Bonds herein authorized, and to make the payments into the Series 2002 C Bonds Sinking Fund, all monies and securities in the Series 2002 C Bonds Sinking Fund, including the Series 2002 C Bonds Reserve Account therein, and to make payments into the Series 2003 A Bonds Sinking Fund, all monies and

securities in the Series 2003 A Bonds Sinking Fund, including the Series 2003 A Bonds Reserve Account therein, and all other payments provided for in this Ordinance, are hereby irrevocably pledged in the manner provided in this Ordinance to the payment of the principal of and interest on the Prior Bonds and the Series 2002 C Bonds and the Series 2003 A Bonds herein authorized as the same become due and for the other purposes provided in this Ordinance.

Section 6.04. Rates. Equitable rates or charges for the use of and service rendered by the System have been established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the City Clerk, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from the System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the Series 2002 C Bonds and the Series 2003 A Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Series 2002 C Bonds and the Series 2003 A Bonds, including the Prior Bonds.

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

Section 6.05. Completion of Project; Operation and Maintenance. The Issuer will complete the Project as promptly as possible. The Issuer will maintain the System in good condition and will operate the same as a revenue-producing enterprise in an efficient and economical manner, making such expenditures for equipment and for renewal, repair and replacement as may be proper for the economical operation and maintenance thereof from the Revenues of said System in the manner provided in this Ordinance.

The Issuer will obtain all permits required by state and federal laws for the acquisition and construction of the Project and all orders and approvals from the Public Service Commission of West Virginia necessary for the acquisition and construction of the Project and the operation of the System.

Section 6.06. Sale of the System. So long as the Prior Bonds are Outstanding, the Issuer shall not sell, mortgage, lease or otherwise dispose of the System, except as provided by the Prior Ordinances. Additionally, so long as the Series 2002 C Bonds or the Series 2003 A Bonds are Outstanding, the System may be sold, mortgaged, leased or otherwise disposed of only as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to defease the pledge created by this Ordinance as provided by Section 9.01. The proceeds from such sale, mortgage, lease or other disposition of the System shall be immediately remitted to the Bond Commission for deposit in the Series 2002 C Bonds and the Series 2003 A Bonds Sinking Fund, and otherwise as prescribed by Section 9.01. Any balance remaining after such defeasance shall be remitted to the Issuer by the Bond Commission unless necessary for the payment of other obligations of the Issuer payable out of the Revenues of the System.

The foregoing provision notwithstanding, the Board 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 is not in excess of $50,000, the Board shall, in writing, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof, and the Board may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Revenue Fund. If the amount to be received from such sale, lease or other disposition of said property shall be in excess of $50,000 but not in excess of $200,000, the Board shall first, in writing, determine with the written approval of the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof, and the Board may then, if it be so advised, by resolution duly adopted, approve and concur in such finding and authorize such sale, lease or other disposition of such property in accordance with the laws of the State. The proceeds derived from any such sale, lease or other disposition of such property, in excess of $50,000 and not in excess of $200,000, shall be deposited by the Issuer into the Renewal and Replacement Fund. Such payments of such proceeds into the Renewal and Replacement Fund shall reduce the amounts required to be paid into said funds by other provisions of this Ordinance.

No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom shall be in excess of $200,000 and insufficient to defease the pledge created by this Ordinance, as provided by Section 9.01, without the prior approval and consent in writing of any applicable Bond Insurer and the Holders, or their duly authorized representatives, of 60% in amount of Bonds then Outstanding. The Issuer shall prepare the form of such approval and consent for execution by the Bond Insurer and the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 6.07. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. The Issuer shall not issue any other obligations whatsoever, except Additional Parity Bonds provided for in Section 6.08 hereof, payable

from the Revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from the Gross Revenues with the Series 2002 C Bonds and the Series 2003 A Bonds; and all obligations hereafter issued by the Issuer payable from the Revenues of the System, except such Additional Parity Bonds, shall contain an express statement that such obligations are junior and subordinate as to lien on and source of and security for payment from such Revenues and in all other respects to the Series 2002 C Bonds and the Series 2003 A Bonds.

The Issuer shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or, except with respect to such Additional Parity Bonds, being on a parity with the lien of the Series 2002 C Bonds and the Series 2003 A Bonds, and the interest thereon, upon any of the income and Revenues of the System pledged for payment of the Series 2002 C Bonds and the Series 2003 A Bonds and the interest thereon in this Ordinance or upon the System or any part thereof.

Section 6.08. Additional Parity Bonds. So long as the Prior Bonds are outstanding, the limitations on the issuance of parity obligations set forth in the Prior Ordinances shall be applicable. In addition, 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 such Additional Parity Bonds shall be issued except for the purpose of financing the costs of design, acquisition or construction of additions, betterments or improvements to the System, refunding all or a portion of one or more series of Bonds issued pursuant hereto or the Prior Bonds, to pay claims which may exist against the revenues or facilities of the System, or all of such purposes.

No such Additional Parity Bonds shall be issued at any time, however, unless and until there has been procured and filed with the City Clerk a written statement by an Independent Accountant, reciting the conclusion that the Net Revenues actually derived, subject to the adjustments hereinafter provided for, from the System during any 12 consecutive months within the 18 months immediately preceding the date of the actual issuance of such Additional Parity Bonds, plus the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the date of issuance of such Additional Parity Bonds, shall be not less than 115% of the Maximum Annual Debt Service on the following:

(1) The Series 2002 C Bonds and the Series 2003 A Bonds then Outstanding;

(2) The Prior Bonds Outstanding;

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

(4) The Additional Parity Bonds then proposed to be issued.

The "estimated average increased annual Net Revenues to be received in each of the 3 succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from the improvements to be financed by such Additional Parity Bonds and any increase in rates enacted by the Issuer, the time for appeal of which shall have expired (without successful appeal) prior to the issuance of such Additional Parity Bonds, and shall not exceed the amount to be stated in a certificate of the Independent Accountant, which shall be filed in the office of the Clerk prior to the issuance of such Additional Parity Bonds.

The Net Revenues actually derived from the System during the 12 consecutive month period hereinabove referred to may be adjusted by adding to such Net Revenues such additional Net Revenues which would have been received, in the opinion of the Independent Accountant, as stated in a certificate on account of increased rates, rentals, fees and charges for the System enacted by the Issuer, the time for appeal of which shall have expired (without successful appeal) prior to issuance of such Additional Parity Bonds.

Not later than ten (10) days after the delivery of such Additional Parity Bonds, the Issuer shall have entered into written contracts for the immediate design of such additions, extensions, betterments or improvements to the System which 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 Gross Revenues of the System on a parity with the Series 2002 C Bonds and the Prior 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 Series 2002 C Bonds and the Prior Bonds and the Holders of any Additional Parity Bonds theretofore or 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 Gross Revenues of the System, and their source of and security for payment from said Gross Revenues, without preference of any Bond over any other. The Issuer shall comply fully with all the increased payments into the various funds and accounts created in this 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.

No Additional Parity Bonds shall be valid unless authenticated pursuant to Section 3.03. Prior to such authentication, registration, if applicable, and delivery, the Registrar shall receive those documents prescribed by Section 3.12 with respect to the Series

2002 C Bonds and the Series 2003 A Bonds, modified as deemed necessary by the Registrar to reflect the issuance of such additional parity Bonds.

The term "Additional Parity Bonds," as used in this section, shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien on the Revenues of the System of which is subject to the prior and superior lien of the Bonds on such Revenues. Any such subordinate bonds, notes, certificates or other obligations shall be payable from the Net Revenues remaining after all payments required to be made pursuant to Section 4.03(1), (2) and (3) have first been paid. The Issuer shall not issue any obligations whatsoever payable from the Revenues of the System, or any part thereof, which rank prior to or equally, as to lien and source of and security for payment from such Revenues, with the Series 2002 C Bonds or the Series 2003 A Bonds except in the manner and under the conditions provided in this section.

No Additional Parity Bonds, as in this section defined, shall be issued at any time, however, unless all of the payments into the respective funds and accounts provided for in this Ordinance on account of the Bonds then Outstanding (excluding the Renewal and Replacement Fund), 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 Issuer shall then be in full compliance with all the covenants, agreements and terms in the Ordinance and every ordinance supplemental thereto, or shall have fully corrected any delinquency or deficiency with respect to such payments and compliance.

The Issuer may issue Additional Parity Bonds without compliance with any other conditions for the purpose of refunding prior to maturity any series of the Series 2002 C Bonds and Series 2003 A Bonds or portion thereof, provided that the annual debt service required on account of the refunding Bonds and the Series 2002 C Bonds and Series 2003 A Bonds which are not refunded shall not be greater in any year in which the Series 2002 C Bonds and Series 2003 A Bonds not refunded and the refunding Bonds are to be Outstanding than the annual debt service required in such year if the Series 2002 C Bonds and Series 2003 A Bonds to be refunded were not so refunded and provided further, that the final maturity of such Additional Parity Bonds does not exceed that of the refunded Bonds.

Section 6.09. Insurance and Bonds. The Issuer hereby covenants and agrees, that so long as the Series 2002 C Bonds and Series 2003 A Bonds remain Outstanding, the Issuer or the Board will, as an Operating Expense, procure, carry and maintain insurance and bonds and worker's compensation coverage with a reputable insurance carrier or carriers or bonding company or companies rated at least "A" by Standard & Poor's Corporation covering the following risks and in the following amounts:

A. FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE, on all above-ground insurable portions of the System in an amount equal to the greater of the fair appraised value or the original cost thereof. In the event of any damage to or destruction of any portion of the System, the Board will promptly arrange for the application of the insurance proceeds for the repair or

reconstruction of such damages or destroyed portion. The Board will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance to protect the interests of the Board and the Issuer during construction of the Project in the full insurable value thereof.

B. PUBLIC LIABILITY INSURANCE, with limits of not less than is customarily carried by municipalities of equivalent size with respect to works and properties similar to the System to protect the Issuer and the Board from claims for bodily injury and/or death and from claims for damage to property of others which may arise from the operation of the System, and insurance with the same limits to protect the Issuer and the Board from claims arising out of operation or ownership of motor vehicles of or for the System, provided that, the Board, with the review of an insurance consultant and the concurrence of the Issuer, may elect to self-insure, so long as the following requirements are met:

(i) The self-insurance program has been reviewed by an insurance consultant;

(ii) The self-insurance program includes an actuarially sound claims reserve fund out of which each self-insured claim shall be paid; the adequacy of such fund shall be evaluated on an annual basis by an insurance consultant; and any deficiencies in any self-insured claims reserve fund will be remedied in accordance with the recommendation of the insurance consultant;

(iii) The self-insured claims reserve fund shall be held in the United States of America in a separate trust fund by an independent corporate trustee; and

(iv) In the event the current funding of the self-insurance program shall be discontinued, the actuarial soundness of its claims reserve fund, as determined by an insurance consultant, shall be maintained.

If the Issuer determines in good faith that any required insurance is not commercially available at a reasonable cost with reasonable terms, it shall engage an insurance consultant to verify the determination and to make recommendations regarding the types, amounts and provisions of any such insurance that should be purchased or funded by the Issuer, taking into consideration the costs and practices of other municipal water and sewer systems of similar size and type in the State to the extent that such information is available. The Issuer may, upon resolution adopted in good faith and upon the recommendations of the insurance consultant, adopt alternate or supplemental risk management programs which the Issuer determines to be reasonable, including the right to self-insure and participate in captive insurance companies.

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

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

Section 6.10. Services Rendered to the Board or Issuer. The Board will not render or cause to be rendered any free services of any nature by its System; and, in the event the Board, the Issuer or any department, agency, instrumentality, officer or employee thereof shall avail himself of the facilities or services provided by the System or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Board, the Issuer and any such department, agency, instrumentality, officer or employee. Such charges shall be paid as they accrue, and the Board or the Issuer shall transfer from its general funds sufficient sums to pay such charges for service to any of its departments or properties. The revenues so received shall be deemed to be Revenues derived from the operation of the System and shall be deposited and accounted for in the same manner as other Revenues derived from such operation of the System.

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

Whenever any fees, rates, rentals or other charges for the services and facilities of the System shall remain unpaid for a period of 30 days after the same shall become due and payable, the property and the owner thereof, as well as the user of the services and facilities, shall be delinquent until such time as all such rates and charges are fully paid 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 changes, if not paid, shall become a lien on the premises served by the System. The Issuer further covenants and agrees that, it will, to the full extent permitted by law and the rules and regulations promulgated by the Public Service Commission of West Virginia, discontinue and shut off the services and facilities of the System and any services and facilities of the Issuer's waterworks system, to all delinquent users of services and facilities of the System and will not restore such services of the System (or waterworks system) until all billing for charges

for the services and facilities of the System, plus penalty charges for the restoration of service, has been fully paid or an appropriate payment plan has been established.

Section 6.12. No Competing Franchise. To the extent legally allowable, neither the Issuer nor the Board will grant or cause, consent to or allow the granting of any franchise or permit to any person, firm, corporation or body, or agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the System.

Section 6.13. Books and Records. The Board will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Board or the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and any Holder of a Series 2002 C Bond or Series 2002 C Bonds or the Series 2003 A Bond or Series 2003 A Bonds, shall have the right at all reasonable times to inspect the System, and all parts thereof, and all records, accounts and data of the Board relating thereto.

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

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

The Issuer or the Board shall also file with the Original Purchaser and any Bond Insurer, and mail to any Bondholder requesting the same, a monthly unaudited report within 30 days following the end of each month containing the following:

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

(B) A statement of account balances in the Sinking Fund accounts provided for in this Ordinance and status of said funds.

The Issuer or the Board shall also, at least once a year, cause the books, records and accounts of the System to be completely audited by an Independent Accountant, shall mail upon request, and make available generally, the report of said Independent Accountant,

or a summary thereof, to any Holder or Holders of Series 2002 C Bonds or Series 2003 A Bonds issued pursuant to this Ordinance and shall file said report with the Original Purchaser.

Section 6.14. Operating Budget. The Board shall annually, at least 45 days preceding the beginning of each Fiscal Year, or at such earlier date required by the charter of the Issuer, prepare and adopt by resolution a detailed budget of the estimated expenditures for operation and maintenance of the System during the succeeding Fiscal Year. No increased expenditures in excess of 10% of the amount of such budget shall be made except upon the further certificate of such a registered professional engineer that such increased expenditures are necessary for the continued operation of the System. The Board shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Original Purchaser and the Bond Insurer, if any, and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to the Original Purchaser and to any Bondholder or anyone acting for and in behalf of such Bondholder who requests the same.

Section 6.15. Mandatory Connections. The mandatory use of the sewerage portion of the System is essential and necessary for the protection and preservation of the public health, comfort, safety, convenience and welfare of the inhabitants and residents of, and the economy of, the Issuer, and in order to assure the rendering harmless of sewage and waterborne waste matter produced or arising within the territory served by the sewerage portion of the System. Accordingly, every owner, tenant or occupant of any house, dwelling or building located near 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 sewerage portion of 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 and every such owner, tenant or occupant shall, after a 30 day notice of the availability of sewerage services of the System, pay the rates and charges established therefor.

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

Section 6.16. Statutory Mortgage Lien. For the further protection of the Holders of the Series 2002 C Bonds and Series 2003 A Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, shall take effect immediately upon the issuance of the Series 2002 C Bonds and Series 2003 A Bonds and shall be on a parity with one another and with the statutory mortgage lien in favor of the Holders of the Prior Bonds.

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

A. PRIVATE BUSINESS USE LIMITATION. The Issuer shall assure that (i) not in excess of 10% of the Net Proceeds of the Series 2002 C Bonds are used for Private Business Use if, in addition, the payment of more than 10% of the principal or 10% of the interest due on the Series 2002 C Bonds during the term thereof is, under the terms of the Series 2002 C Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for a Private Business Use or in payments in respect of property used or to be used for a Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for a Private Business Use; and (ii) in the event that both (A) in excess of 5% of the Net Proceeds of the Series 2002 C Bonds are used for a Private Business Use, and (B) an amount in excess of 5% of the principal or 5% of the interest due on the Series 2002 C Bonds during the term thereof is, under the terms of the Series 2002 C Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for said Private Business Use or in payments in respect of property used or to be used for said Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for said Private Business Use, then said excess over said 5% of Net Proceeds of the Series 2002 C Bonds used for a Private Business Use shall be used for a Private Business Use related to the governmental use of the System, or if the Series 2002 C Bonds are for the purpose of financing more than one project, a portion of the System, and shall not exceed the proceeds used for the governmental use of that portion of the System to which such Private Business Use is related. This covenant is not applicable to the Series 2003 A Bonds.

B. PRIVATE LOAN LIMITATION. The Issuer shall assure that not in excess of the lesser of 5% of the Net Proceeds of the Series 2002 C Bonds or $5,000,000 are used, directly or indirectly, to make or finance a loan (other than loans constituting Nonpurpose Investments) to persons other than state or local government units. This covenant is not applicable to the Series 2003 A Bonds.

C. FEDERAL GUARANTEE PROHIBITION. The Issuer shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Series 2002 C Bonds or the Series 2003 A Bonds to be directly or indirectly "federally guaranteed" within the meaning of Section 149(b) of the Code and Regulations promulgated thereunder.

D. INFORMATION RETURN. The Issuer will file all statements, instruments and returns necessary to assure the tax-exempt status of the Series 2002 C Bonds, the Series 2003 A Bonds and the interest thereon, including without limitation, the information return required under Section 149(e) of the Code.

E. FURTHER ACTIONS. The Issuer will take all actions that may be required of it so that the interest on the Series 2002 C Bonds and the Series 2003 A Bonds

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

Section 6.18. Covenants Regarding the Municipal Bond Insurance Policy. The Issuer intends to obtain Municipal Bond Insurance Policies for the Series 2002 C Bonds and the Series 2003 A Bonds. In the event such Municipal Bond Insurance Policies are obtained, certain additional covenants of the Issuer will be required by the Bond Insurer as a condition to insuring the Series 2002 C Bonds and the Series 2003 A Bonds. These additional covenants shall be set forth in full in the Supplemental Resolution, shall apply to the Series 2002 C Bonds, the Series 2003 A Bonds and any other Bonds which may be insured by such Bond Insurer, and shall be controlling in the event any other provisions of this Ordinance may be in conflict therewith.

ARTICLE VII

DEFAULTS AND REMEDIES

Section 7.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Series 2002 C Bonds and the Series 2003 A Bonds:

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

(B) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part in this Ordinance or any Supplemental Resolution or in the Series 2002 C Bonds or the Series 2003 A Bonds contained, and such default shall have continued for a period of 30 days after written notice specifying such default and requiring the same to be remedied shall have been given to the Issuer by any Bondholder or any Insurer; or

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

Section 7.02. Enforcement. Upon the happening and continuance of any Event of Default, any Bondholder (with the prior written consent of the applicable Bond Insurer) or any Bond Insurer may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his rights and, in particular:

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

(B) By mandamus or other appropriate proceeding enforce all rights of the Bondholders, including the right to require the Issuer to perform its duties under the Act and this Ordinance;

(C) Bring suit upon the Series 2002 C Bonds or the Series 2003 A Bonds, as applicable;

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

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

No remedy by the terms of this Ordinance conferred upon or reserved to the Bondholders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Bondholders hereunder or now or hereafter existing at law or by statute.

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

No waiver of any default or Event of Default hereunder by the Bondholders shall be made without the prior written consent of the applicable Bond Insurer or shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereto.

Section 7.03. Appointment of Receiver. If there be any Event of Default existing and continuing, any Bondholder or any Bond Insurer shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System on behalf of the Issuer, with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of the principal of and interest on the Series 2002 C Bonds, the Series 2003 A Bonds, and the Prior Bonds, the deposits into the funds and accounts hereby established as herein provided and the payment of Operating Expenses of the System and to apply such rates, rentals, fees, charges or other Revenues in conformity with the provisions of this Ordinance and the Act.

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

Whenever all that is due upon the Series 2002 C Bonds and the Series 2003 A Bonds issued pursuant to this Ordinance and interest thereon and under any covenants of this Ordinance for reserve, sinking or other funds and accounts and upon any other obligations and interest thereon having a charge, lien or encumbrance upon the Revenues of the System shall have been paid and made good, and all defaults under the provisions of this Ordinance shall have been cured and made good, and all monies due hereunder or under any Supplemental Resolution have been paid in full, possession of the System shall be surrendered to the Issuer upon the entry of an order of the court to that effect. Upon any subsequent default, any Bondholder shall have the same right to secure the further appointment of a receiver upon any such subsequent default.

Such receiver, in the performance of the powers hereinabove conferred upon him, shall be under the direction and supervision of the court making such appointment, shall at all times be subject to the orders and decrees of such court and may be removed thereby

and a successor receiver appointed in the discretion of such court. Nothing herein contained shall limit or restrict the jurisdiction of such court to enter such other and further orders and decrees as such court may deem necessary or appropriate for the exercise by the receiver of any function not specifically set forth herein.

Any receiver appointed as provided herein shall hold and operate the System in the name of the Issuer and for the joint protection and benefit of the Issuer and the Holders of the Series 2002 C Bonds and Series 2003 A Bonds issued pursuant to this Ordinance. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the possession, operation and maintenance of the System, for the sole purpose of the protection of both the Issuer and the Bondholders, and the curing and making good of any default under the provisions of this Ordinance, and the title to and ownership of said System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, mortgage or otherwise dispose of any assets of the System.

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

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

ARTICLE VIII

REGISTRAR AND PAYING AGENT

Section 8.01. Appointment of Registrar. The Registrar for the Series 2002 C Bonds and Series 2003 A Bonds shall be appointed pursuant to the Supplemental Resolution. The Issuer is hereby authorized and directed to enter into an agreement with the Registrar, the substantial form of which agreement is to be approved by Supplemental Resolution.

Section 8.02. Responsibilities of Registrar. The recitals of fact in the Bonds shall be taken as statements of the Issuer, and the Registrar shall not be responsible for their accuracy. The Registrar shall not be deemed to make any representation as to, and shall not incur any liability on account of, the validity of the execution of any Series 2002 C Bonds or Series 2003 A Bonds by the Issuer. Notwithstanding the foregoing, the Registrar shall be responsible for any representation in its Certificate of Authentication on the Series 2002 C Bonds and Series 2003 A Bonds. The Registrar and any successor thereto shall agree to perform all the duties and responsibilities spelled out in this Ordinance and any other duties and responsibilities incident thereto, all as provided by said agreement described in Section 8.01.

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

Section 8.04. Compensation and Expenses. The Issuer shall pay to the Registrar from time to time reasonable compensation for all services, including the transfer of registration of Series 2002 C Bonds or Series 2003 A Bonds, the first exchange of Series 2002 C Bonds or Series 2003 A Bonds and the exchange of Series 2002 C Bonds or Series 2003 A Bonds in the event of partial redemption, incurred in the performance of its duties hereunder.

Section 8.05. Certain Permitted Acts. The Registrar may become the owner of or may deal in Series 2002 C Bonds or Series 2003 A Bonds as fully and with the same rights it would have if it were not Registrar. To the extent permitted by law, the Registrar may act as depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or effect or aid in any reorganization growing out of the enforcement

of the Series 2002 C Bonds, the Series 2003 A Bonds or this Ordinance, whether or not any such committee shall represent the Holders of a majority in principal amount of the Series 2002 C Bonds or the Series 2003 A Bonds Outstanding.

Section 8.06. Resignation of Registrar. The Registrar may at any time resign and be discharged of its duties and obligations under this Ordinance by giving not less than 60 days' written notice to the Issuer and publishing in an Authorized Newspaper notice (or mailing such notice to each Bondholder in the event all Bonds are fully registered), specifying the date when such resignation shall take effect, within 20 days after the giving of such written notice. A copy of such notice shall also be mailed to each owner of a fully registered Bond or a coupon Bond registered as to principal (other than to bearer). Such resignation shall take effect upon the day specified in such notice unless a successor shall have been previously appointed by the Issuer or bondholders, in which event such resignation shall take effect immediately, provided that in no event shall such resignation take effect until a successor has been appointed and has accepted its duties as Registrar.

Section 8.07. Removal. The Registrar may be removed at any time by the Issuer, the applicable Bond Insurer or by the Holders of a majority in principal amount of the Series 2002 C Bonds or the Series 2003 A Bonds then Outstanding by an instrument or concurrent instruments in writing signed and duly acknowledged by the Issuer, the applicable Bond Insurer or by such Bondholders or their attorneys duly authorized in writing and delivered to the Issuer, as the case may be. Copies of each such instrument shall be delivered by the Issuer to the Registrar. Such removal shall take effect upon the date stated in such instrument, provided that in no event shall such removal take effect until a successor has been appointed and has accepted its duties as Registrar.

Section 8.08. Appointment of Successor. In case at any time the Registrar shall resign or shall be removed or shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or if a receiver, liquidator or conservator of the Registrar or of its property shall be appointed, or if any public officer or court shall take charge or control of the Registrar or of its property or affairs, a successor may be appointed by the Holders of a majority in principal amount of the Series 2002 C Bonds or the Series 2003 A Bonds then Outstanding by an instrument or concurrent instruments in writing signed by such Bondholders or their attorneys duly authorized in writing and delivered to the Issuer and such successor Registrar, notification thereof being given to the predecessor Registrar. Pending such appointment, the Issuer shall forthwith appoint a Registrar to fill such vacancy until a successor Registrar shall be appointed by such Bondholders. The Issuer shall publish in an Authorized Newspaper (or mail to each Bondholder in the event all Bonds are fully registered) notice of any such appointment within 20 days after the effective date of such appointment. A copy of such notice shall also be mailed to each owner of a fully registered Bond or a coupon Bond registered as to principal (other than to bearer). Any successor Registrar appointed by the Issuer shall, immediately and without further act, be superseded by a Registrar appointed by such Bondholders. If in a proper case no appointment of a successor Registrar shall be made within 45 days after the Registrar shall have given to the Issuer written notice of resignation or after the occurrence of any other event requiring such

appointment, the Registrar or any Bondholder may apply to any court of competent jurisdiction to appoint a successor. Any Registrar appointed under the provisions of this section shall be a bank, trust company or national banking association authorized to perform the duties imposed upon it by this Ordinance.

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

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

Section 8.11. Adoption of Authentication. In case any of the Series 2002 C Bonds or the Series 2003 A Bonds shall have been authenticated but not delivered, any successor Registrar may adopt a Certificate of Authentication and Registration executed by any predecessor Registrar and deliver such Bonds so authenticated, and, in case any Bonds shall have been prepared but not authenticated, any successor Registrar may authenticate such Bonds in the name of the predecessor Registrar or in its own name.

Section 8.12. Paying Agent. The West Virginia Municipal Bond Commission shall initially serve as Paying Agent. Any alternate Paying Agent must be a bank, trust company or national banking association authorized to perform the duties imposed upon it by this Ordinance. Such alternate Paying Agent shall signify its acceptance of the duties and obligations imposed upon it pursuant hereto by executing and delivering to the Issuer a written acceptance thereof. Any successor Paying Agent shall take such actions as may be necessary to ensure that the Series 2002 C Bond and the Series 2003 A Bonds shall be and remain DTC-Eligible.

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

Any bank, trust company or national banking association with or into which any Paying Agent may be merged or consolidated, or to which the assets and business of such Paying Agent may be sold, shall be deemed the successor of such Paying Agent for the purposes of this Ordinance. If the position of Paying Agent shall become vacant for any reason, the Issuer shall, within 30 days thereafter, appoint a bank, trust company or national banking association located in the same city as such Paying Agent to fill such vacancy;

provided, however, that, if the Issuer shall fail to appoint such Paying Agent within said period, the Bond Commission, a court of competent jurisdiction or a majority of the Bondholders may make such appointment.

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

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

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

ARTICLE IX

DEFEASANCE; DISCHARGE OF PLEDGE OF ORDINANCE

Section 9.01. Defeasance; Discharge of Pledge of Ordinance. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all Series 2002 C Bonds or the Series 2003 A Bonds the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Ordinance, and all other monies due hereunder have been paid, then this Ordinance and the pledges of the Gross Revenues and other monies and securities pledged hereunder, and all covenants, agreements and other obligations of the Issuer on behalf of the Holders of the Series 2002 C Bonds or the Series 2003 A Bonds made hereunder, as applicable, shall thereupon cease, terminate and become void and be discharged and satisfied.

Bonds for the payment of which either monies in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide monies which, together with the monies, if any, deposited with the Paying Agent at the same or earlier time, shall be sufficient, to pay as and when due the respective principal of and interest on such Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Series 2002 C Bonds and the Series 2003 A Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited with the Bond Commission or an escrow trustee either monies in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide monies which, together with the monies, if any, deposited with the Bond Commission or said escrow trustee at the same or earlier time shall be sufficient, to pay when due the principal of, any redemption premium on and interest due and to become due on said Bonds on and prior to the maturity date thereof, or if the Issuer irrevocably determines to redeem any of said Bonds prior to the maturity thereof, on and prior to said Redemption Date. Neither securities nor monies deposited with the Bond Commission or an escrow trustee pursuant to this section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and interest on said Bonds; provided, that any cash received from such principal, redemption premium, if any, and interest payments on such securities deposited with the Bond Commission or said escrow trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal of and redemption premium, if any, and interest to become due on said Bonds on and prior to such maturity or Redemption Dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer as received by the Bond Commission or said escrow trustee, free and clear of any trust, lien or pledge.

ARTICLE X

MISCELLANEOUS

Section 10.01. Amendment of Ordinance. Prior to issuance of the Series 2002 C Bonds or the Series 2003 A Bonds, this Ordinance may be amended, modified or supplemented in any way by the Supplemental Resolution. All provisions required by the Bond Insurer, if any, shall be set forth in the Supplemental Resolution and to the extent they constitute an amendment or modification of this Ordinance, shall be controlling. Following issuance of the Series 2002 C Bonds or the Series 2003 A Bonds, this Ordinance and any Supplemental Resolution may, without the consent of any Bondholder or other person, be amended, modified or supplemented in any manner which, in the opinion of Bond Counsel, does not materially adversely affect the interests of the Bondholders or any Bond Insurer, provided that, in the event any of the Bonds are insured, no such amendment or modification which affects the rights of the applicable Bond Insurer for such Bonds may be made without the written consent of such Bond Insurer. Otherwise, no materially adverse amendment or modification to this Ordinance, or of any Supplemental Resolution, may be made without the written consent of the Holders of 60% in aggregate principal amount of the Series 2002 C Bonds and the Series 2003 A Bonds then Outstanding and affected thereby and the Bond Insurer, which must be filed with the Clerk of the Issuer before any such modification or amendment may be made. No such modification or amendment shall extend the maturity of or reduce the interest rate on, or otherwise alter the terms of payment of the principal of or interest on, any Bond without the express written consent of the Holder of such Bond, nor reduce the percentage of Series 2002 C Bonds and the Series 2003 A Bonds required for consent to any such modification or amendment.

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

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

Issuer or the Registrar, as the case may be, that the person signing such instrument acknowledged to such bank, trust company, firm or corporation the execution thereof.

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

C. The amount of fully registered Series 2002 C Bonds and/or Series 2003 A Bonds held by a person executing any instrument as a Bondholder, the date of his holding such Series 2002 C Bonds and the numbers and other identification thereof, shall be confirmed by the Bond Register.

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

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

Section 10.04. Cancellation of Bonds. All Series 2002 C Bonds and the Series 2003 A Bonds purchased or paid shall, if surrendered to the Issuer, be canceled and delivered to the Registrar, or, if surrendered to the Registrar, be canceled by it. No such Bonds shall be deemed Outstanding under this Ordinance and no Series 2002 C Bonds or the Series 2003 A Bonds shall be issued in lieu thereof. All such Bonds shall be canceled and upon order of the Issuer shall be destroyed, and a certificate evidencing such destruction shall be delivered to the Issuer.

Section 10.05. Failure to Present Bonds. Anything in this Ordinance to the contrary notwithstanding, any monies held by the Bond Commission or a Paying Agent in trust for the payment and discharge of any of the Series 2002 C Bonds or the Series 2003 A Bonds which remain unclaimed for two years after the date on which such Bonds have become due and payable, whether by maturity or upon call for redemption, shall at the written request of the Issuer be paid by the Bond Commission or said Paying Agent to the Issuer as its absolute property and free from trust, and the Bond Commission or said Paying Agent shall thereupon be released and discharged with respect thereto, and the Holders of such Bonds shall look only to the Issuer for the payment of such Bonds; provided, however, that, before making any such payment to the Issuer, the Registrar, if so advised by the Bond

Commission, or said Paying Agent shall send to the Holder, at the address listed on the Bond Register, by certified mail, a notice that such monies remain unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the date of such notice is mailed, the balance of such monies then unclaimed will be returned to the Issuer.

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

CITY

City of Charles Town
101 East Washington Street
Charles Town, West Virginia 25414
Attention: City Manager

REGISTRAR

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

PAYING AGENT

West Virginia Municipal Bond Commission
8 Capitol Street
Suite 500, Terminal Building
Charleston, West Virginia 25301
Attn: Executive Director

DEPOSITORY BANK

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

ORIGINAL PURCHASER

Crews & Associates, Inc.
2000 Union National Plaza
124 West Capitol
Little Rock, Arkansas 72201

BOND INSURER

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

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

Section 10.07. No Personal Liability. No member of the Council, the Board or officer or employee of the Issuer shall be individually or personally liable for the payment of the principal of or the interest on any Bond, but nothing herein contained shall relieve any such member, official or employee from the performance of any official duty provided by law or this Ordinance.

Section 10.08. Law Applicable. The laws of the State shall govern the construction of this Ordinance and of all Series 2002 C Bonds and Series 2003 A Bonds issued hereunder.

Section 10.09. Parties Interested Herein. Nothing in this Ordinance expressed or implied is intended or shall be construed to confer upon, or give to, any person or corporation, other than the Issuer, the Registrar, the Paying Agent, the Holders of the Series 2002 C Bonds or the Series 2003 A Bonds, the applicable Bond Insurer, if any, and the Original Purchaser, any right, remedy or claim under or by reason of this Ordinance. All the covenants, stipulations, promises and agreements contained in this Ordinance by and on behalf of the Issuer shall be for the sole and exclusive benefit of the Issuer, the Registrar, the Paying Agent, the Holders of the Series 2002 C Bonds and Series 2003 A Bonds, the Bond Insurer and the Original Purchaser.

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

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

Section 10.12. Conflicting Provisions Repealed. All ordinances, orders, resolutions or parts thereof in conflict with the provisions of this Ordinance, are, to the extent of such conflict, hereby repealed.

Section 10.13. Procedure on Enactment of Ordinance; Public Hearing. Upon adoption of this Ordinance, the Clerk is hereby authorized and directed to have an abstract of this Ordinance, which abstract has been determined by the Council of the Issuer to contain sufficient information to give notice of the contents of such Ordinance, published

once each week for 2 successive weeks, with not less than six full days between each publication, the first such publication to be not less than 10 days before the date stated below for the public hearing, in the *Spirit of Jefferson Advocate*, a newspaper published and having a general circulation in the City of Charles Town, together with a notice to all persons concerned, stating that this Ordinance has been adopted and that the Issuer contemplates the issuance of the Series 2002 C Bonds and the Series 2003 A Bonds described in this Ordinance and that any person interested may appear before the Council at the public hearing to be had at a public meeting of Council on the 16th day of December at 7:30 p.m., in the Council Chambers of the City Hall, Charles Town and present protests, and that a certified copy of this Ordinance is on file with the Clerk for review by interested parties during the office hours of the Clerk. At such hearing all protests and suggestions shall be heard by the Council and it shall then take such action as it shall deem proper in the premises.

This Ordinance shall become effective following public hearing hereon in accordance with the Act.

First Reading:	November 25, 2002
Second Reading:	December 2, 2002
Effective following Public Hearing held on:	December 16, 2002

[SEAL]

J. Randolph Hilton
Mayor

Jane E. Arnett
City Manager

ATTEST:

Brenda S Hamilton
City Clerk

APPROVED AND CORRECT AS TO FORM:

By _____
City Attorney

CH564729.2

This Ordinance shall become effective following public hearing hereon in accordance with the Act.

First Reading:	November 25, 2002
Second Reading:	December 2, 2002
Effective following Public Hearing held on:	December 16, 2002

[SEAL]

_____
Mayor

_____
City Manager

ATTEST:

_____
City Clerk

APPROVED AND CORRECT AS TO FORM:

By _____
City Attorney

CERTIFICATION

Certified a true, correct and complete copy of an Ordinance duly enacted by the City Council of the CITY OF CHARLES TOWN at a regular meeting of the City Council held at 7:30 p.m., on December 16, 2002, pursuant to proper notice, at which meeting a quorum was present and acting throughout, and which Ordinance was enacted following a public hearing thereon, notice of which public hearing was published once a week for two successive weeks in a newspaper having a general circulation in the City of Charles Town, the first publication having been not less than 10 days prior to such public hearing.

Dated this 20th day of December, 2002.

[SEAL]

Brenda S Hamilton

City Clerk

EXHIBIT A - SERIES 2002 C BOND FORM

[DTC Legend]

No. CR-_____ $_____

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF CHARLES TOWN (WEST VIRGINIA)
COMBINED WATERWORKS AND
SEWERAGE SYSTEM REVENUE BONDS, SERIES 2002 C

INTEREST RATE:	MATURITY DATE:	BOND DATE:	CUSIP:
_____%	_____	_____	_____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF CHARLES TOWN (West Virginia), a municipal corporation organized and existing under the laws of the State of West Virginia (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above and solely from such special funds also to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, or, if and to the extent that the Issuer shall default in the payment of interest on any Interest Payment Date, then this Bond shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, and in which case any Bond surrendered for transfer or exchange shall be dated as of the Interest Payment Date to which interest has been paid in full, at the Interest Rate per annum specified above, semiannually, on _____ 1 and _____ 1, in each year, beginning _____ 1, 200__ (each an "Interest Payment Date"), until maturity or until the date fixed for redemption if this Bond is called for prior redemption and payment

on such date is provided for. Capitalized terms used and not defined herein shall have the meanings ascribed thereto in the hereinafter-described Ordinance.

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

This Bond is one of an issue of a series of bonds, in the aggregate principal amount of $_____ designated the "City of Charles Town Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 C" (the "Series 2002 C Bonds"), of like tenor and effect, except as to number, denomination, date of maturity and interest rate, dated _____, 2002, upon original issuance, the proceeds of which are to be used, together with other funds of the Issuer, (i) to finance the cost of acquisition and construction of certain additions, betterments and improvements to the waterworks and sewerage portions of the combined waterworks and sewerage system of the Issuer, (ii) to partially fund a reserve account for the Series 2002 C Bonds, (iii) to pay capitalized interest on the Series 2002 C Bonds, and (iv) to pay certain costs of issuance of the Series 2002 C Bonds and related costs. The Series 2002 C Bonds are issued under the authority of and in full compliance with the Constitution and statute of the State of West Virginia, including particularly, Chapter 8, Article 20 of the West Virginia Code of 1931, as amended (the "Act"), and an ordinance duly enacted by the City Council of the Issuer on December 16, 2002, and supplemented by a supplemental resolution adopted by said Council on _____, 2002 (hereinafter collectively referred to as the "Ordinance"), and is subject to all the terms and conditions of said Ordinance. 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 Series 2002 C Bonds under the Ordinance. Reference is hereby made to the Ordinance, as the same may be amended and supplemented from time to time, for a description of the rights, limitations of rights, obligations, duties and immunities of the Issuer, the Registrar, the Paying Agent, the Registered Owners of the Series 2002 C Bonds and the Registered Owners of any subsequently issued additional bonds. Executed counterparts or certified copies of the Ordinance are on file at the office of the City Clerk in the City of Charles Town, West Virginia.

[The Series 2002 C Bonds are additionally secured, but only to the extent described in the Statement of Insurance printed on the Bonds, by a policy of municipal bond insurance issued by ___[Bond Insurer]___.]

THIS BOND IS ISSUED ON A PARITY WITH THE ISSUER'S COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2003 A, TO BE ISSUED ON _____, 2003, IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $_____ (THE "SERIES 2003 A BONDS").

THIS BOND IS ALSO ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE FOLLOWING OUTSTANDING COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS OF THE ISSUER (COLLECTIVELY, THE "PRIOR BONDS").

(1) Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 B, dated November 18, 1987, issued in the original aggregate principal amount of $413,629 (the "Series 1987 B Bonds");

(2) Combined Waterworks and Sewerage System Revenue Bonds, Series 1988 B-1, dated May 4, 1988, issued in the original aggregate principal amount of $295,916 (the "Series 1988 B-1 Bonds");

(3) Combined Waterworks and Sewerage System Revenue Bonds, Series 1988 B-2, dated May 20, 1988, issued in the original aggregate principal amount of $558,000 (the "Series 1988 B-2 Bonds");

(4) Combined Waterworks and Sewerage System Revenue Bonds, Series 1989 B, dated April 13, 1989, issued in the original aggregate principal amount of $117,480 (the "Series 1989 B Bonds");

(5) Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 1998, dated May 15, 1998, issued in the original aggregate principal amount of $10,355,000 (the "Series 1998 Refunding Bonds");

(6) Combined Waterworks and Sewerage System Design Revenue Bonds, Series 1998 (West Virginia SRF Program), dated September 29, 1998, issued in the original aggregate principal amount of $437,601 (the "Series 1998 Design Bonds");

(7) Combined Waterworks and Sewerage System Revenue Bonds, Series 2000 A (West Virginia SRF Program), dated June 22, 2000, issued in the original aggregate principal amount of $3,163,781 (the "Series 2000 A Bonds");

(8) Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 A (West Virginia Water Development Authority), dated August 22, 2002, issued in the original aggregate principal amount of $1,100,000 (the "Series 2002 A Bonds"); and

(9) Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 B (West Virginia Infrastructure Fund), dated August 22, 2002, issued in the original aggregate principal amount of $3,600,000 (the "Series 2002 B Bonds").

The Series 1987 B Bonds, the Series 1988 B-1 Bonds, the Series 1988 B-2 Bonds, the Series 1989 B Bonds, the Series 1998 Refunding Bonds, the Series 1998 Design Bonds, the Series 2000 A Bonds, the Series 2002 A Bonds and the Series 2002 B Bonds are hereinafter collectively called the "Prior Bonds." The ordinances which authorized the issuance of the Prior Bonds are herein collectively referred to as the "Prior Ordinances."

The Series 2002 C Bonds are subject to redemption prior to their stated maturity dates, as provided in the Ordinance and as set forth in the following lettered paragraphs:

(A) Optional Redemption. The Bonds maturing on and after _____, 20____, are subject to redemption prior to maturity at the option of the Issuer on or after _____, 20_____, in whole at any time and in part on any Interest Payment Date, as directed by the Issuer, in reverse order of maturity and by lot within a maturity, at the following Redemption Prices (expressed as percentages of the principal amount of Bonds to be redeemed), plus interest accrued thereon to the date fixed for redemption:

Period During Which Redeemed (Dates Inclusive)	Redemption Price

(B) Mandatory Sinking Fund Redemption. The Bonds maturing on _____, 20_____ and 20_____ are subject to annual mandatory sinking fund redemption prior to maturity by random selection as may be determined by the Registrar, on _____ 1 of the years and in the principal amounts set forth below, at the Redemption Price of 100% of the principal amount of each Bond so called for redemption plus interest accrued to the date fixed for redemption:

Bonds Maturing 1, 20

Year (1)	Principal Amount

Bonds Maturing 1, 20

Year (1)	Principal Amount

* Final Maturity

In the event of any redemption of less than all outstanding Series 2002 C Bonds, the maturities to be redeemed shall be selected by the Paying Agent at the direction of the Issuer and Series 2002 C Bonds to be redeemed shall be determined by lot within a maturity, or in such other manner deemed appropriate by the Paying Agent. If less than all the Series 2002 C Bonds are to be redeemed, the Series 2002 C Bonds to be redeemed shall be identified by reference to the Series designation, date of issue, CUSIP numbers and Maturity Dates.

Notice of any redemption of this Series 2002 C Bond, unless waived, shall be given by the Paying Agent on behalf of the Issuer by mailing an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Series 2002 C Bond or Series 2002 C Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Paying Agent. Such notice shall also be given by the Paying Agent to the Registrar. Notice of redemption having been given as aforesaid, the Series 2002 C Bonds or portions of Series 2002 C Bonds so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Issuer shall default in the payment of the Redemption Price) such Series 2002 C Bonds or portions of Series 2002 C Bonds shall cease to bear interest.

Failure to receive such notice or any defect therein or in the mailing thereof shall not affect the validity of proceedings for the redemption of this Series 2002 C Bond.

The Series 2002 C Bonds and the interest thereon are payable only from and are secured by the Gross Revenues (as defined in the Ordinance) to be derived from the operation of the System, on a parity in all respects with the pledge of the Gross Revenues created in favor of the holders of the Prior Bonds, the pledge of the Gross Revenues to be created in favor of the holders of the Series 2003 A Bonds, all monies in the Series 2002 C Bonds Sinking Fund, and the Series 2002 C Bonds Reserve Account therein, established under the Ordinance, and the unexpended proceeds of the Series 2002 C Bonds, and the Issuer hereby and in the Ordinance pledges such revenues and monies to such payment. Said Gross Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose and to make the other payments required by the Ordinance. This Series 2002 C Bond does not constitute an indebtedness of the Issuer within any constitutional or statutory provision or limitation, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Gross Revenues, the monies in the Series 2002 C Bonds Sinking Fund and the Series 2002 C Bonds Reserve Account and said unexpended Series 2002 C Bond proceeds. Pursuant to the Ordinance, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Series 2002 C Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Series 2002 C Bonds, including the Prior Bonds and, once issued, the Series 2003 A Bonds. The Issuer has entered into certain further covenants with the registered owners of the Series 2002 C Bonds, for the terms of which reference is made to the Ordinance. Remedies provided the registered owners of the Series 2002 C Bonds are exclusively as provided in the Ordinance, to which reference is here made for a detailed description thereof.

All monies received from the sale of the Bonds except for accrued interest thereon shall be applied solely to pay all costs of the Project, partially fund a reserve account for the Series 2002 C Bonds, pay capitalized interest on the Series 2002 C Bonds and pay costs of issuance of the Bonds, and there shall be, and hereby is, created and granted a lien upon such monies, until so applied, in favor of the registered owners of said Series 2002 C 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 Series 2002 C 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 Series 2002 C

Bond, together with all other obligations of said Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia, and that a sufficient amount of the revenues of the System has been pledged to and will be set aside into said special fund by said Issuer for the prompt payment of the principal of and interest on the Series 2002 C Bonds of which this Series 2002 C Bond is one.

This Series 2002 C Bond, under the provisions of the Act is and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but may be transferred only upon the surrender hereof at the office of the Registrar and otherwise as provided by the within-described Ordinance.

This Series 2002 C Bond and the income therefrom are, under the Act, exempt from taxation in the State of West Virginia, except inheritance, estate and transfer taxes.

This Series 2002 C Bond shall not be entitled to any benefit under the Ordinance, or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon shall have been signed by the Registrar.

All provisions of the Ordinance, as defined on the reverse hereof, and the statutes under which this Series 2002 C Bond is issued shall be deemed to be a part of the contract evidenced by this Series 2002 C Bond to the same extent as if written fully herein.

IN WITNESS WHEREOF, the CITY OF CHARLES TOWN (West Virginia) has caused this Bond to be signed by its Mayor and City Manager, and its corporate seal to be imprinted hereon and attested by its City Clerk, and has caused this Series 2002 C Bond to be dated as of the Series 2002 C Bond Date specified above.

[SEAL]

[Manual or facsimile signature]_____
Mayor

[Manual or facsimile signature]_____
City Manager

ATTEST:

[Manual or facsimile signature]_____
City Clerk

CERTIFICATE OF AUTHENTICATION
AND REGISTRATION

This Series 2002 C Bond is one of the fully registered Series 2002 C Bonds described in the within-mentioned Ordinance and has been duly registered in the name of the Registered Owner on the date set forth below. Attached hereto is the complete text of the opinion of Steptoe & Johnson PLLC, bond counsel, signed originals of which are on file with the Registrar, delivered and dated on the date of the original delivery of and payment for the Series 2002 C Bonds.

Dated: _____, 2002.

_____, as
Registrar

By _____
Its Authorized Officer

STATEMENT OF INSURANCE

[Bond Insurance Legend]

(FORM OF)
ASSIGNMENT

Social Security or Other Identifying Number of Assignee _____
_____

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

Dated: _____, _____.

_____

SIGNATURE GUARANTEED:

_____
(Bank, Trust Company or Firm)

_____
(Authorized Officer)

NOTICE: The Assignor's signature to this Assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or any change whatever.

EXHIBIT B - SERIES 2003 A BOND FORM

[DTC Legend]

No. AR-_____ $_____

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF CHARLES TOWN (WEST VIRGINIA)
COMBINED WATERWORKS AND
SEWERAGE SYSTEM REVENUE BONDS, SERIES 2003 A (AMT)

INTEREST RATE:	MATURITY DATE:	BOND DATE:	CUSIP:
_____%	_____	_____	_____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF CHARLES TOWN (West Virginia), a municipal corporation organized and existing under the laws of the State of West Virginia (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above and solely from such special funds also to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, or, if and to the extent that the Issuer shall default in the payment of interest on any Interest Payment Date, then this Bond shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, and in which case any Bond surrendered for transfer or exchange shall be dated as of the Interest Payment Date to which interest has been paid in full, at the Interest Rate per annum specified above, semiannually, on _____ 1 and _____ 1, in each year,

beginning _____ 1, 200__ (each an "Interest Payment Date"), until maturity or until the date fixed for redemption if this Bond is called for prior redemption and payment on such date is provided for. Capitalized terms used and not defined herein shall have the meanings ascribed thereto in the hereinafter-described Ordinance.

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

This Bond is one of an issue of a series of bonds, in the aggregate principal amount of $_____ designated the "City of Charles Town Combined Waterworks and Sewerage System Revenue Bonds, Series 2003 A (AMT)" (the "Series 2003 A Bonds"), of like tenor and effect, except as to number, denomination, date of maturity and interest rate, dated _____, 2003, upon original issuance, the proceeds of which are to be used, together with other funds of the Issuer, (i) to finance the cost of acquisition and construction of certain additions, betterments and improvements to the waterworks and sewerage portions of the combined waterworks and sewerage system of the Issuer, (ii) to fund a reserve account for the Series 2003 A Bonds, (iii) to pay capitalized interest on the Series 2003 A Bonds, and (iv) to pay certain costs of issuance of the Series 2003 A Bonds and related costs. The Series 2003 A Bonds are issued under the authority of and in full compliance with the Constitution and statute of the State of West Virginia, including particularly, Chapter 8, Article 20 of the West Virginia Code of 1931, as amended (the "Act"), and an ordinance duly enacted by the City Council of the Issuer on December 16, 2002, and supplemented by a supplemental resolution adopted by said Council on _____, 2002 (hereinafter collectively referred to as the "Ordinance"), and is subject to all the terms and conditions of said Ordinance. 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 Series 2003 A Bonds under the Ordinance. Reference is hereby made to the Ordinance, as the same may be amended and supplemented from time to time, for a description of the rights, limitations of rights, obligations, duties and immunities of the

Issuer, the Registrar, the Paying Agent, the Registered Owners of the Series 2003 A Bonds and the Registered Owners of any subsequently issued additional bonds. Executed counterparts or certified copies of the Ordinance are on file at the office of the City Clerk in the City of Charles Town, West Virginia.

[The Series 2003 A Bonds are additionally secured, but only to the extent described in the Statement of Insurance printed on the Bonds, by a policy of municipal bond insurance issued by [Bond Insurer].]

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE FOLLOWING OUTSTANDING COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS OF THE ISSUER (COLLECTIVELY, THE "PRIOR BONDS").

(1) Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 B, dated November 18, 1987, issued in the original aggregate principal amount of $413,629 (the "Series 1987 B Bonds");

(2) Combined Waterworks and Sewerage System Revenue Bonds, Series 1988 B-1, dated May 4, 1988, issued in the original aggregate principal amount of $295,916 (the "Series 1988 B-1 Bonds");

(3) Combined Waterworks and Sewerage System Revenue Bonds, Series 1988 B-2, dated May 20, 1988, issued in the original aggregate principal amount of $558,000 (the "Series 1988 B-2 Bonds");

(4) Combined Waterworks and Sewerage System Revenue Bonds, Series 1989 B, dated April 13, 1989, issued in the original aggregate principal amount of $117,480 (the "Series 1989 B Bonds");

(5) Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 1998, dated May 15, 1998, issued in the original aggregate principal amount of $10,355,000 (the "Series 1998 Refunding Bonds");

(6) Combined Waterworks and Sewerage System Design Revenue Bonds, Series 1998 (West Virginia SRF Program), dated September 29, 1998, issued in the original aggregate principal amount of $437,601 (the "Series 1998 Design Bonds");

(7) Combined Waterworks and Sewerage System Revenue Bonds, Series 2000 A (West Virginia SRF Program), dated June 22, 2000, issued in the original aggregate principal amount of $3,163,781 (the "Series 2000 A Bonds");

(8) Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 A (West Virginia Water Development Authority), dated August 22, 2002, issued in the original aggregate principal amount of $1,100,000 (the "Series 2002 A Bonds");

(9) Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 B (West Virginia Infrastructure Fund), dated August 22, 2002, issued in the original aggregate principal amount of $3,600,000 (the "Series 2002 B Bonds"); and

(10) Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 C, dated December ____, 2002, issued in the original aggregate principal amount of $_____ (the "Series 2002 C Bonds").

The Series 1987 B Bonds, the Series 1988 B-1 Bonds, the Series 1988 B-2 Bonds, the Series 1989 B Bonds, the Series 1998 Refunding Bonds, the Series 1998 Design Bonds, the Series 2000 A Bonds, the Series 2002 A Bonds, the Series 2002 B Bonds and the Series 2002 C Bonds are hereinafter collectively called the "Prior Bonds." The ordinances which authorized the issuance of the Prior Bonds are herein collectively referred to as the "Prior Ordinances."

The Series 2003 A Bonds are subject to redemption prior to their stated maturity dates, as provided in the Ordinance and as set forth in the following lettered paragraphs:

(A) Optional Redemption. The Bonds maturing on and after _____, 20____, are subject to redemption prior to maturity at the option of the Issuer on or after _____, 20_____, in whole at any time and in part on any Interest Payment Date, as directed by the Issuer, in reverse order of maturity and by lot within a maturity, at the following Redemption Prices (expressed as percentages of the principal amount of Bonds to be redeemed), plus interest accrued thereon to the date fixed for redemption:

Period During Which Redeemed (Dates Inclusive)	Redemption Price

(B) Mandatory Sinking Fund Redemption. The Bonds maturing on _____, 20_____ and 20_____ are subject to annual mandatory sinking fund redemption prior to maturity by random selection as may be determined by the Registrar, on _____ 1 of the years and in the

principal amounts set forth below, at the Redemption Price of 100% of the principal amount of each Bond so called for redemption plus interest accrued to the date fixed for redemption:

Bonds Maturing 1, 20

Year (1)	Principal Amount

Bonds Maturing 1, 20

Year (1)	Principal Amount

* Final Maturity

In the event of any redemption of less than all outstanding Series 2003 A Bonds, the maturities to be redeemed shall be selected by the Paying Agent at the direction of the Issuer and Series 2003 A Bonds to be redeemed shall be determined by lot within a maturity, or in such other manner deemed appropriate by the Paying Agent. If less than all the Series 2003 A Bonds are to be redeemed, the Series 2003 A Bonds to be redeemed shall be identified by reference to the Series designation, date of issue, CUSIP numbers and Maturity Dates.

Notice of any redemption of this Series 2003 A Bond, unless waived, shall be given by the Paying Agent on behalf of the Issuer by mailing an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Series 2003 A Bond or Series 2003 A Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Paying Agent. Such notice shall also be given by the Paying Agent to the Registrar. Notice of redemption having been given as aforesaid, the Series 2003 A Bonds or portions of Series 2003 A Bonds so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Issuer shall default in the payment of the

Redemption Price) such Series 2003 A Bonds or portions of Series 2003 A Bonds shall cease to bear interest.

Failure to receive such notice or any defect therein or in the mailing thereof shall not affect the validity of proceedings for the redemption of this Series 2003 A Bond.

The Series 2003 A Bonds and the interest thereon are payable only from and are secured by the Gross Revenues (as defined in the Ordinance) to be derived from the operation of the System, on a parity in all respects with the pledge of the Gross Revenues created in favor of the holders of the Prior Bonds, all monies in the Series 2003 A Bonds Sinking Fund, and the Series 2003 A Bonds Reserve Account therein, established under the Ordinance, and the unexpended proceeds of the Series 2003 A Bonds, and the Issuer hereby and in the Ordinance pledges such revenues and monies to such payment. Said Gross Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose and to make the other payments required by the Ordinance. This Series 2003 A Bond does not constitute an indebtedness of the Issuer within any constitutional or statutory provision or limitation, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Gross Revenues, the monies in the Series 2003 A Bonds Sinking Fund and the Series 2003 A Bonds Reserve Account and said unexpended Series 2003 A Bond proceeds. Pursuant to the Ordinance, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Series 2003 A Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Series 2003 A Bonds, including the Prior Bonds. The Issuer has entered into certain further covenants with the registered owners of the Series 2003 A Bonds, for the terms of which reference is made to the Ordinance. Remedies provided the registered owners of the Series 2003 A Bonds are exclusively as provided in the Ordinance, to which reference is here made for a detailed description thereof.

All monies received from the sale of the Bonds except for accrued interest thereon shall be applied solely to pay all costs of the Project, fund a reserve account for the Series 2003 A Bonds, pay capitalized interest on the Series 2003 A Bonds and pay costs of issuance of the Bonds, and there shall be, and hereby is, created and granted a lien upon such monies, until so applied, in favor of the registered owners of said Series 2003 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 Series 2003 A 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 Series 2003 A

Bond, together with all other obligations of said Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia, and that a sufficient amount of the revenues of the System has been pledged to and will be set aside into said special fund by said Issuer for the prompt payment of the principal of and interest on the Series 2003 A Bonds of which this Series 2003 A Bond is one.

This Series 2003 A Bond, under the provisions of the Act is and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but may be transferred only upon the surrender hereof at the office of the Registrar and otherwise as provided by the within-described Ordinance.

This Series 2003 A Bond and the income therefrom are, under the Act, exempt from taxation in the State of West Virginia, except inheritance, estate and transfer taxes.

This Series 2003 A Bond shall not be entitled to any benefit under the Ordinance, or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon shall have been signed by the Registrar.

All provisions of the Ordinance, as defined on the reverse hereof, and the statutes under which this Series 2003 A Bond is issued shall be deemed to be a part of the contract evidenced by this Series 2003 A Bond to the same extent as if written fully herein.

IN WITNESS WHEREOF, the CITY OF CHARLES TOWN (West Virginia) has caused this Bond to be signed by its Mayor and City Manager, and its corporate seal to be imprinted hereon and attested by its City Clerk, and has caused this Series 2003 A Bond to be dated as of the Series 2003 A Bond Date specified above.

[SEAL]

[Manual or facsimile signature]
Mayor

[Manual or facsimile signature]
City Manager

ATTEST:

[Manual or facsimile signature]
City Clerk

CERTIFICATE OF AUTHENTICATION
AND REGISTRATION

This Series 2003 A Bond is one of the fully registered Series 2003 A Bonds described in the within-mentioned Ordinance and has been duly registered in the name of the Registered Owner on the date set forth below. Attached hereto is the complete text of the opinion of Steptoe & Johnson PLLC, bond counsel, signed originals of which are on file with the Registrar, delivered and dated on the date of the original delivery of and payment for the Series 2003 A Bonds.

Dated: _____, 2003.

_____, as
Registrar

By _____
Its Authorized Officer

STATEMENT OF INSURANCE

[Bond Insurance Legend]

(FORM OF)
ASSIGNMENT

Social Security or Other Identifying Number of Assignee _____.

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

Dated: _____, _____.

_____

SIGNATURE GUARANTEED:

_____
(Bank, Trust Company or Firm)

_____
(Authorized Officer)

NOTICE: The Assignor's signature to this Assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or any change whatever.

11/26/02
144220.00004

CITY OF CHARLES TOWN
(WEST VIRGINIA)

COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS,
SERIES 2002 C (INSURED)
AND
COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS,
SERIES 2003 A (AMT-UNINSURED)

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION SETTING THE AMOUNTS, MATURITIES, INTEREST RATES, PRICES AND OTHER DETAILS AS TO THE COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2002 C (INSURED) AND COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2003 A (AMT - UNINSURED), OF THE CITY; AUTHORIZING AND APPROVING BOND PURCHASE CONTRACTS, CONTINUING DISCLOSURE AGREEMENTS, A COMMITMENT FOR MUNICIPAL BOND INSURANCE FOR THE SERIES 2002 C BONDS, REGISTRAR AGREEMENTS, AN OFFICIAL STATEMENT AND OTHER INSTRUMENTS RELATING TO THE BONDS; IMPLEMENTING PROVISIONS REQUIRED AS A CONDITION TO OBTAINING A MUNICIPAL BOND INSURANCE POLICY INSURING THE SERIES 2002 C BONDS FROM MBIA INSURANCE CORPORATION; APPOINTING A REGISTRAR, PAYING AGENT, AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the City of Charles Town (the "Issuer"), in the County of Jefferson, State of West Virginia, is a municipal corporation of said State, the governing body of which is this Council;

WHEREAS, this Council duly enacted on December 16, 2002, an ordinance (the "Ordinance") entitled:

> AN ORDINANCE AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING COMBINED WATERWORKS AND SEWERAGE SYSTEM OF THE CITY OF CHARLES TOWN AND THE FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE BY THE CITY OF NOT MORE THAN $6,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2002 C AND NOT MORE THAN $1,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2003 A (AMT); PROVIDING FOR THE RIGHTS AND REMEDIES OF, AND THE SECURITY FOR, THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING THE EXECUTION AND DELIVERY OF BOND PURCHASE AGREEMENTS, A CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS RELATING TO THE BONDS; AND ENACTING OTHER PROVISIONS WITH RESPECT TO SUCH BONDS.

WHEREAS, such Ordinance provided for the issuance of the Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 C (Insured) (the "Series 2002 C Bonds") and the Combined Waterworks and Sewerage System Revenue Bonds, Series 2003 A (AMT - UNINSURED) (the "Series 2003 A Bonds," and collectively with the Series 2002 C Bonds, the "Bonds"), for the purposes of (i) paying accrued interest on the Bonds, (ii) partially funding a Series 2002 C Bonds Reserve Account, (iii) funding a Series 2003 A Bonds Reserve Account, (iv) to pay costs of issuing the Bonds, and (v) paying costs of acquisition, construction and equipping of certain waterworks and sewerage facilities of the Issuer, all in accordance with the Act;

WHEREAS, the Ordinance further provided that the exact principal amount of the Bonds to be sold and the dates, maturities, interest rates, redemption provisions, price and other terms of the Bonds should be established, that a Bond Insurer for the Series 2002 C Bonds, a Registrar, Paying Agent and Depository Bank be designated, that a Registrar,

Paying Agent and Depository Bank Agreement be approved, that additional covenants and provisions relating to the Bonds be provided herein, and as may be required by any Bond Insurer as a condition to insuring such Series 2002 C Bonds and that other matters pertaining to the Bonds be provided for by a supplemental resolution of this Council upon receipt of a Bond Purchase Agreement for each series of Bonds acceptable to this Council;

WHEREAS, the Bonds are proposed to be purchased by Crews & Associates, Inc. (the "Original Purchaser"), pursuant to a Bond Purchase Contract for each series of Bonds between the Original Purchaser and the Issuer (collectively, the "Bond Purchase Contracts");

WHEREAS, the Issuer has obtained a commitment for Municipal Bond Insurance for the Series 2002 C Bonds from MBIA Insurance Corporation (the "Bond Insurer") and has determined that it is advantageous for the Issuer to obtain such Municipal Bond Insurance Policy and provide herein for certain matters required by the Bond Insurer as a condition to issuing such Municipal Bond Insurance Policy for the Series 2002 C Bonds;

WHEREAS, capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Ordinance; and

WHEREAS, this Council deems it essential and desirable that this Resolution be adopted and that the Bond Purchase Contracts, the Continuing Disclosure Agreements, the Commitment for Municipal Bond Insurance for the Series 2002 C Bonds, the Registrar, Paying Agent and Depository Bank Agreements hereinafter provided for be entered into by the Issuer, that the Official Statement relating to the Bonds, hereinafter described, be approved, that the prices, the maturity dates and amounts, and the interest rates of the Bonds, be fixed herein, that provisions required by the Bond Insurer for the Series 2002 C Bonds as a condition to issuing its Municipal Bond Insurance Policy be provided herein and that other matters relating to the Bonds be herein provided for, all in accordance with said Ordinance;

NOW, THEREFORE, THE COUNCIL OF THE CITY OF CHARLES TOWN HEREBY RESOLVES:

Section 1. Pursuant to the Ordinance and the Act, this Resolution is adopted and there are hereby authorized and ordered to be issued the Bonds. The Series 2002 C Bonds shall be dated December 1, 2002, upon original issuance and the Series 2003 A Bonds shall be dated January 1, 2003, upon original issuance. The Bonds shall be issued in the aggregate principal amount, bear interest payable semiannually on June 1 and December

1 of each year, commencing June 1, 2003, shall mature on December 1 in such years and shall have such redemption provisions as are set forth in EXHIBIT A - SERIES 2002 C BOND TERMS and EXHIBIT B - SERIES 2003 A BOND TERMS, attached hereto and incorporated by reference herein. Except as otherwise set forth herein, all other provisions relating to the Bonds shall be as provided in the Ordinance, and the Bonds shall be in substantially the form provided in the Ordinance.

Section 2. The Bond Purchase Contracts, one for each series of Bonds, between the Original Purchaser and the Issuer, each substantially in the form submitted to this meeting, and the execution and delivery (in multiple counterparts) by the Mayor and the City Manager of each Bond Purchase Contract on behalf of the Issuer are hereby authorized, approved, and directed. Execution of each Bond Purchase Contract by the Mayor and the City Manager shall be conclusive evidence of any approval required by this Section, and authorization of any action required by each Bond Purchase Contract relating to the issuance and sale of each series of Bonds, including the payment of all necessary fees and expenses in connection therewith. The price of the Series 2002 C Bonds, pursuant to the Series 2002 C Bond Purchase Agreement, shall be $4,014,013.55 ($4,135,000 par amount, less $79,636.45 original issue discount and less $41,350 underwriters' discount), plus accrued interest from the date of the Series 2002 C Bonds to the date of delivery thereof, expected to be on or about December 20, 2002. The price of the Series 2003 A Bonds, pursuant to the Series 2003 A Bond Purchase Agreement, shall be $913,539.90 ($1,000,000 par amount, less $61,460.10 original issue discount and less $25,000 underwriters' discount), plus accrued interest from the date of the Series 2003 A Bonds to the date of delivery thereof, expected to be on or about January 15, 2003.

Section 3. The Continuing Disclosure Agreements by and between the Issuer and the Original Purchaser, one for each series of Bonds, each to be dated as of the date of delivery of the applicable series, substantially in the form submitted to this meeting, and the execution and delivery (in multiple counterparts) by the Mayor and the City Manager thereof shall be and the same are hereby authorized, approved and directed. The Mayor and the City Manager shall execute and deliver the Continuing Disclosure Agreements with such changes, insertions and omissions as may be approved by the Mayor and the City Manager. Execution of the Continuing Disclosure Agreements by the Mayor and the City Manager shall be conclusive evidence of any approval required by this Section.

Section 4. The Official Statement to be dated on the date of sale of the Bonds, to be substantially in the form of the Preliminary Official Statement described below (with such changes, insertions and omissions as may be necessary or advisable in the opinion of the Mayor and City Manager), and the distribution of counterparts or copies thereof by the Original Purchaser are hereby approved. The Mayor and City Manager shall execute and deliver the Official Statement with such changes, insertions and omissions as may be approved by the Mayor and City Manager. The execution of the Official Statement by the Mayor and City Manager shall be conclusive evidence of any approval required by this

Section. The distribution by the Original Purchaser of the Preliminary Official Statement dated December 11, 2002 (which is a "deemed final" official statement in accordance with SEC Rule 15c2-12), substantially in the form submitted to this meeting is hereby ratified and approved. The certificates of the Issuer relating to compliance with SEC Rule 15c2-12 and the execution and delivery thereof by the Mayor and City Manager are hereby ratified and approved.

Section 6. The Registrar Agreements, one for each series of Bonds, each to be dated as of the date of delivery of its applicable series, by and between the Issuer and the Registrar designated herein, substantially in the form submitted to this meeting, shall be and the same are hereby approved. The Mayor and the City Manager shall execute and deliver the Registrar, Paying Agent and Depository Bank Agreements with such changes, insertions and omissions as may be approved by the Mayor and the City Manager. The execution of the Registrar, Paying Agent and Depository Bank Agreements by the Mayor and City Manager shall be conclusive evidence of any approval required by this Section.

Section 7. The Issuer does hereby determine that the Municipal Bond Insurance Policy offered by the Bond Insurer for the Series 2002 C Bonds will result in an interest cost savings for the Issuer in excess of the premium to be paid by the Issuer for such Municipal Bond Insurance Policy, and accordingly accepts the Commitment for Municipal Bond Insurance (the "Commitment") of MBIA Insurance Corporation, dated November 18, 2002. The Mayor and City Manager are hereby authorized and directed to execute the approval of the Commitment and deliver the same to the Bond Insurer. Execution by the Mayor and City Manager of the Commitment shall be conclusive evidence of any approval required by this Section.

Section 8. Pursuant to the Commitment, and, as permitted by Section 6.18 of the Ordinance, the following covenants and provisions which are required by the Bond Insurer as a condition precedent to issuance of its Municipal Bond Insurance Policy for the Series 2002 C Bonds are hereby set forth, such covenants and provisions to be supplemental and amendatory of, and controlling with respect to the Ordinance and applicable to the Series 2002 C Bonds:

Definitions

"Insurer" shall mean MBIA Insurance Corporation, a corporation organized under the laws of the State of New York or any successor thereto.

"Permitted Investments" shall mean, to the extent permitted by applicable law:

A. Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS

and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

B. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

1. U.S. Export-Import Bank (Eximbank)
   Direct obligations or fully guaranteed certificates of beneficial ownership

2. Farmers Home Administration (FmHA)
   Certificates of beneficial ownership

3. Federal Financing Bank

4. Federal Housing Administration Debentures (FHA)

5. General Services Administration
   Participation certificates

6. Government National Mortgage Association (GNMA or "Ginnie Mae")
   GNMA - guaranteed mortgage-backed bonds
   GNMA - guaranteed pass-through obligations
   (not acceptable for certain cash-flow sensitive issues.)

7. U.S. Maritime Administration
   Guaranteed Title XI financing

8. U.S. Department of Housing and Urban Development (HUD)
   Project Notes
   Local Authority Bonds
   New Communities Debentures - U.S. government guaranteed debentures
   U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds

C. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

1. Federal Home Loan Bank System
   Senior debt obligations

2. Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac")
   Participation Certificates
   Senior debt obligations

3. Federal National Mortgage Association (FNMA or "Fannie Mae")
   Mortgage-backed securities and senior debt obligations

4. Student Loan Marketing Association (SLMA or "Sallie Mae")
   Senior debt obligations

5. Resolution Funding Corp. (REFCORP) obligations

6. Farm Credit System
   Consolidated systemwide bonds and notes

D. Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of AAAm-G; AAA-m; or AA-m and if rated by Moody's rated Aaa, Aa1 or Aa2.

E. Certificates of deposit secured at all times by collateral described in (A) and/or (B) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the bondholders must have a perfected first security interest in the collateral.

F. Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF.

G. Investment Agreements, including GIC's, Forward Purchase Agreements and Reserve Fund Put Agreements acceptable to MBIA (Investment Agreement criteria is available upon request).

H. Commercial paper rated, at the time of purchase, "Prime - 1" by Moody's and "A-1" or better by S&P.

I. Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies.

J. Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime - 1" or "A3" or better by Moody's and "A-1" or "A" or better by S&P.

K. Repurchase Agreements for 30 days or less must follow the following criteria. Repurchase Agreements which exceed 30 days must be acceptable to MBIA (criteria available upon request)

Repurchase agreements provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to a municipal entity (buyer/lender), and the transfer of cash from a municipal entity to the dealer bank or securities firm with an agreement that

the dealer bank or securities firm will repay the cash plus a yield to the municipal entity in exchange for the securities at a specified date.

1. Repos must be between the municipal entity and a dealer bank or securities firm

   a. Primary dealers on the Federal Reserve reporting dealer list which are rated A or better by Standard & Poor's Corporation and Moody's Investor Services, or

   b. Banks rated "A" or above by Standard & Poor's Corporation and Moody's Investor Services.

2. The written repo contract must include the following:

   a. Securities which are acceptable for transfer are:

      (1) Direct U.S. governments, or

      (2) Federal agencies backed by the full faith and credit of the U.S. government (and FNMA & FHLMC)

   b. The term of the repo may be up to 30 days

   c. The collateral must be delivered to the municipal entity, trustee (if trustee is not supplying the collateral) or third party acting as agent for the trustee (if the trustee is supplying the collateral) before/simultaneous with payment (perfection by possession of certificated securities).

   d. Valuation of Collateral

      (1) The securities must be valued weekly, marked-to-market at current market price plus accrued interest

         (a) The value of collateral must be equal to 104% of the amount of cash transferred by the municipal entity to the dealer bank or security firm under the repo plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by municipality, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of collateral must equal 105%.

3. Legal opinion which must be delivered to the municipal entity:

   a. Repo meets guidelines under state law for legal investment of public funds.

Additional Notes

(i) There is no list of permitted investments for non-indentured funds. Your own credit judgment and the relevant circumstances (e.g., amount of investment and timing of investment) should dictate what is permissible.

(ii) Any state administered pool investment fund in which the issuer is statutorily permitted or required to invest will be deemed a permitted investment.

(iii) DSRF investments should be valued at fair market value and marked to market at least once per year. DSRF investments may not have maturities extending beyond 5 years, except for Investment Agreements approved by the Insurer.

"Policy" shall mean the financial guaranty insurance policy issued by Insurer insuring the payment when due of the principal of and interest on the Series 2002 C Bonds as provided therein.

Payment Procedure

A. In the event that, on the second Business Day, and again on the Business Day, prior to the payment date on the Obligations, the Paying Agent has not received sufficient moneys to pay all principal of and interest on the Obligations due on the second following or following, as the case may be, Business Day, the Paying Agent shall immediately notify the Insurer or its designee on the same Business Day by telephone or telegraph, confirmed in writing by registered or certified mail, of the amount of the deficiency.

B. If the deficiency is made up in whole or in part prior to or on the payment date, the Paying Agent shall so notify the Insurer or its designee.

C. In addition, if the Paying Agent has notice that any Bondholder has been required to disgorge payments of principal or interest on the Obligation to a trustee in Bankruptcy or creditors or others pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Bondholder within the meaning of any applicable bankruptcy laws, then the Paying Agent shall notify the Insurer or its designee of such fact by telephone or telegraphic notice, confirmed in writing by registered or certified mail.

D. The Paying Agent is hereby irrevocably designated, appointed, directed and authorized to act as attorney-in-fact for Holders of the Obligations as follows:

1. If and to the extent there is a deficiency in amounts required to pay interest on the Obligations, the Paying Agent shall (a) execute and deliver to State Street Bank and Trust Company, N.A., or its successors under the Policy (the "Insurance Paying Agent"), in form satisfactory to the Insurance Paying Agent, an instrument appointing the Insurer as agent for such Holders in any legal proceeding related to the payment of such interest and an assignment to the Insurer of the claims for interest to which such deficiency relates and which are paid by the Insurer, (b) receive as designee of the respective Holders (and not as Paying Agent) in accordance with the tenor of the Policy payment from the Insurance Paying Agent with respect to the claims for interest so assigned, and (c) disburse the same to such respective Holders; and

2. If and to the extent of a deficiency in amounts required to pay principal of the Obligations, the Paying Agent shall (a) execute and deliver to the Insurance Paying Agent in form satisfactory to the Insurance Paying Agent an instrument appointing the Insurer as agent for such Holder in any legal proceeding relating to the payment of such principal and an assignment to the Insurer of any of the Obligation surrendered to the Insurance Paying agent of so much of the principal amount thereof as has not previously been paid or for which moneys are not held by the Paying Agent and available for such payment (but such assignment shall be delivered only if payment from the Insurance Paying Agent is received), (b) receive as designee of the respective Holders (and not as Paying Agent) in accordance with the tenor of the Policy payment therefor from the Insurance Paying Agent, and (c) disburse the same to such Holders.

E. Payments with respect to claims for interest on and principal of Obligations disbursed by the Paying Agent from proceeds of the Policy shall not be considered to discharge the obligation of the Issuer with respect to such Obligations, and the Insurer shall become the owner of such unpaid Obligation and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of this subsection or otherwise.

F. Irrespective of whether any such assignment is executed and delivered, the Issuer and the Paying Agent hereby agree for the benefit of the Insurer that:

1. They recognize that to the extent the Insurer makes payments, directly or indirectly (as by paying through the Paying Agent), on account of principal of or interest on the Obligations, the Insurer will be subrogated to the rights of such Holders to receive the amount of such principal and interest from the Issuer, with interest thereon as provided and solely from the sources stated in this Indenture and the Obligations; and

2. They will accordingly pay to the Insurer the amount of such principal and interest (including principal and interest recovered under subparagraph (ii) of the first paragraph of the Policy, which principal and interest shall be deemed past due

and not to have been paid), with interest thereon as provided in this Indenture and the Obligation, but only from the sources and in the manner provided herein for the payment of principal of and interest on the Obligations to Holders, and will otherwise treat the Insurer as the owner of such rights to the amount of such principal and interest.

G. In connection with the issuance of additional Obligations, the Issuer shall deliver to the Insurer a copy of the disclosure document, if any, circulated with respect to such additional Obligations.

H. Copies of any amendments made to the documents executed in connection with the issuance of the Obligations which are consented to by the Insurer shall be sent to Standard & Poor's Corporation.

I. The Insurer shall receive notice of the resignation or removal of the Paying Agent and the appointment of a successor thereto.

J. The Insurer shall receive copies of all notices required to be delivered to Bondholders and, on an annual basis, copies of the Issuer's audited financial statements and Annual Budget.

Notices: Any notice that is required to be given to a holder of the Obligation or to the Paying Agent pursuant to the Indenture shall also be provided to the Insurer. All notices required to be given to the Insurer under the Indenture shall be in writing and shall be sent by registered or certified mail addressed to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504 Attention: Surveillance.

K. The Issuer/Obligor agrees to reimburse the Insurer immediately and unconditionally upon demand, to the extent permitted by law, for all reasonable expenses, including attorneys' fees and expenses, incurred by the Insurer in connection with (i) the enforcement by the Insurer of the Issuer's /Obligor's obligations, or the preservation or defense of any rights of the Insurer, under this Resolution/Indenture and any other document executed in connection with the issuance of the Obligations, and (ii) any consent, amendment, waiver or other action with respect to the Resolution/Indenture or any related document, whether or not granted or approved, together with interest on all such expenses from and including the date incurred to the date of payment at Citibank's Prime Rate plus 3% or the maximum interest rate permitted by law, whichever is less. In addition, the Insurer reserves the right to charge a fee in connection with its review of any such consent, amendment or waiver, whether or not granted or approved.

GENERAL DOCUMENT PROVISIONS

A. Notice to the Insurer. The basic legal documents must provide that any notices required to be given by any party should also be given to the Insurer, Attn: Insured Portfolio Management.

B. Amendments. In the basic legal document, there are usually two methods of amendment. The first, which typically does not require the consent of the bondholders, is for amendments which will cure ambiguities, correct formal defects or add to the security of the financing. The second, in which bondholder consent is a prerequisite, covers the more substantive types of amendments. For all financings, the Insurer must be given notice of any amendments that are of the first type and the Insurer's consent must be required for all amendments of the second type. All documents must contain a provision which requires copies of any amendments to such documents which are consented to by the Insurer to be sent to Standard & Poor's.

C. Supplemental Legal Document. If the basic legal document provides for a supplemental legal document to be issued for reasons other than (1) a refunding to obtain savings; or (2) the issuance of additional bonds pursuant to an additional bonds test, there must be a requirement that the Insurer's consent also be obtained prior to the issuance of any additional bonds and/or execution of such supplemental legal document.

D. Events of Default and Remedies. All documents normally contain provisions which define the events of default and which prescribe the remedies that may be exercised upon the occurrence of an event of default. At a minimum, events of default will be defined as follows:

1. the issuer/obligor fails to pay principal when due;
2. the issuer/obligor fails to pay interest when due;
3. the issuer/obligor fails to observe any other covenant or condition of the document and such failure continues for 30 days; and
4. the issuer/obligor declares bankruptcy.

The Insurer, acting alone, shall have the right to direct all remedies in the event of a default. The Insurer shall be recognized as the registered owner of each bond which it insures for the purposes of exercising all rights and privileges available to bondholders. For bonds which it insures, the Insurer shall have the right to institute any suit, action, or proceeding at law or in equity under the same terms as a bondholder in accordance with applicable provisions of the governing documents. Other than the usual redemption provisions, any acceleration of principal payments must be subject to the Insurer's prior written consent.

E. Defeasance requires the deposit of:

1. Cash

2. U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series -- " SLGs")

3. Direct obligations of the Treasury which have been stripped by the Treasury itself, CATS, TIGRS and similar securities

4. Resolution Funding Corp. (REFCORP) Only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form are acceptable.

5. Pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by S&P. If however, the issue is only rated by S&P (i.e., there is no Moody's rating), then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA rated pre-refunded municipals to satisfy this condition.

6. Obligations issued by the following agencies which are backed by the full faith and credit of the U.S.:

   a. U.S. Export-Import Bank (Eximbank)

   Direct obligations or fully guaranteed certificates of beneficial ownership

   b. Farmers Home Administration (FmHA)

   Certificates of beneficial ownership

   c. Federal Financing Bank

   d. General Services Administration

   Participation certificates

   e. U.S. Maritime Administration

   Guaranteed Title XI financing

   f. U.S. Department of Housing and Urban Development (HUD)

   Project Notes

   Local Authority Bonds

   New Communities Debentures - U.S. government guaranteed debentures

   U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds

F. Agents:

1. In transactions where there is an agent/enhancer (other than the Insurer), the trustee, tender agent (if any), and paying agent (if any) must be commercial banks with trust powers.

2. The remarketing agent must have trust powers if they are responsible for holding moneys or receiving bonds. As an alternative, the documents may provide that if the remarketing agent is removed, resigns or is unable to perform its duties, the trustee must assume the responsibilities of remarketing agent until a substitute acceptable to the Insurer is appointed.

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

Section 10. The Issuer does hereby appoint and designate United Bank, Inc., Charleston, West Virginia, for the purpose of serving in the capacity of Registrar for the Bonds and Branch Banking and Trust Company, Ranson, West Virginia, as Depository Bank for the Bonds.

Section 11. The firm of Steptoe & Johnson PLLC, Charleston, West Virginia, is hereby appointed bond counsel to the City in connection with the issuance of the Bonds.

Section 12. The notice addresses for the Registrar, Paying Agent, Depository Bank, Original Purchaser and Bond Insurer shall be as follows:

REGISTRAR

United Bank, Inc.
500 Virginia Street, East
Charleston, West Virginia 25301
Attention: Corporate Trust

DEPOSITORY BANK

Branch Banking and Trust Company
301 South Mildred Street
Ranson, West Virginia 25438
Attention: Branch Manager

PAYING AGENT

West Virginia Municipal Bond Commission
812 Quarrier Street, Suite 300
Charleston, West Virginia 25301
Attention: Executive Director

ORIGINAL PURCHASER

Crews & Associates, Inc.
300 Summers Street, Suite 930
Charleston, West Virginia 25301
Attention: Vice President

BOND INSURER OF SERIES 2002 C BONDS

MBIA Insurance Corporation
113 King Street
Armonk, New York 10504
Attention: Surveillance Department

Section 13. The Mayor, City Manager and City Clerk are hereby authorized and directed to execute and deliver such other documents and certificates required or desirable in connection with each Bond issue to the end that the Bonds may be delivered on a timely basis to the Original Purchaser pursuant to the Bond Purchase Contracts.

Section 14. Under the provisions of the Act, and as provided in the Ordinance and the Series 2002 C Bonds, the Series 2002 C Bonds and the interest thereon do not constitute indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, but shall be payable solely from the Gross Revenues derived from the operation of the System of the Issuer and the Series 2002 C Bonds Reserve Account established by the Ordinance, and neither the credit nor the taxing power of the Issuer is pledged for, and no tax shall ever be levied for, payment of the Series 2002 C Bonds and the interest thereon.

Section 15. Under the provisions of the Act, and as provided in the Ordinance and the Series 2003 A Bonds, the Series 2003 A Bonds and the interest thereon do not constitute indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, but shall be payable solely from the Gross Revenues derived from the operation of the System of the Issuer and the Series 2003 A Bonds Reserve Account established by the Ordinance, and neither the credit nor the taxing power of the Issuer is pledged for, and no tax shall ever be levied for, payment of the Series 2003 A Bonds and the interest thereon.

Section 16. The Mayor, City Manager, City Clerk and other appropriate officers and employees of the Issuer are hereby authorized and directed to take all further actions necessary to cause the Series 2002 C Bonds to be insured by the Bond Insurer or such other municipal bond insurance company as is acceptable to the Original Purchaser.

Section 17. The Mayor, City Manager, City Clerk and other appropriate officers and employees of the Issuer are hereby authorized and directed to take all further actions necessary to cause the Series 2002 C Bonds and Series 2003 A Bonds to be issued at the earliest practicable dates, not less than fifteen days apart.

Section 18. This Resolution shall be effective immediately.

Adopted this 16th day of December, 2002.

[SEAL]

J. Randolph Hilton
Mayor

Jane E. Arnett
City Manager

ATTEST:

Brenda S Hamilton
City Clerk

APPROVED AND CORRECT AS TO FORM:

City Attorney

Section 16. The Mayor, City Manager, City Clerk and other appropriate officers and employees of the Issuer are hereby authorized and directed to take all further actions necessary to cause the Series 2002 C Bonds to be insured by the Bond Insurer or such other municipal bond insurance company as is acceptable to the Original Purchaser.

Section 17. The Mayor, City Manager, City Clerk and other appropriate officers and employees of the Issuer are hereby authorized and directed to take all further actions necessary to cause the Series 2002 C Bonds and Series 2003 A Bonds to be issued at the earliest practicable dates, not less than fifteen days apart.

Section 18. This Resolution shall be effective immediately.

Adopted this 16th day of December, 2002.

[SEAL]

_____
Mayor

_____
City Manager

ATTEST:

_____
City Clerk

APPROVED AND CORRECT AS TO FORM:

_____
City Attorney

EXHIBIT A - SERIES 2002 C BOND TERMS

Series 2002 C
$215,000 Serial Bonds

Maturity Date (December 1)	Maturity Amount	Interest Rate	Price or Yield	CUSIP
2013	$ 105,000	4.00%	100%	160028 AY2
2014	$ 110,000	4.10%	100%	160028 AZ9

Series 2002 C
$3,920,000 Term Bonds

Maturity Date (December 1)	Maturity Amount	Interest Rate	Price or Yield	CUSIP
2008	$ 480,000	3.00%	100%	160028 AW6
2012	$ 380,000	3.85%	100%	160028 AX4
2017	$ 360,000	4.35%	100%	160028 BA3
2019	$ 265,000	4.60%	99.415%	160028 BB1
2022	$ 440,000	4.60%	96.824%	160028 BC9
2030	$1,515,000	4.75%	95.964%	160028 BD7
2032	$ 485,000	5.00%	99.382%	160028 BE5

(accrued interest to be added)

Redemption – Series 2002 C Bonds

Optional Redemption. The 2002 C Bonds maturing on or after December 1, 2013 are subject to redemption, at the option of the Issuer on or after December 1, 2012, in whole or in part, at any time in inverse order of maturity by lot within a maturity, at the following redemption prices expressed as percentages of the principal amount, plus interest, if any, accrued to the date fixed for redemption:

Redemption Period Series 2002 C Bonds	Price
December 1, 2013 through November 30, 2014	102%
December 1, 2014 through November 30, 2015	101%
December 1, 2015 and thereafter	100%

Mandatory Sinking Fund Redemption. The Term Bonds are subject to mandatory redemption prior to maturity, by lot, from the Redemption Account created in the Sinking Fund, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption:

2002 C Term Bonds Due December 1, 2008

Year (December 1)	Principal Amount
2003	$ 75,000
2004	$ 75,000
2005	$ 80,000
2006	$ 80,000
2007	$ 85,000
2008 (maturity)	$ 85,000

2002 C Term Bonds Due December 1, 2012

Year (December 1)	Principal Amount
2009	$ 90,000
2010	$ 95,000
2011	$ 95,000
2012 (maturity)	$100,000

2002 C Term Bonds Due December 1, 2017

Year (December 1)	Principal Amount
2015	$115,000
2016	$120,000
2017 (maturity)	$125,000

2002 C Term Bonds Due December 1, 2019

Year (December 1)	Principal Amount
2018	$130,000
2019 (maturity)	$135,000

2002 C Term Bonds Due December 1, 2022

Year (December 1)	Principal Amount
2020	$140,000
2021	$145,000
2022 (maturity)	$155,000

2002 C Term Bonds Due December 1, 2030

Year (December 1)	Principal Amount
2023	$160,000
2024	$170,000
2025	$175,000
2026	$185,000
2027	$195,000
2028	$200,000
2029	$210,000
2030 (maturity)	$220,000

2002 C Term Bonds Due December 1, 2032

Year (December 1)	Principal Amount
2031	$235,000
2032 (maturity)	$245,000

EXHIBIT B - SERIES 2003 A BOND TERMS

Series 2003 A
$1,000,000 Term Bonds

Maturity Date (December 1)	Maturity Amount	Interest Rate	Price or Yield	CUSIP
2022	$ 485,000	5.500%	94.232%	160028 BF2
2032	$ 515,000	5.625%	93.498%	160028 BG0

(accrued interest to be added)

Redemption – Series 2003 A Bonds

Optional Redemption. The 2003 A Bonds maturing on or after December 1, 2022 are subject to redemption, at the option of the Issuer on or after December 1, 2005, in whole or in part, at any time in inverse order of maturity by lot within a maturity, at the following redemption prices expressed as percentages of the principal amount, plus interest, if any, accrued to the date fixed for redemption:

Redemption Period Series 2003 A Bonds	Price
December 1, 2005 and thereafter	100%

Mandatory Sinking Fund Redemption. The Series 2003 A Bonds are subject to mandatory redemption prior to maturity, by lot, from the Redemption Account created in the Sinking Fund, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption:

2003 A Term Bonds Due December 1, 2022

Year (December 1)	Principal Amount
2003	$15,000
2004	$15,000
2005	$15,000
2006	$15,000
2007	$15,000
2008	$20,000
2009	$20,000
2010	$20,000
2011	$20,000
2012	$20,000
2013	$25,000
2014	$25,000
2015	$25,000
2016	$30,000
2017	$30,000
2018	$30,000
2019	$35,000
2020	$35,000
2021	$35,000
2022 (maturity)	$40,000

2003 A Term Bonds Due December 1, 2032

Year (December 1)	Principal Amount
2023	$40,000
2024	$40,000
2025	$45,000
2026	$45,000
2027	$50,000
2028	$55,000
2029	$55,000
2030	$60,000
2031	$60,000
2032 (maturity)	$65,000

CERTIFICATION

Certified a true, correct and complete copy of a Supplemental Resolution duly adopted by the City Council of the CITY OF CHARLES TOWN at a regular meeting of the City Council held at 7:30 p.m., on December 16, 2002, pursuant to proper notice, at which meeting a quorum was present and acting throughout.

Dated this 20th day of December, 2002.

[SEAL]

Brenda J Hamilton

City Clerk

12/13/02
144220.00004

CITY OF CHARLES TOWN, WEST VIRGINIA

COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2005 A (TAXABLE)

BOND ORDINANCE

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CITY OF CHARLES TOWN, WEST VIRGINIA

AN ORDINANCE AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE SEWERAGE PORTION OF THE EXISTING COMBINED WATERWORKS AND SEWERAGE SYSTEM OF THE CITY OF CHARLES TOWN AND THE FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE BY THE CITY OF NOT MORE THAN $3,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2005 A (TAXABLE); PROVIDING FOR THE RIGHTS AND REMEDIES OF, AND THE SECURITY FOR, THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING THE EXECUTION AND DELIVERY OF A BOND PURCHASE AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS RELATING TO THE BONDS; AND ENACTING OTHER PROVISIONS WITH RESPECT TO SUCH BONDS.

WHEREAS, the City of Charles Town (the "Issuer" or the "City") presently owns and operates, through the City of Charles Town Utility Board (the "Board"), a combined municipal waterworks and sewerage system (the "System") and has heretofore financed the acquisition and construction of the System and certain additions, betterments and improvements thereto through the issuance of several series of bonds or refunding bonds, of which there are presently outstanding the Prior Bonds, as hereinafter defined.

WHEREAS, all of the Prior Bonds were issued pursuant to ordinances of the Issuer previously enacted (such ordinances, as so amended and supplemented, collectively herein called the "Prior Ordinances");

WHEREAS, under the provisions of Chapter 8, Article 20 of the West Virginia Code of 1931, as amended (the "Act"), the Issuer is authorized and empowered to acquire, construct and operate extensions, additions, betterments and improvements for the System;

WHEREAS, the Issuer has determined, and does hereby affirm, that the acquisition and construction of certain extensions, additions, betterments and improvements to the sewerage portion of the System, is necessary, appropriate, useful and desirable for the health, safety, and welfare of the inhabitants of the City and surrounding areas;

WHEREAS, the Issuer has determined that the aforementioned acquisition and construction of extensions, additions, betterments and improvements to the sewerage portion of the System should be financed, as provided under the Act, in whole or in part, from the proceeds of revenue bonds to be issued by the Issuer, to pay all or any portion of the costs thereof, and to enact this Ordinance and issue its Combined Waterworks and Sewerage System Revenue Bonds, Series 2005 A (Taxable) (the "Series 2005 A Bonds" or the "Bonds"), such Series 2005 A Bonds to be secured by and payable from the Gross Revenues of the System, and containing such other terms and provisions as are hereinafter provided, all in the manner set forth herein; and

WHEREAS, the Issuer has determined and hereby determines that it is in the best interest of the residents of the City that its Series 2005 A Bonds be sold to the Original Purchaser (as hereinafter defined) thereof pursuant to the terms and provisions of a bond purchase agreement, (the "Bond Purchase Agreement") between the Issuer and the Original Purchaser, hereinafter defined;

NOW, THEREFORE, THE COUNCIL OF THE CITY OF CHARLES TOWN HEREBY ORDAINS:

ARTICLE I

DEFINITIONS; STATUTORY AUTHORITY; FINDINGS

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

"Act" means Chapter 8, Article 20 of the West Virginia Code of 1931, as amended and in effect on the Closing Date for the Series 2005 A Bonds.

"Authorized Newspaper" means a financial journal or newspaper of general circulation in the City of New York, New York, printed in the English language and customarily published on each business day of the Registrar, whether or not published on Saturdays, Sundays or legal holidays, and so long as so published, shall include The Bond Buyer.

"Authorized Officer" means the Mayor or City Manager of the Issuer or any other officer of the Issuer specifically designated by resolution of the Council of the Issuer.

"Board" shall mean the City of Charles Town Utility Board, created by an ordinance of the Issuer, or any successor thereto.

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

"Bond Counsel" means any law firm having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds, appointed by the Issuer or the Board, and shall initially mean Steptoe & Johnson PLLC, Charleston, West Virginia.

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

"Bond Insurer" means any entity which shall insure all or any portion of the payment of principal of and interest on the Bonds, and with respect to the Series 2005 A Bonds, shall initially mean the bond insurer or bond insurers, if any, named in the Supplemental Resolution.

"Bond Register" means the books of the Issuer maintained by the Registrar for the registration and transfer of Series 2005 A Bonds.

"Bond Year" means with respect to each series of Series 2005 A Bonds the 12 month period beginning on the anniversary of the Closing Date in each year and ending on the day prior to the anniversary date of the Closing Date in the following year, except that the first Bond Year shall begin on the Closing Date.

"Bonds" means, collectively, the Series 2005 A Bonds, the Prior Bonds and any additional parity Bonds hereafter issued within the terms, restrictions and conditions contained herein.

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

"Certificate of Authentication and Registration" means the Certificate of Authentication and Registration on the Series 2005 A Bonds in substantially the form set forth in EXHIBIT A - SERIES 2005 A BOND FORM hereto.

"City" or "Issuer" means the City of Charles Town, a municipal corporation and political subdivision of the State of West Virginia, in Jefferson County thereof, and, where appropriate, the Council, the Board and any successor thereto.

"City Manager" means the City Manager of the Issuer.

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

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

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

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

"Costs" or similar terms means all those costs now or hereafter permitted by the Act to be financed with bonds issued pursuant hereto, including, without limitation those costs set forth in Section 1.02C.

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

"Debt Service" with reference to a specified period, means the amount of principal, including any sinking fund payments, and interest payable with respect to the Bonds during such period.

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

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

"DTC-eligible" means, with respect to the Series 2005 A Bonds, meeting the qualifications prescribed by DTC.

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

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

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

"Government Obligations" shall have the meaning set forth in the Supplemental Resolution.

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

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

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

"Maximum Annual Debt Service" means, at the time of computation, the greatest amount of Debt Service required to be paid on the Bonds for the then current or any succeeding Fiscal Year.

"Mayor" means the Mayor of the Issuer.

"Municipal Bond Insurance Policy" means the municipal bond insurance policy, if any, issued by the Bond Insurer simultaneously with the delivery of the Series 2005 A Bonds, insuring the timely payment of the principal of and interest on all or any of the Series 2005 A Bonds, in accordance with the terms thereof.

"Net Proceeds" means the face amount of the Series 2005 A Bonds, plus accrued interest and premium, if any, less original issue discount, if any, on such issue, and less proceeds deposited in the Series 2005 A Bonds Reserve Account. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Series 2005 A Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

"Net Revenues" means Gross Revenues less Operating Expenses.

"Nonpurpose Investment" means any Investment Property which is acquired with the gross proceeds of the Series 2005 A Bonds and is not acquired in order to carry out the governmental purpose of the Series 2005 A Bonds.

"Operating Expenses," unless qualified, means the current expenses, paid or accrued, of repair, operation and maintenance of the System, and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses (other than those capitalized as part of the costs of any project relating to the acquisition or construction of additions, betterments or improvements for the System),

supplies, labor, wages, the cost of materials and supplies used for current operations, fees and expenses of fiscal agents and of the Depository Bank, Registrar and Paying Agent or Paying Agents, payments to pension or retirement funds, taxes and such other reasonable operating costs and expenses as should normally and regularly be included under generally accepted accounting principles.

"Ordinance" or "Bond Ordinance" regardless of whether preceded by the article "the" or "this," means this Ordinance, as it may hereafter from time to time be amended or supplemented, by ordinance or by resolution.

"Original Purchaser" means the investment banking firm or firms, bank or banks or such other entity or entities as shall purchase the Series 2005 A Bonds directly from the Issuer, as determined by a resolution supplemental hereto.

"Outstanding," when used with reference to the Series 2005 A Bonds or the Prior Bonds and as of any particular date, describes all Bonds theretofore and thereupon being issued and delivered except (a) any Bond or Prior Bond canceled by the registrar for such Bond or Prior Bonds at or prior to said date; (b) any Bond or Prior Bonds for the payment of which monies, equal to its principal amount, with interest to the date of maturity, shall be held in trust under this Ordinance and set aside for such payment (whether upon or prior to maturity); (c) any Bond deemed to have been paid as provided by Section 9.01; and (d) with respect to determining the number or percentage of Bondholders or Bonds or Prior Bonds for the purpose of consents, notices and the like, any Bond registered to the Issuer. Notwithstanding the foregoing, in the event that a Bond Insurer has paid principal of and/or interest on any Bond or Prior Bond, such Bond or Prior Bond shall be deemed to be Outstanding until such time as such Bond Insurer has been reimbursed in full.

"Paying Agent" means, initially, the West Virginia Municipal Bond Commission and any other paying agent for the Series 2005 A Bonds which may be appointed by a resolution supplemental hereto, all in accordance with Section 8.12 hereof.

"Prior Bonds" means, collectively, the Series 1987 B Bonds, the Series 1988 B-1 Bonds, the Series 1988 B-2 Bonds, the Series 1989 B Bonds, the Series 1998 Refunding Bonds, the Series 1998 Design Bonds, the Series 2000 A Bonds, the Series 2002 A Bonds, the Series 2002 B Bonds, the Series 2002 C Bonds, and the Series 2003 A Bonds, as more fully defined in Section 1.03B hereof.

"Prior Ordinances" means, collectively, the ordinance of the Issuer enacted November 16, 1987, the ordinance of the Issuer enacted April 18, 1988, the ordinance of the Issuer enacted May 16, 1988, the ordinance of the Issuer enacted April 3, 1989, the ordinance of the Issuer enacted March 16, 1998, the ordinance of the Issuer enacted June 19, 2000, the ordinance of the Issuer enacted August 19, 2002, and the ordinance of the Issuer enacted December 16, 2002, authorizing the issuance of the Prior Bonds.

"Private Business Use" means use directly or indirectly in a trade or business carried on by a natural person or in any activity carried on by a person other than a natural person, excluding, however, use by a state or local governmental unit and use as a member of the general public.

"Project" means the acquisition and construction of certain additions, betterments and improvements to the sewerage portion of the System, including all necessary appurtenances.

"Purchase Price," for the purpose of computation of the Yield of the Series 2005 A Bonds, has the same meaning as the term "issue price" in Sections 1273(b) and 1274 of the Code, and, in general, means the initial offering price of the Series 2005 A to the public (not including bond houses and brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of the Bonds of each maturity is sold or, if the Series 2005 A Bonds are privately placed, the price paid by the first buyer of the Series 2005 A Bonds or the acquisition cost of the first buyer. "Purchase Price," for purposes of computing Yield of Nonpurpose Investments, means the fair market value of the Nonpurpose Investments on the date of use of Gross Proceeds of the Series 2005 A Bonds for acquisition thereof, or if later, on the date that Investment Property constituting a Nonpurpose Investment becomes a Nonpurpose Investment of the Series 2005 A Bonds

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"Qualified Investments" means and includes the investments set forth in the Supplemental Resolution and designated as such.

"Record Date" means the date or dates which shall be so stated in the Series 2005 A Bonds, regardless of whether such day is a Saturday, Sunday or legal holiday.

"Recording Officer," "Recorder" or "Clerk" means the City Clerk of the Issuer.

"Redemption Date" means the date fixed for redemption of Bonds subject to redemption in any notice of redemption published or mailed in accordance herewith.

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

"Registrar" means the bank to be designated in the Supplemental Resolution as the Registrar for the Series 2005 A Bonds, and any successor thereto appointed in accordance with Section 8.08 hereof.

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

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

"Series 2005 A Bonds" means the Combined Waterworks and Sewerage System Revenue Bonds, Series 2005 A (Taxable), of the Issuer, originally authorized to be issued pursuant to this Ordinance and the Supplemental Resolution.

"Series 2005 A Bonds Acquisition and Construction Fund" means the Series 2005 A Bonds Acquisition and Construction Fund created by Section 4.01 hereof.

"Series 2005 A Bonds Costs of Issuance Fund" means the Costs of Issuance Fund created by Section 4.01 hereof.

"Series 2005 A Bonds Redemption Account" means the Redemption Account created in the Series 2005 A Bonds Sinking Fund by Section 4.02 hereof.

"Series 2005 A Bonds Reserve Account" means the Series 2005 A Bonds Reserve Account created in the Series 2005 A Bonds Sinking Fund by Section 4.02 hereof.

"Series 2005 A Bonds Sinking Fund" means the Series 2005 A Bonds Sinking Fund created by Section 4.02 hereof.

"Series 2005 A Bonds Reserve Account Requirement" means an amount equal to the lesser of (i) 10% of the original principal amount of the Series 2005 A Bonds, (ii) Maximum Annual Debt Service at the time of original issuance of the Series 2005 A Bonds, or (iii) 125% of average annual Debt Service at the time of original issuance of the Series 2005 A Bonds.

"State" means the State of West Virginia.

"Supplemental Resolution" means any ordinance or resolution amendatory hereof or supplemental hereto and, when preceded by the article "the," refers specifically to the Supplemental Resolution or Resolutions to be adopted by the Issuer following enactment of this Ordinance, setting forth the final amounts, maturities, interest rates, redemption provisions, Bond Insurer provisions (if any) and other terms of the Series 2005 A Bonds and authorizing the sale of the Series 2005 A Bonds to the Original Purchaser; provided, that any provision intended to be included in the Supplemental Resolution and not so included may be contained in any other Supplemental Resolution.

"System" means the complete existing combined municipal waterworks and sewerage system of the Issuer, consisting of a water treatment and distribution system, including a water filtration and treatment plant, reservoirs, water tanks, distribution lines and booster stations, and a sewage treatment and collection system, including a sewage treatment plant, collection and transportation lines and lift stations, now owned by the Issuer or any integral part thereof, and all other facilities necessary, appropriate, useful, convenient or incidental in connection with or to the waterworks and sewage systems, and shall include any additions, betterments and improvements thereto hereafter acquired or constructed for said waterworks or sewage systems from any sources whatsoever, both within and without the Issuer.

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

Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations and vice versa; and words importing the masculine gender shall include the feminine and neuter genders and vice versa.

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.

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.

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

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

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

A. The Issuer is a municipal corporation and political subdivision of the State of West Virginia in Jefferson County of said State.

B. The Issuer presently owns and operates a public combined waterworks and sewerage system. However, it is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer that there be acquired and constructed certain additions, betterments and improvements to the sewerage portion of the System, consisting of the Project, as defined in Section 1.01, in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications have heretofore been filed with the City Clerk of the Issuer.

C. It is deemed necessary for the Issuer to issue its Combined Waterworks and Sewerage System Revenue Bonds, Series 2005 A (Taxable), in the aggregate principal amount of not more than $3,000,000, to permanently finance the costs of acquisition and construction of the Project. Said costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest, if any, upon the Series 2005 A Bonds prior to and during acquisition or construction and for a period not exceeding 6 months after completion of acquisition and construction of the Project; amounts which may be deposited in the Series 2005 A Bonds Reserve Account; underwriter's discount, engineering and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise; administrative expense; commitment fees; premiums for municipal bond insurance, reserve account insurance or reserve account surety bonds; letter of credit fees; discount; initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Series 2005 A Bonds and such other expenses as may be necessary or incidental to the financing herein authorized; the acquisition and construction of the Project and the placing of same in operation; and the performance of the things herein required or permitted, in connection with any thereof, provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Series 2005 A Bonds or the repayment of indebtedness incurred by the Issuer for such purposes shall be deemed Costs of the Project, as hereinafter defined.

D. The period of usefulness of the System after completion of the Project is not less than 30 years.

E. It is in the best interests of the Issuer that the Series 2005 A Bonds be sold to the Original Purchaser pursuant to the terms and provisions of a bond purchase agreement to be entered into by and between the Issuer and the Original Purchaser, as shall be approved by supplemental resolution of the Issuer.

F. There are outstanding obligations of the Issuer which will rank on a parity with the Series 2005 A Bonds as to liens, pledge, source of and security for payment, as follows:

(1) Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 B, dated November 18, 1987, issued in the original aggregate principal amount of $413,629 (the "Series 1987 B Bonds");

(2) Combined Waterworks and Sewerage System Revenue Bonds, Series 1988 B-1, dated May 4, 1988, issued in the original aggregate principal amount of $295,916 (the "Series 1988 B-1 Bonds");

(3) Combined Waterworks and Sewerage System Revenue Bonds, Series 1988 B-2, dated May 20, 1988, issued in the original aggregate principal amount of $558,000 (the "Series 1988 B-2 Bonds");

(4) Combined Waterworks and Sewerage System Revenue Bonds, Series 1989 B, dated April 13, 1989, issued in the original aggregate principal amount of $117,480 (the "Series 1989 B Bonds");

(5) Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 1998, dated May 15, 1998, issued in the original aggregate principal amount of $10,355,000 (the "Series 1998 Refunding Bonds");

(6) Combined Waterworks and Sewerage System Design Revenue Bonds, Series 1998 (West Virginia SRF Program), dated September 29, 1998, issued in the original aggregate principal amount of $437,601 (the "Series 1998 Design Bonds");

(7) Combined Waterworks and Sewerage System Revenue Bonds, Series 2000 A (West Virginia SRF Program), dated June 22, 2000, issued in the original aggregate principal amount of $3,163,781 (the "Series 2000 A Bonds");

(8) Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 A (West Virginia Water Development Authority), dated August 22, 2002, issued in the original aggregate principal amount of $1,100,000 (the "Series 2002 A Bonds");

(9) Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 B (West Virginia Infrastructure Fund), dated August 22, 2002, issued in the original aggregate principal amount of $3,600,000 (the "Series 2002 B Bonds").

(10) Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 C (Insured), dated December 1, 2002, issued in the original aggregate principal amount of $4,135,000 (the "Series 2002 C Bonds"); and

(11) Combined Waterworks and Sewerage System Revenue Bonds, Series 2003 A (AMT - Uninsured), dated January 1, 2003, issued in the original aggregate principal amount of $1,000,000 (the "Series 2003 A Bonds").

The Series 1987 B Bonds, the Series 1988 B-1 Bonds, the Series 1988 B-2 Bonds, the Series 1989 B Bonds, the Series 1998 Refunding Bonds, the Series 1998 Design Bonds, the Series 2000 A Bonds, the Series 2002 A Bonds, the Series 2002 B Bonds and the Series 2002 C Bonds and the Series 2003 A Bonds are hereinafter collectively called the "Prior Bonds." The ordinances which authorized the issuance of the Prior Bonds are herein collectively referred to as the "Prior Ordinances."

The Series 2005 A Bonds shall be issued on a parity with one another and with the Prior Bonds, all of which shall have a first lien position with respect to pledge and source of and security for payment and in all other respects. The Issuer has met the coverage requirements for issuance of parity bonds of the Prior Bonds and the Prior Ordinances and has substantially complied with all other parity requirements, except to the extent that noncompliance with any such other parity requirements is not of a material nature.

Prior to the issuance of the Series 2005 A Bonds, the Issuer will obtain (i) the certificate of an Independent Certified Public Accountant stating that the coverage and parity tests of the Prior Bonds are met; and (ii) the written consent of the Holders of the Prior Bonds (other than the Series 1998 Refunding Bonds, the Series 2002 C Bonds and the Series 2003 A Bonds) to the issuance of the Series 2005 A Bonds on a parity with such Bonds.

Other than the Prior Bonds, there are no other outstanding bonds or obligations of the Issuer which are secured by revenues or assets of the System.

G. The Issuer intends to issue the Series 2005 A Bonds and to pledge for payment thereof, from the Gross Revenues of the System, on a parity with one another and on a parity with such pledge in favor of the Holders of the Prior Bonds.

H. 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 repair, maintenance and operation of the System, the payment of interest upon the Series 2005 A Bonds, and the Prior Bonds and to create sinking funds, as hereinafter provided, to pay the principal on the Series 2005 A Bonds and the Prior Bonds as and when it becomes due and reasonable reserves therefor, to provide an adequate renewal and replacement fund, as hereinafter provided, and to make all other payments provided for in this Ordinance.

I. It is in the best interests of the Issuer, and the residents thereof, that the Issuer issue the Series 2005 A Bonds, and secure the Series 2005 A Bonds by a pledge and assignment of the Gross Revenues derived from the operation of the System, the monies in the Series 2005 A Bonds Reserve Account, unexpended proceeds of the Series 2005 A Bonds and as further set forth herein.

J. The Series 2005 A Bonds and the Certificate of Authentication and Registration to be endorsed thereon are to be in substantially the forms set forth in EXHIBIT A - SERIES 2005 A BOND FORM attached hereto and incorporated herein by reference, with necessary and appropriate variations, omissions and insertions as permitted or required by this Ordinance or a Supplemental Resolution or as deemed necessary by the Registrar or the Issuer.

K. All things necessary to make the Series 2005 A Bonds, when authenticated by the Registrar and issued as in this Ordinance provided, the valid, binding and legal special obligations of the Issuer according to the import thereof, and to validly pledge and assign those funds pledged hereby to the payment of the principal of and interest on the Series 2005 A Bonds, will be timely done and duly performed.

L. The enactment of this Ordinance, the execution and issuance of the Series 2005 A Bonds and the amendment, subject to the terms thereof, will not result in any breach of, or constitute a default under, any instrument to which the Issuer is a party or by which it may be bound or affected.

M. The Issuer has complied with all requirements of West Virginia law relating to authorization of the acquisition, construction and operation of the Project and the System and issuance of the Series 2005 A Bonds, 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 will either have expired prior to the date of issuance of the Series 2005 A Bonds or such final order will not be subject to appeal or rehearing.

Section 1.04. Ordinance Constitutes Contract. In consideration of the acceptance of the Series 2005 A Bonds by those who shall own or hold the same from time to time, this Ordinance shall be deemed to be and shall constitute a contract between the Issuer and such Bondholders, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the legal Holders of any and all of such Bonds, all of which shall be of equal rank and without preference, priority or distinction between any one Bond and any other Bond, by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

ARTICLE II

AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT

Section 2.01. Authorization of Acquisition and Construction of the Project. There is hereby authorized and ordered the acquisition and construction of the Project, at an estimated cost of not more than $3,000,000. The proceeds of the Series 2005 A Bonds hereby authorized shall be applied as provided herein.

ARTICLE III

THE SERIES 2005 A BONDS

Section 3.01. Form and Payment of Bonds. No Series 2005 A Bond shall be issued pursuant to this Ordinance except as provided in this Article III. Any Series 2005 A Bonds issued pursuant to this Ordinance may be issued only as fully registered Series 2005 A Bonds without coupons, in the denomination of $5,000 or any integral multiple thereof for any year of maturity. All Series 2005 A Bonds shall be dated as of the date provided in a Supplemental Resolution applicable to such series. All Series 2005 A Bonds shall bear interest from the interest payment date next preceding the date of authentication or, if authenticated after the Record Date but prior to the applicable interest payment date or on such interest payment date, from such interest payment date or, if no interest on such Series 2005 A Bonds has been paid, from the date thereof; provided however, that, if, as shown by the records of the Registrar, interest on such Series 2005 A Bonds shall be in default, Bonds issued in exchange for Series 2005 A Bonds surrendered for transfer or exchange shall bear interest from the date to which interest has been paid in full on the initial Series 2005 A Bonds surrendered.

The principal of and the premium, if any, on the Series 2005 A Bonds shall be payable in any coin or currency which, on the respective date of such payment, is legal tender for the payment of public and private debts under the laws of the United States of America upon surrender at the principal office of the Paying Agent. Interest on the Series 2005 A Bonds shall be paid by check or draft made payable and mailed to the Holder thereof at his address as it appears in the Bond Register at the close of business on the Record Date, or, if requested, in the case of a Registered Owner of $1,000,000 or more of the Series 2005 A Bonds, by wire transfer to a domestic bank account specified in writing at least 5 days prior to such interest payment date by such Registered Owner.

In the event any Series 2005 A Bond is redeemed in part, such bond shall be surrendered to and canceled by the Registrar, and the Issuer shall execute, and the Registrar shall authenticate and deliver to the Holder thereof, another Series 2005 A Bond in the principal amount of said 2005 A Bond then Outstanding.

Section 3.02. Execution of Bonds. The Series 2005 A Bonds shall be executed in the name of the Issuer by the Mayor and City Manager, by their respective manual or facsimile signatures, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the City Clerk by his or her manual or facsimile signature; provided, that, all such signatures and the seal may be by facsimile. In case any one or more of the officers who shall have signed or sealed any of the Series 2005 A Bonds shall cease to be such officer of the Issuer before the Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such

office. Any Series 2005 A Bonds 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 3.03. Authentication and Registration. No Series 2005 A 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 and Registration on such Series 2005 A Bond, substantially in the form set forth in EXHIBIT A - SERIES 2005 A BOND FORM attached hereto and incorporated herein by reference with respect to the Series 2005 A Bonds, shall have been duly manually executed by the Registrar. Any such manually executed Certificate of Authentication and Registration upon any such Series 2005 A Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Ordinance. The Certificate of Authentication and Registration on any Series 2005 A Bond shall be deemed to have been executed by the Registrar if signed by an authorized officer of the Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Series 2005 A Bonds issued hereunder.

Section 3.04. Negotiability and Registration. Subject to the requirements for transfer set forth below, the Series 2005 A Bonds shall be, and have all of the qualities and incidents of, negotiable instruments under the Uniform Commercial Code of the State, and each successive Holder, in accepting any of said Bonds, shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State, and each successive Holder shall further be conclusively deemed to have agreed that said Bonds shall be incontestable in the hands of a bona fide holder for value.

So long as any of the Series 2005 A Bonds remains Outstanding, the Registrar shall keep and maintain books for the registration and transfer of the Series 2005 A Bonds. The Series 2005 A Bonds shall be transferable only by transfer of registration upon the Bond Register by the registered owner thereof in person or by his attorney or legal representative duly authorized in writing, upon surrender thereof, together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or such duly authorized attorney or legal representative. Upon transfer of a Series 2005 A Bond, there shall be issued at the option of the Holder or the transferee another Bond or Bonds of the aggregate principal amount equal to the unpaid amount of the transferred Bond and of the same series, interest rate and maturity of said transferred Bond.

Upon surrender thereof at the office of the Registrar with a written instrument of transfer satisfactory to the Registrar and duly executed by the registered owner or his attorney or legal representative duly authorized in writing, Series 2005 A Bonds may at the option of the Holder thereof be exchanged for an equal aggregate principal amount of Bonds of the same series, maturity and interest rate, in any authorized denominations.

In all cases in which the privilege of transferring or exchanging a Series 2005 A Bond is exercised, Bonds shall be delivered in accordance with the provisions of this Ordinance. All Series 2005 A Bonds surrendered in any such transfer or exchange shall forthwith be canceled by the Registrar. Transfers of Series 2005 A Bonds, the initial exchange of Bonds and exchanges of Bonds in the event of partial redemption of fully registered Bonds shall be made by the Registrar without charge to the Holder or the transferee thereof, except as provided below. For other exchanges of Series 2005 A Bonds, the Registrar may impose a service charge. For every such transfer or exchange of Series 2005 A Bonds, the Registrar may make a charge sufficient to reimburse its office for any tax or other governmental charge required to be paid with respect to such transfer or exchange, and such tax or governmental charge, and such service charge for exchange other than the initial exchange or in the event of partial redemption, shall be paid by the person requesting such transfer or exchange as a condition precedent to the exercise of the privilege of making such transfer or exchange. The Registrar shall not be obliged to make any such transfer or exchange of Series 2005 A Bonds that have been called for redemption.

Section 3.05. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Series 2005 A Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may execute, in its discretion, and the Registrar shall authenticate, register and deliver any new Bond of like series, maturity and principal amount as the Bond, so mutilated, destroyed, stolen or lost, in exchange and upon surrender and cancellation of, such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing the Issuer and the Registrar proof of his ownership thereof and that said Bond has been destroyed, stolen or lost and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer or the Registrar may prescribe and paying such expenses as the Issuer or the Registrar may incur. The name of the Bondholder listed in the Bond Register shall constitute proof of ownership. All Series 2005 A Bonds so surrendered shall be submitted to and canceled by the Registrar, and evidence of such cancellation shall be given to the Issuer. If such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer, by and through the Registrar, may pay the same, upon being indemnified as aforesaid, and, if such Bond be lost, stolen or destroyed, without surrender therefor.

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

Section 3.06. Term Bonds. In the event Term Bonds are issued as part of the Series 2005 A Bonds pursuant to this Ordinance, the following provisions shall apply:

1. The amounts to be deposited, apportioned and set apart by the Issuer from the Revenue Fund and into the Series 2005 A Bonds Redemption Account in accordance with Subsection 4.03(A)(1) shall include (after credit as provided below) on the first of each month, beginning on the first day of that month which is 12 months prior to the first mandatory redemption date of said Term Bonds, a sum equal to 1/12th of the amount (or, if the Series 2005 A Bonds mature semiannually rather than annually, that month which is 6 months prior to the first mandatory redemption date of said Term Bonds, a sum equal to 1/6th of the amount) required to redeem the principal amount of such Term Bonds which are to be redeemed as of the next ensuing mandatory Redemption Date, which amounts and dates, if any, with respect to a series of Bonds shall be set forth in the Supplemental Resolution relating thereto.

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

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

4. After said 60th day but prior to the date on which the Registrar selects the Term Bonds to be redeemed, the Bond Commission may use the monies in the Series 2005 A Bonds Redemption Account to purchase Term Bonds at a price less than the par value thereof and accrued interest thereon. The Bond Commission shall advise the Issuer and the Registrar of any Term Bonds so purchased, and they shall be credited by the Registrar at 100% of the principal amount thereof against the obligation of the Issuer on such mandatory Redemption Date, and any excess shall be credited against future mandatory redemption

obligations in the order directed by the Issuer, and the principal amount of such Term Bonds to be redeemed pursuant to mandatory sinking fund redemption shall be accordingly reduced.

5. The Registrar shall call for redemption, in the manner provided herein, an aggregate principal amount of such Term Bonds, at the principal amount thereof plus interest accrued to the Redemption Date (interest to be paid from the Series 2005 A Bonds Sinking Fund), as will exhaust as nearly as practicable such Series 2005 A Bonds Redemption Account payment designated to be made in accordance with paragraph (A)(1) of this section. Such redemption shall be by random selection made on the 45th day preceding the mandatory Redemption Date, in such manner as may be determined by the Registrar. For purposes of this section, "Term Bonds" shall include any portion of a fully registered Term Bond, in integrals of $5,000.

Section 3.07. Notice of Redemption. Unless waived by any Holder of the Series 2005 A Bonds to be redeemed, official notice of any redemption shall be given by the Registrar on behalf of the Issuer by mailing a copy of an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the applicable Bond Insurer, the Original Purchaser, and the registered owner of the Series 2005 A Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such registered owner to the Bond Registrar.

So long as DTC (as CEDE & CO.) is the registered Owner of the Series 2005 A Bonds, the Registrar shall send all notices of redemption to DTC and shall verify that DTC has received notice. Copies of all redemption notices shall also be sent to registered securities depositories, nationally recognized municipal securities information repositories and to *Standard & Poor's Called Bond Record.*

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

(1) The Redemption Date,

(2) The Redemption Price,

(3) If less than all Outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed,

(4) That on the Redemption Date the Redemption Price and interest accrued will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date,

(5) The place where such Bonds are to be surrendered for payment of the Redemption Price, which place of payment shall be the principal office of the Registrar, and

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

If funds sufficient to redeem all Series 2005 A Bonds called for optional redemption have not been deposited with the Paying Agent at the time of mailing any notice of optional redemption, such notice shall also state that such optional redemption is subject to the deposit of such monies with the Paying Agent on or before the Redemption Date. If such monies are not so deposited, the Registrar shall notify all holders of Series 2005 A Bonds called for redemption of such fact.

Official notice of redemption having been given as aforesaid, the Series 2005 A Bonds, or portions of Bonds so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Issuer shall default in the payment of the Redemption Price) such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Series 2005 A Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Registrar at the Redemption Price. Installments of interest due on or prior to the Redemption Date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Bond, there shall be prepared for the registered owner a new Bond or Bonds of the same maturity in the amount of the unpaid principal of such Bond. All Series 2005 A Bonds which have been redeemed shall be canceled and destroyed by the Bond Registrar and shall not be reissued.

Failure to receive such notice or any defect therein or in the mailing thereof shall not affect the validity of proceedings for the redemption of Series 2005 A Bonds, and failure to mail such notice shall not affect the validity of proceedings for the redemption of any portion of Bonds for which there was no such failure.

Section 3.08. Persons Treated as Owners. The Issuer, the Registrar and any agent of the Issuer or the Registrar may treat the person in whose name any Bond is registered as the owner of such Bond for the purpose of receiving payment of the principal of, and interest on, such Bond and (except as provided in Section 6.18) for all other purposes, whether or not such Bond is overdue.

Section 3.09. Temporary Bonds. Until Bonds of any series in definitive form are ready for delivery, the Issuer may execute and the Registrar shall authenticate, register, if applicable, and deliver, subject to the same provisions, limitations and conditions set forth in this Article III, one or more printed, lithographed or typewritten Bonds in temporary form, substantially in the form of the definitive Bonds of such series, with

appropriate omissions, variations and insertions, and in authorized denominations. Until exchanged for Bonds in definitive form, such Bonds in temporary form shall be entitled to the lien and benefit created under this Ordinance. Upon the presentation and surrender of any Bond or Bonds in temporary form, the Issuer shall, without unreasonable delay, prepare, execute and deliver to the Registrar, and the Registrar shall authenticate, register, if applicable, and deliver, in exchange therefor, a Bond or Bonds in definitive form. Such exchange shall be made by the Registrar without making any charge therefor to the Holder of such Bond in temporary form.

Section 3.10. Series 2005 A Bonds. For the purposes of paying costs of acquisition and construction of improvements and betterments to the sewerage portion of the System, funding the Series 2005 A Bonds Reserve Account and paying costs in connection therewith, there shall be issued the Series 2005 A Bonds of the Issuer, in an aggregate principal amount of not more than $3,000,000. Said Series 2005 A Bonds shall be designated "Combined Waterworks and Sewerage System Revenue Bonds, Series 2005 A (Taxable)" or such other designation as may be appropriate for the year and sequence of the issue, as may be set forth in a Supplemental Resolution, and shall be issued in fully registered form, in the denomination of $5,000 or any integral multiple thereof for any period of maturity, not exceeding the aggregate principal amount of Series 2005 A Bonds maturing in the period of maturity for which the denomination is to be specified. The Series 2005 A Bonds shall be numbered from AR-1 consecutively upward. The Series 2005 A Bonds shall be dated; shall be in such aggregate principal amount (not to exceed $3,000,000); shall bear interest at such rate or rates, not exceeding the then legally permissible rate (not to exceed 8%), payable semiannually on such dates; shall mature on such dates (which may be annual or semi-annual) (not to exceed 35 years) and in such amounts; shall be subject to such mandatory and optional redemption provisions; and shall have such other terms, all as the Issuer shall prescribe herein and in the Supplemental Resolution.

Section 3.11. Book Entry System for Series 2005 A Bonds.

A. The Series 2005 A Bonds shall each initially be issued in the form of one fully-registered bond for the aggregate principal amount of the Series 2005 A Bonds of each maturity, registered in the name of CEDE & CO., as nominee of DTC. Except as provided in paragraph E below, all of the Series 2005 A Bonds shall be registered in the registration books kept by the Registrar in the name of CEDE & CO., as nominee of DTC; provided that if DTC shall request that the Series 2005 A Bonds be registered in the name of a different nominee, the Registrar shall exchange all or any portion of the Series 2005 A Bonds registered in the name of such nominee or nominees. No person other than DTC or its nominee shall be entitled to receive from the Issuer or the Registrar either a Series 2005 A Bond or any other evidence of ownership of the Series 2005 A Bonds, or any right to receive any payment in respect thereof unless DTC or its nominee shall transfer record ownership of all or any portion of the Series 2005 A Bonds on the registration books maintained by the

Registrar, in connection with discontinuing the book entry system as provided in paragraph E below.

B. At or prior to settlement for the Series 2005 A Bonds, the Issuer and the Registrar shall execute or signify their approval of a representation letter addressed to DTC in a form satisfactory to DTC (the "Representation Letter"). Any successor Registrar shall, in its written acceptance of its duties under this Ordinance, agree to take any actions necessary from time to time to comply with the requirements of the Representation Letter.

C. So long as the Series 2005 A Bonds or any portion thereof are registered in the name of DTC or any nominee thereof, all payments of the principal or Redemption Price of or interest on such Series 2005 A Bonds shall be made to DTC or its nominee at the addresses set forth in the Representation Letter in New York Clearing House or equivalent next day funds on the dates provided for such payments to be made to any Bondholder under this Ordinance. Each such payment to DTC or its nominee shall be valid and effective to fully discharge all liability of the Issuer and the Registrar with respect to the principal or Redemption Price of or interest on the Series 2005 A Bonds to the extent of the sum or sums so paid. In the event of the redemption of less than all of the Series 2005 A Bonds Outstanding of any maturity, the Registrar shall not require surrender by DTC of the Series 2005 A Bonds so redeemed, but DTC may retain such Series 2005 A Bonds and make an appropriate notation on the Series 2005 A Bonds certificate as to the amount of such partial redemption; provided that DTC shall deliver to the Registrar, upon request, a written confirmation of such partial redemption. The records maintained by the Registrar shall be conclusive as to the amount of the Series 2005 A Bonds of such maturity which have been redeemed.

D. The Issuer, the Paying Agent and the Registrar may treat DTC as the sole and exclusive owner of the Series 2005 A Bonds registered in its name or the name of its nominee for the purposes of payment of the principal or Redemption Price of or interest on the Series 2005 A Bonds, selecting the Series 2005 A Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Bondholders under this Ordinance, registering the transfer of Series 2005 A Bonds, obtaining any consent or other action to be taken by Bondholders and for all other purposes whatsoever; and neither the Issuer nor the Registrar shall be affected by any notice to the contrary. Neither the Issuer nor the Registrar shall have any responsibility or obligation to any direct or indirect participant in DTC, any person claiming a beneficial ownership interest in the Series 2005 A Bonds under or through DTC or any such participant, or any other person which is not shown on the registration books of the Registrar as being a Bondholder with respect to (i) the Series 2005 A Bonds, (ii) the accuracy of any records maintained by DTC or any such participant, (iii) the payment by DTC or any such participant of any amount in respect of the principal or Redemption Price of or interest on the Series 2005 A Bonds, (iv) any notice which is permitted or required to be given to Bondholders under this Ordinance, (v) the selection by DTC or any such participant of any person to receive payment in the event of

a partial redemption of the Series 2005 A Bonds, or (vi) any consent given or other action taken by DTC as Bondholder.

E. The book entry system for registration of the ownership of the Series 2005 A Bonds may be discontinued at any time if either: (i) DTC determines to resign as securities depository for the Series 2005 A Bonds; or (ii) the Issuer determines that continuation of the system of book entry transfers through DTC (or through a successor securities depository) is not in the best interest of the beneficial owners of the Series 2005 A Bonds. In either of such events (unless in the case described in clause (iii) above, the Issuer appoints a successor securities depository), the Series 2005 A Bonds shall be delivered in registered certificate form to such persons, and in such maturities and principal amounts, as may be designated by DTC, but without any liability on the part of the Issuer or the Registrar for the accuracy of such designation. Whenever DTC requests the Issuer and the Registrar to do so, the Issuer and the Registrar shall cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of certificates evidencing the Series 2005 A Bonds.

Section 3.12. Delivery of Series 2005 A Bonds.

A. The Issuer shall execute and deliver the Series 2005 A Bonds to the Registrar, and the Registrar shall authenticate, register and deliver the Series 2005 A Bonds to the Original Purchaser upon receipt of the documents set forth below:

(1) If not registered in the name of DTC or its nominee, a list of the names in which the Series 2005 A Bonds are to be registered upon original issuance, together with such taxpayer identification and other information as the Registrar may reasonably require;

(2) A request and authorization to the Registrar on behalf of the Issuer, signed by an Authorized Officer, to authenticate and deliver the Series 2005 A Bonds to DTC for the benefit of the Original Purchaser;

(3) Copies, certified by the City Clerk, of this Ordinance and the Supplemental Resolution;

(4) The unqualified approving opinion upon the Series 2005 A Bonds by Bond Counsel; and

(5) Such other opinions, certificates and documents as shall be reasonably requested by the Original Purchaser.

Section 3.13. Form of Series 2005 A Bonds. The definitive Series 2005 A Bonds shall be in substantially the form set forth in EXHIBIT A - SERIES 2005 A BOND FORM attached hereto and incorporated herein by reference, with such necessary and appropriate omissions, insertions and variations as are approved by those officers executing such Series 2005 A Bonds on behalf of the Issuer and execution thereof by such officers shall constitute conclusive evidence of such approval, and the definitive Series 2005 A Bonds shall have the form of the opinion of Steptoe & Johnson PLLC, as Bond Counsel, attached thereto or printed on the reverse thereof.

Section 3.14. Disposition of Proceeds of Series 2005 A Bonds. Upon the issuance and delivery of the Series 2005 A Bonds, the Issuer shall forthwith deposit the proceeds thereof as follows:

1. All interest accrued on the Series 2005 A Bonds from the date thereof to the date of delivery thereof shall be deposited in the Series 2005 A Bonds Sinking Fund and applied to payment of interest on the Series 2005 A Bonds at the first interest payment date.

2. An amount of the proceeds of the Series 2005 A Bonds equal to the amount, if any, set forth in the Supplemental Resolution shall be remitted to the Bond Commission for deposit in the Series 2005 A Bonds Reserve Account, provided that, to the extent the Series 2005 A Bonds Reserve Requirement is satisfied in whole or in part from a reserve account letter of credit, surety bond or other credit facility, proceeds of the Series 2005 A Bonds shall be deposited in the Series 2005 A Bonds Reserve Account only to the extent needed to satisfy the balance of the Series 2005 A Bonds Reserve Requirement.

3. The amount of Series 2005 A Bond proceeds which, together with other monies or securities deposited therein shall be equal to the Costs of Issuance of the Series 2005 A Bonds shall be deposited with the Depository Bank in the Series 2005 A Bonds Costs of Issuance Fund and shall be drawn out, used and applied by the Issuer solely to pay costs of issuance of the Series 2005 A Bonds at the written direction of the Issuer. Monies not to be applied immediately to pay such costs of issuance may be invested in accordance with this Ordinance, subject however, to applicable yield restrictions as may be in effect under the Code. If for any reason such proceeds, or any part thereof, are not necessary for, or are not applied to such purpose within 120 days following the Closing Date for the Series 2005 A Bonds, such unapplied proceeds shall be transferred by the Issuer to the Series 2005 A Bonds Sinking Fund established in Section 4.01 hereof and applied to the next ensuing payment of interest on the Series 2005 A Bonds. All such proceeds shall constitute a trust fund for such purposes, and there hereby is created a lien upon such monies until so applied in favor of the Holders of the Series 2005 A Bonds from which such proceeds are derived.

4. The balance of Series 2005 A Bonds proceeds, if any, shall be deposited in the Series 2005 A Bonds Acquisition and Construction Fund and disbursed as provided in Section 3.16(A) hereof.

Section 3.15. Disbursements from the Acquisition and Construction Funds. Disbursements from the Series 2005 A Bonds Acquisition and Construction Fund, except for payment of Costs of Issuance of the Series 2005 A Bonds in excess of the monies available in the Costs of Issuance Fund which shall be made upon request of the Issuer, shall be made only for acquisition and construction of capital improvements, repairs and replacements for the System, including all necessary engineering and other professional services relating thereto. Pending such application, monies in the Series 2005 A Bonds Acquisition and Construction Fund, including any accounts therein, shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

ARTICLE IV

SYSTEM REVENUES; FUNDS AND ACCOUNTS

Section 4.01. Establishment of Funds and Accounts with Depository Bank. Pursuant to this Article IV, the following special funds are created with, and shall be held by, the Depository Bank, segregated from all other funds and accounts of the Depository Bank or the Issuer and from each other (except as set forth in this Section 4.01), and used solely for the purposes provided herein:

(1) Revenue Fund;

(2) Renewal and Replacement Fund;

(3) Series 2005 A Bonds Costs of Issuance Fund;

(4) Series 2005 A Bonds Acquisition and Construction Fund; and

(5) Rebate Fund.

Section 4.02. Establishment of Funds and Accounts with Bond Commission. Pursuant to this Article IV, the following special fund and accounts are hereby established with and shall be held by the Bond Commission:

(1) Series 2005 A Bonds Sinking Fund;

(a) Within the Series 2005 A Bonds Sinking Fund:

(i) Series 2005 A Bonds Reserve Account; and

(ii) Series 2005 A Bonds Redemption Account.

Section 4.03. System Revenues and Application Thereof. So long as any of the Series 2005 A Bonds shall be Outstanding and unpaid, the Issuer covenants as follows:

A. The entire Gross Revenues derived from the operation of the System and all parts thereof shall be deposited by the Issuer in the Revenue Fund. The Revenue Fund shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner herein provided. All Revenues at any time remaining on deposit in the Revenue Fund shall be disposed of only in the following manner and order of priority:

(1) The Issuer shall first, from the monies in the Revenue Fund, on the first day of each month, simultaneously remit to the Commission (i) the amounts required by the Prior Ordinances to be deposited in the Prior Bonds Sinking Funds for payment of interest on the Prior Bonds; and (ii) beginning on the first day of that month which is 6 months prior to the first interest payment date on the Series 2005 A Bonds, apportion and set apart out of the Revenue Fund and deposit in the Series 2005 A Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on said Series 2005 A Bonds on the next ensuing semiannual interest payment date, provided, that in the event the period to elapse between the date of such initial deposit in the Series 2005 A Bonds Sinking Fund and the next ensuing semiannual interest payment date is less than or greater than 6 months, then such monthly payments shall be increased or decreased proportionately to provide, 1 month prior to the next ensuing semiannual interest payment date, the required amount of interest coming due on such date, and provided further, that the initial amount required to be transferred from the Revenue Fund and deposited in the Series 2005 A Bonds Sinking Fund shall be reduced by the amount of accrued interest on the Series 2005 A Bonds deposited therein and subsequent amounts required to be transferred from the Revenue Fund and deposited in the Series 2005 A Bonds Sinking Fund shall be reduced by the amount of any earnings credited to the Series 2005 A Bonds Sinking Fund.

(2) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and, simultaneously remit to the Commission (i) the amounts required by the Prior Ordinances to be deposited in the Prior Bonds Sinking Funds for payment of principal on the Prior Bonds; and (ii) for deposit in the Series 2005 A Bonds Sinking Fund (and in the Series 2005 A Bonds Redemption Account therein in the case of Term Bonds which are to be redeemed) on the first day of each month, beginning on the first day of that month which is 12 months prior to the first principal payment or mandatory Redemption Date of the Series 2005 A Bonds, a sum equal to 1/12th of the amount (or 1/6th of the amount if the Series 2005 A Bonds mature semiannually rather than annually) of principal which will mature or be redeemed and become due on the Series 2005 A Bonds on the next ensuing principal payment or mandatory Redemption Date, provided, that in the event the period to elapse between the date of such initial deposit in the Series 2005 A Bonds Sinking Fund and the next ensuing principal payment or mandatory Redemption Date is less than or greater than 12 months (or 6 months if the Series 2005 A Bonds mature semiannually rather than annually), then such monthly payments shall be increased or decreased proportionately to provide, one month prior to the next ensuing principal payment date or mandatory Redemption Date, the required amount of principal coming due on such date, and provided further, that the amount of such deposits shall be reduced by the amount of any earnings

credited to the Series 2005 A Bonds Sinking Fund and not previously credited pursuant to the preceding paragraph.

(3) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and, simultaneously remit to the Commission (i) the amounts required by the Prior Ordinances to be deposited in the Prior Bonds Reserve Accounts for the Prior Bonds; and (ii) commencing 13 months prior to the first date of payment of principal of the Series 2005 A Bonds or upon completion of construction of the Project, whichever is earlier, if not fully funded upon issuance of the Series 2005 A Bonds, for deposit in the Series 2005 A Bonds Reserve Account, an amount equal to 1/120th of the Series 2005 A Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2005 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 2005 A Bonds Reserve Requirement; provided further, that if the amounts in the Series 2005 A Bonds Reserve Account, as a result of a decrease in value of the Series 2005 A Bonds Reserve Account below the Series 2005 A Reserve Account Requirement or any withdrawal from the Series 2005 A Bonds Reserve Account, the Issuer shall apply such monies for deposit into the Series 2005 A Bonds Reserve Account, beginning with the first full calendar month following the date on which (i) the valuation of investments in the Series 2005 A Bonds Reserve Account results in a determination that the amount of monies and the value of the Qualified Investments deposited to the credit of the Series 2005 A Bonds Reserve Account is less than the Series 2005 A Reserve Account Requirement, or (ii) any amount is withdrawn from the Series 2005 A Bonds Reserve Account for deposit into the Series 2005 A Bonds Sinking Fund. To the extent Net Revenues and any other legally available funds are available therefor, the amount so deposited shall be used to restore the amount of monies on deposit in the Series 2005 A Bonds Reserve Account to an amount equal to the Series 2005 A Reserve Account Requirement to the full extent that such Net Revenues are available; provided, however, that if the shortfall in the Series 2005 A Bonds Reserve Account is due to a decrease in the value of investments therein, such shortfall shall be replenished by not less than 4 equal monthly payments, and if such shortfall is due to a withdrawal from the Series 2005 A Bonds Reserve Account, such shortfall shall be replenished by not less than 12 equal monthly payments, and provided further, that no payments shall be required to be made into the Series 2005 A Bonds Reserve Account whenever and as long as the amount deposited therein shall be equal to the Series 2005 A Reserve Account Requirement.

Amounts in the Series 2005 A Bonds Reserve Account shall be used only for the purpose of making payments of principal of and interest on the Series 2005 A Bonds when due, when amounts in the Series 2005 A Bonds Sinking Fund are insufficient therefor and for no other purpose.

(4) The Issuer shall next, each month, transfer from the Revenue Fund an amount sufficient to pay current Operating Expenses of the System.

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

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

B. The Bond Commission is hereby designated as the fiscal agent for the administration of the Series 2005 A Bonds Sinking Fund created hereunder, and all amounts required for said Sinking Fund shall be remitted to the Bond Commission from said Revenue Fund and from the proceeds of the sale of the Series 2005 A Bonds, by the Issuer at the times and as otherwise provided herein. All remittances made by the Issuer to the Bond Commission shall clearly identify the fund or account into which each amount is to be deposited.

C. The monies on deposit in the Revenue Fund and the Renewal and Replacement Fund in excess of the sum insured by the FDIC shall at all times be secured, to the full extent thereof in excess of such insured sum, by Government Obligations or by other Qualified Investments as shall be eligible as security for deposits of municipal funds under the laws of the State.

D. Principal, interest or reserve payments, whether for a deficiency or otherwise, shall be made on a parity and pro rata, with respect to the Prior Bonds, the Series 2005 A Bonds, all in accordance with the respective principal amounts then Outstanding.

ARTICLE V

INVESTMENTS; NON-ARBITRAGE; REBATES OF EXCESS INVESTMENT EARNINGS

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

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

The following specific provisions shall apply with respect to any investments made under this section (unless otherwise required by the Bond Insurer and as set forth in the Supplemental Resolution):

(A) Qualified Investments acquired for the Series 2005 A Bonds Reserve Account shall mature or be subject to retirement at the option of the holder within not more than 5 years from the date of such investment.

(B) The Issuer shall, or shall cause the Bond Commission to, annually transfer from the Series 2005 A Bonds Reserve Account to the Sinking Fund any earnings on the monies deposited therein and any other funds in excess of the Series 2005 A Bonds Reserve Requirement, provided, however, that there shall at all times remain on deposit in the Series 2005 A Bonds Reserve Account an amount at least equal to the Series 2005 A Bonds Reserve Requirement.

(C) In computing the amount in any fund or account, Qualified Investments shall be valued at the lower of the cost or the market price, exclusive of accrued interest. Valuation of all funds and accounts shall occur annually, except in the event of a withdrawal from the Series 2005 A Bonds Reserve Account, whereupon

it shall be valued immediately after such withdrawal. If amounts on deposit in the Series 2005 A Bonds Reserve Account shall, at any time, be less than the applicable Series 2005 A Bonds Reserve Requirement, the applicable Bond Insurer shall be notified immediately of such deficiency, and such deficiency shall be made up from the first available Gross Revenues after required deposits to the Sinking Fund and otherwise in accordance with Section 4.03(3).

(E) All amounts representing accrued and capitalized interest shall be held by the Bond Commission, pledged solely to the payment of interest on the Series 2005 A Bonds, as appropriate, and invested only in Government Obligations maturing at such times and in such amounts as are necessary to match the interest payments to which they are pledged.

(F) Notwithstanding the foregoing, all monies deposited in the Series 2005 A Bonds Sinking Fund may be invested by the Bond Commission in the West Virginia "consolidated fund" managed by the West Virginia Investment Management Board pursuant to Chapter 12, Article 6 of the Code of West Virginia, 1931, as amended.

Section 5.02. Continuing Disclosure Agreement. The Issuer shall deliver a continuing disclosure agreement or certificate in form acceptable to the Original Purchaser sufficient to ensure compliance with SEC Rule 15c2-12, as it may be amended from time to time, and the Issuer hereby instructs the Mayor and City Manager to take all actions necessary for the Issuer to comply with the continuing disclosure agreement.

ARTICLE VI

ADDITIONAL COVENANTS OF THE ISSUER

Section 6.01. Covenants Binding and Irrevocable. All the covenants, agreements and provisions of this Ordinance shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Series 2005 A Bonds, as prescribed by Article VII. In addition to the other covenants, agreements and provisions of this Ordinance, the Issuer hereby covenants and agrees with the Holders of the Series 2005 A Bonds, as hereinafter provided in this Article VI. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of the Series 2005 A Bonds or the Series 2002 B Bonds or the interest thereon, are Outstanding and unpaid.

Section 6.02. Bonds not to be Indebtedness of the Issuer. The Series 2005 A Bonds shall not be or constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness but shall be payable solely from the Gross Revenues of the System, the monies in the Series 2005 A Bonds Sinking Fund and all accounts therein, the unexpended proceeds of the Series 2005 A Bonds or monies in a construction fund, if any, all as herein provided. No Holder or Holders of any Series 2005 A Bonds issued hereunder shall ever have the right to compel the exercise of the taxing power of the Issuer to pay said Series 2005 A Bonds or the interest thereon.

Section 6.03. Bonds Secured by Pledge of Gross Revenues and Monies in Sinking Fund. The payment of the debt service of all of the Series 2005 A Bonds issued hereunder shall be secured forthwith equally and ratably by a first lien on the Gross Revenues derived from the operation of the System on a parity with one another and with the lien on the Gross Revenues in favor of the Holders of the Prior Bonds and, in the instance of the Series 2005 A Bonds, all monies and securities in the Series 2005 A Sinking Fund, including the Series 2005 A Bonds Reserve Account therein, to the extent necessary to make the payments required under Section 4.03. The Gross Revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Prior Bonds and the Series 2005 A Bonds herein authorized, and to make the payments into the Series 2005 A Bonds Sinking Fund, all monies and securities in the Series 2005 A Bonds Sinking Fund, including the Series 2005 A Bonds Reserve Account therein.

Section 6.04. Rates. Equitable rates or charges for the use of and service rendered by the System have been established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the City Clerk, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from the System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted

whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the Series 2005 A Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2005 A Bonds, including the Prior Bonds.

The Issuer hereby covenants to commence enactment of such ordinance or ordinances as shall be required to increase the rates and charges for the services and facilities of the System within 30 days following a determination of the Independent Accountant that less than the above-required coverage exists or in the event that the annual audit report shows less than the above-required coverage, such increase to provide rates and charges sufficient to produce such required coverage. In any event, subject to the requirements of law, the Issuer shall not reduce the rates or charges for services set forth in the current rate ordinance.

Section 6.05. Completion of Project; Operation and Maintenance. The Issuer will complete the Project as promptly as possible. The Issuer will maintain the System in good condition and will operate the same as a revenue-producing enterprise in an efficient and economical manner, making such expenditures for equipment and for renewal, repair and replacement as may be proper for the economical operation and maintenance thereof from the revenues of said System in the manner provided in this Ordinance.

The Issuer will obtain all permits required by state and federal laws for the acquisition and construction of the Project and all orders and approvals from the Public Service Commission of West Virginia necessary for the acquisition and construction of the Project and the operation of the System.

Section 6.06. Sale of the System . So long as the Prior Bonds are Outstanding, the Issuer shall not sell, mortgage, lease or otherwise dispose of the System, except as provided by the Prior Ordinances. Additionally, so long as the Series 2005 A Bonds are Outstanding, the System may be sold, mortgaged, leased or otherwise disposed of only as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to defease the pledge created by this Ordinance as provided by Section 9.01. The proceeds from such sale, mortgage, lease or other disposition of the System shall be immediately remitted to the Bond Commission for deposit in the Series 2005 A Bonds Sinking Fund, and otherwise as prescribed by Section 9.01. Any balance remaining after such defeasance shall be remitted to the Issuer by the Bond Commission unless necessary for the payment of other obligations of the Issuer payable out of the Revenues of the System.

The foregoing provision notwithstanding, the Board 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 is not in excess of $50,000, the Board shall, in writing, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof, and the Board may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Revenue Fund. If the amount to be received from such sale, lease or other disposition of said property shall be in excess of $50,000 but not in excess of $200,000, the Board shall first, in writing, determine with the written approval of the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof, and the Board may then, if it be so advised, by resolution duly adopted, approve and concur in such finding and authorize such sale, lease or other disposition of such property in accordance with the laws of the State. The proceeds derived from any such sale, lease or other disposition of such property, in excess of $50,000 and not in excess of $200,000, shall be deposited by the Issuer into the Renewal and Replacement Fund. Such payments of such proceeds into the Renewal and Replacement Fund shall reduce the amounts required to be paid into said funds by other provisions of this Ordinance.

No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom shall be in excess of $200,000 and insufficient to defease the pledge created by this Ordinance, as provided by Section 9.01, without the prior approval and consent in writing of any applicable Bond Insurer and the Holders, or their duly authorized representatives, of 60% in amount of Bonds then Outstanding. The Issuer shall prepare the form of such approval and consent for execution by the Bond Insurer and the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 6.07. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. The Issuer shall not issue any other obligations whatsoever, except Additional Parity Bonds provided for in Section 6.08 hereof, payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from the Gross Revenues with the Series 2005 A; and all obligations hereafter issued by the Issuer payable from the revenues of the System, except such Additional Parity Bonds, shall contain an express statement that such obligations are junior and subordinate as to lien on and source of and security for payment from such revenues and in all other respects to the Series 2005 A Bonds.

The Issuer shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or, except with respect to such Additional Parity Bonds, being on a parity with the lien of the Series 2005 A Bonds, and the interest thereon, upon any of the income and revenues of the System pledged for payment of the Series 2005 A Bonds and the interest thereon in this Ordinance or upon the System or any part thereof.

Section 6.08. Additional Parity Bonds. So long as the Prior Bonds are outstanding, the limitations on the issuance of parity obligations set forth in the Prior Ordinances shall be applicable. In addition, 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 such Additional Parity Bonds shall be issued except for the purpose of financing the costs of design, acquisition or construction of additions, betterments or improvements to the System, refunding all or a portion of one or more series of Bonds issued pursuant hereto or the Prior Bonds, to pay claims which may exist against the revenues or facilities of the System, or all of such purposes.

No such Additional Parity Bonds shall be issued at any time, however, unless and until there has been procured and filed with the City Clerk a written statement by an Independent Accountant, reciting the conclusion that the Net Revenues actually derived, subject to the adjustments hereinafter provided for, from the System during any 12 consecutive months within the 18 months immediately preceding the date of the actual issuance of such Additional Parity Bonds, plus the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the date of issuance of such Additional Parity Bonds, shall be not less than 115% of the Maximum Annual Debt Service on the following:

(1) The Series 2005 A Bonds then Outstanding;

(2) The Prior Bonds Outstanding;

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

(4) The Additional Parity Bonds then proposed to be issued.

The "estimated average increased annual Net Revenues to be received in each of the 3 succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from the improvements to be financed by such Additional Parity Bonds and any increase in rates enacted by the Issuer, the time for appeal of which shall have expired (without successful appeal) prior to the issuance of such Additional Parity Bonds, and shall not exceed the amount to be stated in a certificate of the Independent Accountant, which shall be filed in the office of the Clerk prior to the issuance of such Additional Parity Bonds.

The Net Revenues actually derived from the System during the 12 consecutive month period hereinabove referred to may be adjusted by adding to such Net Revenues such additional Net Revenues which would have been received, in the opinion of the Independent

Accountant, as stated in a certificate on account of increased rates, rentals, fees and charges for the System enacted by the Issuer, the time for appeal of which shall have expired (without successful appeal) prior to issuance of such 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 Gross Revenues of the System on a parity with the Series 2005 A Bonds and the Prior 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 Series 2005 A Bonds and the Prior Bonds and the Holders of any Additional Parity Bonds theretofore or 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 Gross Revenues of the System, and their source of and security for payment from said Gross Revenues, without preference of any Bond over any other. The Issuer shall comply fully with all the increased payments into the various funds and accounts created in this 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.

The term "Additional Parity Bonds," as used in this section, shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien on the Revenues of the System of which is subject to the prior and superior lien of the Bonds on such Revenues. Any such subordinate bonds, notes, certificates or other obligations shall be payable from the Net Revenues remaining after all payments required to be made pursuant to Section 4.03(1), (2) and (3) have first been paid. The Issuer shall not issue any obligations whatsoever payable from the Revenues of the System, or any part thereof, which rank prior to or equally, as to lien and source of and security for payment from such Revenues, with the Series 2005 A Bonds except in the manner and under the conditions provided in this section.

No Additional Parity Bonds, as in this section defined, shall be issued at any time, however, unless all of the payments into the respective funds and accounts provided for in this Ordinance on account of the Bonds then Outstanding (excluding the Renewal and Replacement Fund), 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 Issuer shall then be in full compliance with all the covenants, agreements and terms in the Ordinance and every ordinance supplemental thereto, or shall have fully corrected any delinquency or deficiency with respect to such payments and compliance.

Section 6.09. Insurance and Bonds. The Issuer hereby covenants and agrees, that so long as the Series 2005 A Bonds remain Outstanding, the Issuer or the Board will, as an Operating Expense, procure, carry and maintain insurance and bonds and worker's compensation coverage with a reputable insurance carrier or carriers or bonding company or companies rated at least "A" by Standard & Poor's Corporation covering the following risks and in the following amounts:

A. FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE, on all above-ground insurable portions of the System in an amount equal to the greater of the fair appraised value or the original cost thereof. In the event of any damage to or destruction of any portion of the System, the Board will promptly arrange for the application of the insurance proceeds for the repair or reconstruction of such damages or destroyed portion. The Board will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance to protect the interests of the Board and the Issuer during construction of the Project in the full insurable value thereof.

B. PUBLIC LIABILITY INSURANCE, with limits of not less than is customarily carried by municipalities of equivalent size with respect to works and properties similar to the System to protect the Issuer and the Board from claims for bodily injury and/or death and from claims for damage to property of others which may arise from the operation of the System, and insurance with the same limits to protect the Issuer and the Board from claims arising out of operation or ownership of motor vehicles of or for the System, provided that, the Board, with the review of an insurance consultant and the concurrence of the Issuer, may elect to self-insure, so long as the following requirements are met:

(i) The self-insurance program has been reviewed by an insurance consultant;

(ii) The self-insurance program includes an actuarially sound claims reserve fund out of which each self-insured claim shall be paid; the adequacy of such fund shall be evaluated on an annual basis by an insurance consultant; and any deficiencies in any self-insured claims reserve fund will be remedied in accordance with the recommendation of the insurance consultant;

(iii) The self-insured claims reserve fund shall be held in the United States of America in a separate trust fund by an independent corporate trustee; and

(iv) In the event the current funding of the self-insurance program shall be discontinued, the actuarial soundness of its claims reserve fund, as determined by an insurance consultant, shall be maintained.

If the Issuer determines in good faith that any required insurance is not commercially available at a reasonable cost with reasonable terms, it shall engage an insurance consultant to verify the determination and to make recommendations regarding the types, amounts and provisions of any such insurance that should be purchased or funded by the Issuer, taking into consideration the costs and practices of other municipal water and sewer systems of similar size and type in the State to the extent that such information is

available. The Issuer may, upon resolution adopted in good faith and upon the recommendations of the insurance consultant, adopt alternate or supplemental risk management programs which the Issuer determines to be reasonable, including the right to self-insure and participate in captive insurance companies.

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

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

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

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

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

The Issuer shall also require all contractors engaged in the construction of the Project to carry such worker's compensation coverage for all employees working on the Project and public liability insurance, vehicular liability insurance and property damage insurance in amounts adequate for such purposes and as is customarily carried with respect to works and properties similar to the Project.

Section 6.10. Services Rendered to the Board or Issuer. The Board will not render or cause to be rendered any free services of any nature by its System; and, in the event the Board, the Issuer or any department, agency, instrumentality, officer or employee thereof shall avail himself of the facilities or services provided by the System or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Board, the Issuer and any such department, agency, instrumentality, officer or employee. Such charges shall be paid as they accrue, and

the Board or the Issuer shall transfer from its general funds sufficient sums to pay such charges for service to any of its departments or properties. The revenues so received shall be deemed to be revenues derived from the operation of the System and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

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

Whenever any fees, rates, rentals or other charges for the services and facilities of the System shall remain unpaid for a period of 20 days after the same shall become due and payable, the user of the services and facilities shall be delinquent until such time as all such rates and charges are fully paid 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 changes, if not paid, shall become a lien on the premises served by the System. The Issuer further covenants and agrees that, it will, to the full extent permitted by law and the rules and regulations promulgated by the Public Service Commission of West Virginia, discontinue and shut off the services and facilities of the System and any services and facilities of the Issuer's waterworks system, to all delinquent users of services and facilities of the System and will not restore such services of the System (or waterworks system) until all billing for charges for the services and facilities of the System, plus penalty charges for the restoration of service, has been fully paid or an appropriate payment plan has been established.

Section 6.12. No Competing Franchise. To the extent legally allowable, neither the Issuer nor the Board will grant or cause, consent to or allow the granting of any franchise or permit to any person, firm, corporation or body, or agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the System.

Section 6.13. Books and Records The Board will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Board or the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and any Holder of a Series 2005 A Bond, shall have the right at all reasonable times to inspect the System, and all parts thereof, and all records, accounts and data of the Board relating thereto.

The accounting system for the System shall follow current generally accepted accounting principles, to the extent allowable under and in accordance with the rules and regulations of the Public Service Commission of West Virginia and the Act. Separate control

accounting records shall be maintained by the Board. Subsidiary records as may be required shall be kept in the manner, on the forms, in the books and along with other bookkeeping records as prescribed by the Board. The Board 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 Board shall be reported to such agent of the Board as it shall direct.

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

The Issuer or the Board shall also file with the Original Purchaser and any Bond Insurer, and mail to any Bondholder requesting the same, a monthly unaudited report within 30 days following the end of each month containing the following:

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

(B) A statement of account balances in the Sinking Fund accounts provided for in this Ordinance and status of said funds.

The Issuer or the Board shall also, at least once a year, cause the books, records and accounts of the System to be completely audited by an Independent Accountant, shall mail upon request, and make available generally, the report of said Independent Accountant, or a summary thereof, to any Holder or Holders of Series 2005 A Bonds issued pursuant to this Ordinance and shall file said report with the Original Purchaser.

Section 6.14. Operating Budget. The Board shall annually, at least 45 days preceding the beginning of each Fiscal Year, or at such earlier date required by the charter of the Issuer, prepare and adopt by resolution a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year. No increased expenditures in excess of 10% of the amount of such budget shall be made except upon the further certificate of such a registered professional engineer that such increased expenditures are necessary for the continued operation of the System. The Board shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Original Purchaser and the Bond Insurer, if any, and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to the Original Purchaser and to any Bondholder or anyone acting for and in behalf of such Bondholder who requests the same.

Section 6.15. Mandatory Connections . The mandatory use of the sewerage portion of the System is essential and necessary for the protection and preservation of the public health, comfort, safety, convenience and welfare of the inhabitants and residents of, and the economy of, the Issuer, and in order to assure the rendering harmless of sewage and waterborne waste matter produced or arising within the territory served by the sewerage portion of the System. Accordingly, every owner, tenant or occupant of any house, dwelling or building located near 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 sewerage portion of 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 and every such owner, tenant or occupant shall, after a 30 day notice of the availability of sewerage services of the System, pay the rates and charges established therefor.

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

Section 6.16. Statutory Mortgage Lien. For the further protection of the Holders of the Series 2005 A Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, shall take effect immediately upon the issuance of the Series 2005 A Bonds and shall be on a parity with one another and with the statutory mortgage lien in favor of the Holders of the Prior Bonds.

Section 6.18. Covenants Regarding the Municipal Bond Insurance Policy The Issuer intends to obtain Municipal Bond Insurance Policies for the Series 2005 A Bonds. In the event such Municipal Bond Insurance Policies are obtained, certain additional covenants of the Issuer will be required by the Bond Insurer as a condition to insuring the Series 2005 A Bonds. These additional covenants shall be set forth in full in the Supplemental Resolution, shall apply to the Series 2005 A Bonds and any other Bonds which may be insured by such Bond Insurer, and shall be controlling in the event any other provisions of this Ordinance may be in conflict therewith.

ARTICLE VII

DEFAULTS AND REMEDIES

Section 7.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Series 2005 A Bonds:

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

(B) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part in this Ordinance or any Supplemental Resolution or in the Series 2005 A Bonds contained, and such default shall have continued for a period of 30 days after written notice specifying such default and requiring the same to be remedied shall have been given to the Issuer by any Bondholder or any Insurer; or

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

(D) If default occurs with respect to the Prior Bonds or the Prior Ordinances.

Section 7.02. Enforcement. Upon the happening and continuance of any Event of Default, any Bondholder (with the prior written consent of the applicable Bond Insurer) or any Bond Insurer may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his rights and, in particular:

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

(B) By mandamus or other appropriate proceeding enforce all rights of the Bondholders, including the right to require the Issuer to perform its duties under the Act and this Ordinance;

(C) Bring suit upon the Series 2005 A Bonds, as applicable;

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

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

No remedy by the terms of this Ordinance conferred upon or reserved to the Bondholders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Bondholders hereunder or now or hereafter existing at law or by statute.

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

No waiver of any default or Event of Default hereunder by the Bondholders shall be made without the prior written consent of the applicable Bond Insurer or shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereto.

Section 7.03. Appointment of Receiver. If there be any Event of Default existing and continuing, any Bondholder or any Bond Insurer shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System on behalf of the Issuer, with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of the principal of and interest on the Series 2005 A Bonds, and the Prior Bonds, the deposits into the funds and accounts hereby established as herein provided and the payment of Operating Expenses of the System and to apply such rates, rentals, fees, charges or other Revenues in conformity with the provisions of this Ordinance and the Act.

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

Whenever all that is due upon the Series 2005 A Bonds issued pursuant to this Ordinance and interest thereon and under any covenants of this Ordinance for reserve, sinking or other funds and accounts and upon any other obligations and interest thereon having a charge, lien or encumbrance upon the Revenues of the System shall have been paid and made good, and all defaults under the provisions of this Ordinance shall have been cured and made good, and all monies due hereunder or under any Supplemental Resolution have been paid in full, possession of the System shall be surrendered to the Issuer upon the entry of an order of the court to that effect. Upon any subsequent default, any Bondholder shall have the same right to secure the further appointment of a receiver upon any such subsequent default.

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

Any receiver appointed as provided herein shall hold and operate the System in the name of the Issuer and for the joint protection and benefit of the Issuer and the Holders of the Series 2005 A Bonds issued pursuant to this Ordinance. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the possession, operation and maintenance of the System, for the sole purpose of the protection of both the Issuer and the Bondholders, and the curing and making good of any default under the provisions of this Ordinance, and the title to and ownership of said System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, mortgage or otherwise dispose of any assets of the System.

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

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

ARTICLE VIII

REGISTRAR AND PAYING AGENT

Section 8.01. Appointment of Registrar. The Registrar for the Series 2005 A Bonds shall be appointed pursuant to the Supplemental Resolution. The Issuer is hereby authorized and directed to enter into an agreement with the Registrar, the substantial form of which agreement is to be approved by Supplemental Resolution.

Section 8.02. Responsibilities of Registrar. The recitals of fact in the Bonds shall be taken as statements of the Issuer, and the Registrar shall not be responsible for their accuracy. The Registrar shall not be deemed to make any representation as to, and shall not incur any liability on account of, the validity of the execution of any Series 2005 A Bonds by the Issuer. Notwithstanding the foregoing, the Registrar shall be responsible for any representation in its Certificate of Authentication on the Series 2005 A Bonds. The Registrar and any successor thereto shall agree to perform all the duties and responsibilities spelled out in this Ordinance and any other duties and responsibilities incident thereto, all as provided by said agreement described in Section 8.01.

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

Section 8.04. Compensation and Expenses. The Issuer shall pay to the Registrar from time to time reasonable compensation for all services, including the transfer of registration of Series 2005 A Bonds, the first exchange of Series 2005 A Bonds and the exchange of Series 2005 A Bonds in the event of partial redemption, incurred in the performance of its duties hereunder.

Section 8.05. Certain Permitted Acts. The Registrar may become the owner of or may deal in Series 2005 A Bonds as fully and with the same rights it would have if it were not Registrar. To the extent permitted by law, the Registrar may act as depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or effect or aid in any reorganization growing out of the enforcement of the Series 2005 A Bonds, or this

Ordinance, whether or not any such committee shall represent the Holders of a majority in principal amount of the Series 2005 A Bonds Outstanding.

Section 8.06. Resignation of Registrar. The Registrar may at any time resign and be discharged of its duties and obligations under this Ordinance by giving not less than 60 days' written notice to the Issuer and publishing in an Authorized Newspaper notice (or mailing such notice to each Bondholder in the event all Bonds are fully registered), specifying the date when such resignation shall take effect, within 20 days after the giving of such written notice. A copy of such notice shall also be mailed to each owner of a fully registered Bond or a coupon Bond registered as to principal (other than to bearer). Such resignation shall take effect upon the day specified in such notice unless a successor shall have been previously appointed by the Issuer or bondholders, in which event such resignation shall take effect immediately, provided that in no event shall such resignation take effect until a successor has been appointed and has accepted its duties as Registrar.

Section 8.07. Removal. The Registrar may be removed at any time by the Issuer, the applicable Bond Insurer or by the Holders of a majority in principal amount of the Series 2005 A Bonds then Outstanding by an instrument or concurrent instruments in writing signed and duly acknowledged by the Issuer, the applicable Bond Insurer or by such Bondholders or their attorneys duly authorized in writing and delivered to the Issuer, as the case may be. Copies of each such instrument shall be delivered by the Issuer to the Registrar. Such removal shall take effect upon the date stated in such instrument, provided that in no event shall such removal take effect until a successor has been appointed and has accepted its duties as Registrar.

Section 8.08. Appointment of Successor. In case at any time the Registrar shall resign or shall be removed or shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or if a receiver, liquidator or conservator of the Registrar or of its property shall be appointed, or if any public officer or court shall take charge or control of the Registrar or of its property or affairs, a successor may be appointed by the Holders of a majority in principal amount of the Series 2005 A Bonds then Outstanding by an instrument or concurrent instruments in writing signed by such Bondholders or their attorneys duly authorized in writing and delivered to the Issuer and such successor Registrar, notification thereof being given to the predecessor Registrar. Pending such appointment, the Issuer shall forthwith appoint a Registrar to fill such vacancy until a successor Registrar shall be appointed by such Bondholders. The Issuer shall publish in an Authorized Newspaper (or mail to each Bondholder in the event all Bonds are fully registered) notice of any such appointment within 20 days after the effective date of such appointment. A copy of such notice shall also be mailed to each owner of a fully registered Bond or a coupon Bond registered as to principal (other than to bearer). Any successor Registrar appointed by the Issuer shall, immediately and without further act, be superseded by a Registrar appointed by such Bondholders. If in a proper case no appointment of a successor Registrar shall be made within 45 days after the Registrar shall have given to the Issuer written notice of resignation

or after the occurrence of any other event requiring such appointment, the Registrar or any Bondholder may apply to any court of competent jurisdiction to appoint a successor. Any Registrar appointed under the provisions of this section shall be a bank, trust company or national banking association authorized to perform the duties imposed upon it by this Ordinance.

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

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

Section 8.11. Adoption of Authentication. In case any of the Series 2005 A Bonds shall have been authenticated but not delivered, any successor Registrar may adopt a Certificate of Authentication and Registration executed by any predecessor Registrar and deliver such Bonds so authenticated, and, in case any Bonds shall have been prepared but not authenticated, any successor Registrar may authenticate such Bonds in the name of the predecessor Registrar or in its own name.

Section 8.12. Paying Agent . The West Virginia Municipal Bond Commission shall initially serve as Paying Agent. Any alternate Paying Agent must be a bank, trust company or national banking association authorized to perform the duties imposed upon it by this Ordinance. Such alternate Paying Agent shall signify its acceptance of the duties and obligations imposed upon it pursuant hereto by executing and delivering to the Issuer a written acceptance thereof. Any successor Paying Agent shall take such actions as may be necessary to ensure that the Series 2005 A Bond shall be and remain DTC-Eligible.

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

Any bank, trust company or national banking association with or into which any Paying Agent may be merged or consolidated, or to which the assets and business of such Paying Agent may be sold, shall be deemed the successor of such Paying Agent for the purposes of this Ordinance. If the position of Paying Agent shall become vacant for any

reason, the Issuer shall, within 30 days thereafter, appoint a bank, trust company or national banking association located in the same city as such Paying Agent to fill such vacancy; provided, however, that, if the Issuer shall fail to appoint such Paying Agent within said period, the Bond Commission, a court of competent jurisdiction or a majority of the Bondholders may make such appointment.

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

Notice of the appointment of successor or additional Paying Agents or fiscal agents shall be given in the same manner as provided by Section 8.08 hereof with respect to the appointment of a successor Registrar.

All monies received by the Paying Agents shall, until used or applied as provided in this Ordinance, be held in trust for the purposes for which they were received.

ARTICLE IX

DEFEASANCE; DISCHARGE OF PLEDGE OF ORDINANCE

Section 9.01. Defeasance; Discharge of Pledge of Ordinance . If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all Series 2005 A Bonds the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Ordinance, and all other monies due hereunder have been paid, then this Ordinance and the pledges of the Gross Revenues and other monies and securities pledged hereunder, and all covenants, agreements and other obligations of the Issuer on behalf of the Holders of the Series 2005 A Bonds made hereunder, as applicable, shall thereupon cease, terminate and become void and be discharged and satisfied.

Bonds for the payment of which either monies in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide monies which, together with the monies, if any, deposited with the Paying Agent at the same or earlier time, shall be sufficient, to pay as and when due the respective principal of and interest on such 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 2005 A Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited with the Bond Commission or an escrow trustee either monies in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide monies which, together with the monies, if any, deposited with the Bond Commission or said escrow trustee at the same or earlier time shall be sufficient, to pay when due the principal of, any redemption premium on and interest due and to become due on said Bonds on and prior to the maturity date thereof, or if the Issuer irrevocably determines to redeem any of said Bonds prior to the maturity thereof, on and prior to said Redemption Date. Neither securities nor monies deposited with the Bond Commission or an escrow trustee pursuant to this section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and interest on said Bonds; provided, that any cash received from such principal, redemption premium, if any, and interest payments on such securities deposited with the Bond Commission or said escrow trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal of and redemption premium, if any, and interest to become due on said Bonds on and prior to such maturity or Redemption Dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer as received by the Bond Commission or said escrow trustee, free and clear of any trust, lien or pledge.

ARTICLE X

MISCELLANEOUS

Section 10.01. Amendment of Ordinance. Prior to issuance of the Series 2005 A Bonds, this Ordinance may be amended, modified or supplemented in any way by the Supplemental Resolution. All provisions required by the Bond Insurer, if any, shall be set forth in the Supplemental Resolution and to the extent they constitute an amendment or modification of this Ordinance, shall be controlling. Following issuance of the Series 2005 A Bonds, this Ordinance and any Supplemental Resolution may, without the consent of any Bondholder or other person, be amended, modified or supplemented in any manner which, in the opinion of Bond Counsel, does not materially adversely affect the interests of the Bondholders or any Bond Insurer, provided that, in the event any of the Bonds are insured, no such amendment or modification which affects the rights of the applicable Bond Insurer for such Bonds may be made without the written consent of such Bond Insurer. Otherwise, no materially adverse amendment or modification to this Ordinance, or of any Supplemental Resolution, may be made without the written consent of the Holders of 60% in aggregate principal amount of the Series 2005 A Bonds then Outstanding and affected thereby and the Bond Insurer, which must be filed with the Clerk of the Issuer before any such modification or amendment may be made. No such modification or amendment shall extend the maturity of or reduce the interest rate on, or otherwise alter the terms of payment of the principal of or interest on, any Bond without the express written consent of the Holder of such Bond, nor reduce the percentage of Series 2005 A Bonds required for consent to any such modification or amendment.

Section 10.02. Evidence of Signatures of Bondholders and Ownership of Bonds. Any request, consent, revocation of consent or other instrument which this Ordinance may require or permit to be signed and executed by Bondholders may be in one or more instruments of similar tenor, and shall be signed or executed by such Bondholders in person or by their attorneys duly authorized in writing. Proof of the execution of any such instrument, or of an instrument appointing or authorizing any such attorney, shall be sufficient for any purpose of this Ordinance if made in the following manner, or in any other manner satisfactory to the Issuer or the Registrar, as the case may be, which may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

A. The fact and date of the execution by any Bondholder or his attorney of any such instrument may be proved (i) by the certificate of a notary public or other officer authorized to take acknowledgments of deeds to be recorded in the jurisdiction in which he purports to act that the person signing such instrument acknowledged to him the execution thereof, or by the affidavit of a witness of such execution, duly sworn to before such a notary public or other officer or (ii) by the certificate, which need not be acknowledged or verified, of an officer of a bank, a trust company or a financial firm or corporation satisfactory to the

Issuer or the Registrar, as the case may be, that the person signing such instrument acknowledged to such bank, trust company, firm or corporation the execution thereof.

B. The authority of a person or persons to execute any such instrument on behalf of a corporate Bondholder may be established without further proof if such instrument is signed by a person purporting to be the president or treasurer or a vice-president or an assistant treasurer of such corporation with a corporate seal affixed, and is attested by a person purporting to be its secretary or assistant secretary.

C. The amount of fully registered Series 2005 A Bonds held by a person executing any instrument as a Bondholder, the date of his holding such Series 2005 A Bonds and the numbers and other identification thereof, shall be confirmed by the Bond Register.

Any request, consent or other instrument executed by the Holder of any Bond shall bind all future Holders and owners of such Bond in respect of anything done or suffered to be done hereunder by the Issuer or the Registrar in accordance therewith.

Section 10.03. Preservation and Inspection of Documents. To the extent allowable under law, all reports, certificates, statements and other documents received by the Registrar under the provisions of this Ordinance shall be retained in its possession and shall be available at all reasonable times for the inspection of the Issuer or any Bondholder, and their agents and their representatives, but any such reports, certificates, statements or other documents may, at the election of the Registrar, be destroyed or otherwise disposed of at any time after such date as the pledge created by this Ordinance shall be discharged as provided in Section 9.01.

Section 10.04. Cancellation of Bonds. All Series 2005 A Bonds purchased or paid shall, if surrendered to the Issuer, be canceled and delivered to the Registrar, or, if surrendered to the Registrar, be canceled by it. No such Bonds shall be deemed Outstanding under this Ordinance and no Series 2005 A Bonds shall be issued in lieu thereof. All such Bonds shall be canceled and upon order of the Issuer shall be destroyed, and a certificate evidencing such destruction shall be delivered to the Issuer.

Section 10.05. Failure to Present Bonds. Anything in this Ordinance to the contrary notwithstanding, any monies held by the Bond Commission or a Paying Agent in trust for the payment and discharge of any of the Series 2005 A Bonds which remain unclaimed for two years after the date on which such Bonds have become due and payable, whether by maturity or upon call for redemption, shall at the written request of the Issuer be paid by the Bond Commission or said Paying Agent to the Issuer as its absolute property and free from trust, and the Bond Commission or said Paying Agent shall thereupon be released and discharged with respect thereto, and the Holders of such Bonds shall look only to the Issuer for the payment of such Bonds; provided, however, that, before making any such payment to the Issuer, the Registrar, if so advised by the Bond Commission, or said Paying

Agent shall send to the Holder, at the address listed on the Bond Register, by certified mail, a notice that such monies remain unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the date of such notice is mailed, the balance of such monies then unclaimed will be returned to the Issuer.

Section 10.06. Notices, Demands and Requests . Unless otherwise expressly provided, all notices, demands and requests to be given or made hereunder to or by the Issuer, the Registrar, the Depository Bank, the Original Purchaser or the Bond Insurer shall be in writing and shall be properly made if sent by United States mail, postage prepaid, and addressed as follows or if hand-delivered to the individual to whom such notice, demand or request is required to be directed as indicated below:

CITY

City of Charles Town
101 East Washington Street
Charles Town, West Virginia 25414
Attention: City Manager

REGISTRAR

[Name(s) and address(s) to be set forth in
Supplemental Resolution]

PAYING AGENT

West Virginia Municipal Bond Commission
8 Capitol Street
Suite 500, Terminal Building
Charleston, West Virginia 25301
Attn: Executive Director

DEPOSITORY BANK

[Name(s) and address(s) to be set forth in
Supplemental Resolution]

ORIGINAL PURCHASER

Crews & Associates, Inc.
2000 Union National Plaza
124 West Capitol
Little Rock, Arkansas 72201

BOND INSURER

[Name(s) and address(es) to be set forth in the Supplemental Resolution]

Any party listed above may change such address listed for it at any time upon written notice of change sent by United States mail, postage prepaid, to the other parties.

Section 10.07. No Personal Liability. No member of the Council, the Board or officer or employee of the Issuer shall be individually or personally liable for the payment of the principal of or the interest on any Bond, but nothing herein contained shall relieve any such member, official or employee from the performance of any official duty provided by law or this Ordinance.

Section 10.08. Law Applicable. The laws of the State shall govern the construction of this Ordinance and of all Series 2005 A Bonds issued hereunder.

Section 10.09. Parties Interested Herein. Nothing in this Ordinance expressed or implied is intended or shall be construed to confer upon, or give to, any person or corporation, other than the Issuer, the Registrar, the Paying Agent, the Holders of the Series 2005 A Bonds, the applicable Bond Insurer, if any, and the Original Purchaser, any right, remedy or claim under or by reason of this Ordinance. All the covenants, stipulations, promises and agreements contained in this Ordinance by and on behalf of the Issuer shall be for the sole and exclusive benefit of the Issuer, the Registrar, the Paying Agent, the Holders of the Series 2005 A Bonds, the Bond Insurer and the Original Purchaser.

Section 10.10. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Ordinance shall be held invalid, such invalidity shall not affect any of the remaining provisions of this Ordinance.

Section 10.11. Table of Contents and Headings. The Table of Contents and headings of the articles, sections and subsections hereof are for convenience only and shall neither control nor affect in any way the meaning or construction of any of the provisions hereof.

Section 10.12. Conflicting Provisions Repealed. All ordinances, orders, resolutions or parts thereof in conflict with the provisions of this Ordinance, are, to the extent of such conflict, hereby repealed.

Section 10.13. Procedure on Enactment of Ordinance; Public Hearing. Upon adoption of this Ordinance, the Clerk is hereby authorized and directed to have an abstract of this Ordinance, which abstract has been determined by the Council of the Issuer to contain sufficient information to give notice of the contents of such Ordinance, published

once each week for 2 successive weeks, with not less than six full days between each publication, the first such publication to be not less than 10 days before the date stated below for the public hearing, in the *Spirit of Jefferson Advocate*, a newspaper published and having a general circulation in the City of Charles Town, together with a notice to all persons concerned, stating that this Ordinance has been adopted and that the Issuer contemplates the issuance of the Series 2005 A Bonds described in this Ordinance and that any person interested may appear before the Council at the public hearing to be had at a public meeting of Council on the 4th day of April, 2005, at 7:30 p.m., in the Council Chambers of the City Hall, Charles Town and present protests, and that a certified copy of this Ordinance is on file with the Clerk for review by interested parties during the office hours of the Clerk. At such hearing all protests and suggestions shall be heard by the Council and it shall then take such action as it shall deem proper in the premises.

This Ordinance shall become effective following public hearing hereon in accordance with the Act.

First Reading:	February 22, 2005
Second Reading:	March 7, 2005
Effective following Public Hearing held on:	March 21, 2005

[SEAL]

Mayor

City Manager

ATTEST:

City Clerk

APPROVED AND CORRECT AS TO FORM:

By

City Attorney

CERTIFICATION

Certified a true, correct and complete copy of an Ordinance duly enacted by the City Council of the CITY OF CHARLES TOWN at a regular meeting of the City Council held at 7:30 p.m., on April 4, 2005, pursuant to proper notice, at which meeting a quorum was present and acting throughout, and which Ordinance was enacted following a public hearing thereon, notice of which public hearing was published once a week for two successive weeks in a newspaper having a general circulation in the City of Charles Town, the first publication having been not less than 10 days prior to such public hearing.

Dated this 15th day of June, 2005.

[SEAL]

City Clerk

EXHIBIT A - SERIES 2005 A BOND FORM

[DTC Legend]

No. AR-_____ $_____

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF CHARLES TOWN (WEST VIRGINIA)
COMBINED WATERWORKS AND
SEWERAGE SYSTEM REVENUE BONDS, SERIES 2005 A (TAXABLE)

INTEREST RATE:	MATURITY DATE:	BOND DATE:	CUSIP:
_____%	_____	_____	_____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF CHARLES TOWN (West Virginia), a municipal corporation organized and existing under the laws of the State of West Virginia (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above and solely from such special funds also to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, or, if and to the extent that the Issuer shall default in the payment of interest on any Interest Payment Date, then this Bond shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, and in which case any Bond surrendered for transfer or exchange shall be dated as of the Interest Payment Date to which interest has been paid in full, at the Interest Rate per annum specified above, semiannually, on _____ 1 and _____ 1, in each year,

beginning _____ 1, 200__ (each an "Interest Payment Date"), until maturity or until the date fixed for redemption if this Bond is called for prior redemption and payment on such date is provided for. Capitalized terms used and not defined herein shall have the meanings ascribed thereto in the hereinafter-described Ordinance.

Interest accruing on this Bond on and prior to the Maturity Date hereof shall be payable by check or draft mailed by the West Virginia Municipal Bond Commission, Charleston, West Virginia, as paying agent (in such capacity, the "Paying Agent"), to the Registered Owner hereof as of the applicable Record Date (each _____ 15 and _____ 15) or, in the event of a default in the payment of Bonds, that special record date to be fixed by the hereinafter named Registrar by notice given to the Registered Owners not less than 10 days prior to said special record date at the address of such Registered Owner as it appears on the registration books of the Issuer maintained by _____, _____, West Virginia, as registrar (in such capacity, the "Registrar"), or, at the option of any Registered Owner of at least $500,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to a domestic bank account specified in writing by the Registered Owner to the Paying Agent at least 5 days prior to such Record Date. Principal and premium, if any, shall be paid when due upon presentation and surrender of this Bond for payment at the office of the Paying Agent, in Charleston, West Virginia.

This Bond is one of an issue of a series of bonds, in the aggregate principal amount of $_____ designated the "City of Charles Town Combined Waterworks and Sewerage System Revenue Bonds, Series 2005 A (Taxable)" (the "Series 2005 A Bonds"), of like tenor and effect, except as to number, denomination, date of maturity and interest rate, dated _____, 2005, upon original issuance, the proceeds of which are to be used, together with other funds of the Issuer, (i) to finance the cost of acquisition and construction of certain additions, betterments and improvements to the sewerage portion of the combined waterworks and sewerage system of the Issuer, (ii) to fund a reserve account for the Series 2005 A Bonds, and (iv) to pay certain costs of issuance of the Series 2005 A Bonds and related costs. The Series 2005 A Bonds are issued under the authority of and in full compliance with the Constitution and statute of the State of West Virginia, including particularly, Chapter 8, Article 20 of the West Virginia Code of 1931, as amended (the "Act"), and an ordinance duly enacted by the City Council of the Issuer on _____, 2005, and supplemented by a supplemental resolution adopted by said Council on _____, 2005 (hereinafter collectively referred to as the "Ordinance"), and is subject to all the terms and conditions of said Ordinance. 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 Series 2005 A Bonds under the Ordinance. Reference is hereby made to the Ordinance, as the same may be amended and supplemented from time to time, for a description of the rights, limitations of rights, obligations, duties and immunities of the Issuer, the Registrar, the Paying Agent, the Registered Owners of the Series 2005 A Bonds

and the Registered Owners of any subsequently issued additional bonds. Executed counterparts or certified copies of the Ordinance are on file at the office of the City Clerk in the City of Charles Town, West Virginia.

[The Series 2005 A Bonds are additionally secured, but only to the extent described in the Statement of Insurance printed on the Bonds, by a policy of municipal bond insurance issued by [Bond Insurer].]

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE FOLLOWING OUTSTANDING COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS OF THE ISSUER:

(1) Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 B, dated November 18, 1987, issued in the original aggregate principal amount of $413,629 (the "Series 1987 B Bonds");

(2) Combined Waterworks and Sewerage System Revenue Bonds, Series 1988 B-1, dated May 4, 1988, issued in the original aggregate principal amount of $295,916 (the "Series 1988 B-1 Bonds");

(3) Combined Waterworks and Sewerage System Revenue Bonds, Series 1988 B-2, dated May 20, 1988, issued in the original aggregate principal amount of $558,000 (the "Series 1988 B-2 Bonds");

(4) Combined Waterworks and Sewerage System Revenue Bonds, Series 1989 B, dated April 13, 1989, issued in the original aggregate principal amount of $117,480 (the "Series 1989 B Bonds");

(5) Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 1998, dated May 15, 1998, issued in the original aggregate principal amount of $10,355,000 (the "Series 1998 Refunding Bonds");

(6) Combined Waterworks and Sewerage System Design Revenue Bonds, Series 1998 (West Virginia SRF Program), dated September 29, 1998, issued in the original aggregate principal amount of $437,601 (the "Series 1998 Design Bonds");

(7) Combined Waterworks and Sewerage System Revenue Bonds, Series 2000 A (West Virginia SRF Program), dated June 22, 2000, issued in the original aggregate principal amount of $3,163,781 (the "Series 2000 A Bonds");

(8) Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 A (West Virginia Water Development Authority), dated August 22, 2002, issued in the original aggregate principal amount of $1,100,000 (the "Series 2002 A Bonds");

(9) Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 B (West Virginia Infrastructure Fund), dated August 22, 2002, issued in the original aggregate principal amount of $3,600,000 (the "Series 2002 B Bonds");

(10) Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 C (Insured), dated December 1, 2002, issued in the original aggregate principal amount of $4,135,000 (the "Series 2002 C Bonds"); and

(11) Combined Waterworks and Sewerage System Revenue Bonds, Series 2003 A (AMT - Uninsured), dated January 1, 2003, issued in the original aggregate principal amount of $1,000,000 (the "Series 2003 A Bonds").

The Series 1987 B Bonds, the Series 1988 B-1 Bonds, the Series 1988 B-2 Bonds, the Series 1989 B Bonds, the Series 1998 Refunding Bonds, the Series 1998 Design Bonds, the Series 2000 A Bonds, the Series 2002 A Bonds, the Series 2002 B Bonds, the Series 2002 C Bonds and the Series 2003 A Bonds are hereinafter collectively called the "Prior Bonds." The ordinances which authorized the issuance of the Prior Bonds are herein collectively referred to as the "Prior Ordinances."

The Series 2005 A Bonds are subject to redemption prior to their stated maturity dates, as provided in the Ordinance and as set forth in the following lettered paragraphs:

(A) Optional Redemption. The Bonds maturing on and after _____, 20____, are subject to redemption prior to maturity at the option of the Issuer on or after _____, 20_____, in whole at any time and in part on any Interest Payment Date, as directed by the Issuer, in reverse order of maturity and by lot within a maturity, at the following Redemption Prices (expressed as percentages of the principal amount of Bonds to be redeemed), plus interest accrued thereon to the date fixed for redemption:

Period During Which Redeemed (Dates Inclusive)	Redemption Price

(B) Mandatory Sinking Fund Redemption. The Bonds maturing on _____, 20_____ and 20_____ are subject to annual mandatory sinking fund redemption prior to maturity by random selection as may be determined by the Registrar, on _____ 1 of the years and in the principal amounts set forth below, at the Redemption Price of 100% of the principal amount of each Bond so called for redemption plus interest accrued to the date fixed for redemption:

Bonds Maturing _____ 1, 20_____

Year (_____1)	Principal Amount

Bonds Maturing _____ 1, 20_____

Year (_____1)	Principal Amount

* Final Maturity

In the event of any redemption of less than all outstanding Series 2005 A Bonds, the maturities to be redeemed shall be selected by the Paying Agent at the direction of the Issuer and Series 2005 A Bonds to be redeemed shall be determined by lot within a maturity, or in such other manner deemed appropriate by the Paying Agent. If less than all the Series 2005 A Bonds are to be redeemed, the Series 2005 A Bonds to be redeemed shall be identified by reference to the Series designation, date of issue, CUSIP numbers and Maturity Dates.

Notice of any redemption of this Series 2005 A Bond, unless waived, shall be given by the Paying Agent on behalf of the Issuer by mailing an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Series 2005 A Bond or Series 2005 A Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Paying Agent. Such notice shall also

be given by the Paying Agent to the Registrar. Notice of redemption having been given as aforesaid, the Series 2005 A Bonds or portions of Series 2005 A Bonds so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Issuer shall default in the payment of the Redemption Price) such Series 2005 A Bonds or portions of Series 2005 A Bonds shall cease to bear interest.

Failure to receive such notice or any defect therein or in the mailing thereof shall not affect the validity of proceedings for the redemption of this Series 2005 A Bond.

The Series 2005 A Bonds and the interest thereon are payable only from and are secured by the Gross Revenues (as defined in the Ordinance) to be derived from the operation of the System, on a parity in all respects with the pledge of the Gross Revenues created in favor of the holders of the Prior Bonds, all monies in the Series 2005 A Bonds Sinking Fund, and the Series 2005 A Bonds Reserve Account therein, established under the Ordinance, and the unexpended proceeds of the Series 2005 A Bonds, and the Issuer hereby and in the Ordinance pledges such revenues and monies to such payment. Said Gross Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose and to make the other payments required by the Ordinance. This Series 2005 A Bond does not constitute an indebtedness of the Issuer within any constitutional or statutory provision or limitation, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Gross Revenues, the monies in the Series 2005 A Bonds Sinking Fund and the Series 2005 A Bonds Reserve Account and said unexpended Series 2005 A Bond proceeds. Pursuant to the Ordinance, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Series 2005 A Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2005 A Bonds, including the Prior Bonds. The Issuer has entered into certain further covenants with the registered owners of the Series 2005 A Bonds, for the terms of which reference is made to the Ordinance. Remedies provided the registered owners of the Series 2005 A Bonds are exclusively as provided in the Ordinance, to which reference is here made for a detailed description thereof.

All monies received from the sale of the Bonds except for accrued interest thereon shall be applied solely to pay all costs of the Project, funding a reserve account for the Series 2005 A Bonds and pay costs of issuance of the Bonds, and there shall be, and hereby is, created and granted a lien upon such monies, until so applied, in favor of the registered owners of said Series 2005 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 Series 2005 A 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 Series 2005 A Bond, together with all other obligations of said Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia, and that a sufficient amount of the revenues of the System has been pledged to and will be set aside into said special fund by said Issuer for the prompt payment of the principal of and interest on the Series 2005 A Bonds of which this Series 2005 A Bond is one.

This Series 2005 A Bond, under the provisions of the Act is and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but may be transferred only upon the surrender hereof at the office of the Registrar and otherwise as provided by the within-described Ordinance.

This Series 2005 A Bond and the income therefrom are, under the Act, exempt from taxation in the State of West Virginia, or any county, municipality, political subdivision or agency thereof.

This Series 2005 A Bond shall not be entitled to any benefit under the Ordinance, or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon shall have been signed by the Registrar.

All provisions of the Ordinance, as defined on the reverse hereof, and the statutes under which this Series 2005 A Bond is issued shall be deemed to be a part of the contract evidenced by this Series 2005 A Bond to the same extent as if written fully herein.

IN WITNESS WHEREOF, the CITY OF CHARLES TOWN (West Virginia) has caused this Bond to be signed by its Mayor and City Manager, and its corporate seal to be imprinted hereon and attested by its City Clerk, and has caused this Series 2005 A Bond to be dated as of the Series 2005 A Bond Date specified above.

[SEAL]

[Manual or facsimile signature]
Mayor

[Manual or facsimile signature]
City Manager

ATTEST:

[Manual or facsimile signature]
City Clerk

CERTIFICATE OF AUTHENTICATION
AND REGISTRATION

This Series 2005 A Bond is one of the fully registered Series 2005 A Bonds described in the within-mentioned Ordinance and has been duly registered in the name of the Registered Owner on the date set forth below. Attached hereto is the complete text of the opinion of Steptoe & Johnson PLLC, bond counsel, signed originals of which are on file with the Registrar, delivered and dated on the date of the original delivery of and payment for the Series 2005 A Bonds.

Dated: _____, 2005.

_____, as
Registrar

By _____
Its Authorized Officer

STATEMENT OF INSURANCE

[Bond Insurance Legend]

(FORM OF)
ASSIGNMENT

Social Security or Other Identifying Number of Assignee _____
_____

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____
_____
_____ the within Bond and does hereby irrevocably constitute and appoint _____
_____
_____ to transfer the said Bond on the books kept for registration thereof with full power of substitution in the premises.

Dated: _____, _____.

_____

SIGNATURE GUARANTEED:

_____
(Bank, Trust Company or Firm)

_____
(Authorized Officer)

NOTICE: The Assignor's signature to this Assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or any change whatever.

03/01/05
144220.00007

CITY OF CHARLES TOWN
(WEST VIRGINIA)

COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS,
SERIES 2005 A
(Taxable)

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION SETTING THE AMOUNTS, MATURITIES, INTEREST RATES, PRICES AND OTHER DETAILS AS TO THE COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2005 A (TAXABLE), OF THE CITY OF CHARLES TOWN; AUTHORIZING AND APPROVING A BOND PURCHASE AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT, A REGISTRAR AGREEMENT, AN OFFICIAL STATEMENT AND OTHER INSTRUMENTS RELATING TO THE BONDS; APPOINTING A REGISTRAR, PAYING AGENT, AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the City of Charles Town (the "Issuer"), in the County of Jefferson, State of West Virginia, is a municipal corporation of said State, the governing body of which is this Council;

WHEREAS, this Council duly enacted on April 4, 2005, an ordinance (the "Ordinance") entitled:

AN ORDINANCE AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE SEWERAGE PORTION OF THE EXISTING COMBINED WATERWORKS AND SEWERAGE SYSTEM OF THE CITY OF CHARLES TOWN AND THE FINANCING OF

THE COST THEREOF, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE BY THE CITY OF NOT MORE THAN $3,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2005 A (TAXABLE); PROVIDING FOR THE RIGHTS AND REMEDIES OF, AND THE SECURITY FOR, THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING THE EXECUTION AND DELIVERY OF A BOND PURCHASE AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS RELATING TO THE BONDS; AND ENACTING OTHER PROVISIONS WITH RESPECT TO SUCH BONDS.

WHEREAS, such Ordinance provided for the issuance of the Combined Waterworks and Sewerage System Revenue Bonds, Series 2005 A (Taxable) (the "Bonds"), for the purposes of (i) paying costs of acquisition and construction of improvements and betterments to the sewerage portion of the combined waterworks and sewerage facilities of the Issuer; (ii) capitalizing interest on the Bonds; (iii) funding the Series 2005 A Bonds Reserve Account; and (iv) paying costs of issuance and related costs, all in accordance with the Act;

WHEREAS, the Ordinance further provided that the exact principal amount of the Bonds to be sold and the dates, maturities, interest rates, redemption provisions, price and other terms of the Bonds should be established, a Registrar, Paying Agent and Depository Bank be designated, that a Registrar Agreement be approved, that additional covenants and provisions relating to the Bonds be provided herein, and that other matters pertaining to the Bonds be provided for by a supplemental resolution of this Council upon receipt of a Bond Purchase Agreement for the Bonds acceptable to this Council;

WHEREAS, the Bonds are proposed to be purchased by Crews & Associates, Inc. (the "Original Purchaser"), pursuant to a Bond Purchase Agreement for the Bonds between the Original Purchaser and the Issuer (the "Bond Purchase Agreement");

WHEREAS, capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Ordinance; and

WHEREAS, this Council deems it essential and desirable that this Resolution be adopted and that the Bond Purchase Agreement, the Continuing Disclosure Agreement, and the Registrar Agreement hereinafter provided for be entered into by the Issuer, that the Official Statement relating to the Bonds, hereinafter described, be approved, that the prices, the maturity dates and amounts, and the interest rates of the Bonds, be fixed herein, all in accordance with said Ordinance;

NOW, THEREFORE, THE COUNCIL OF THE CITY OF CHARLES TOWN HEREBY RESOLVES:

Section 1. Pursuant to the Ordinance and the Act, this Resolution is adopted and there are hereby authorized and ordered to be issued the Bonds. The Bonds shall be dated June 1, 2005, upon original issuance. The Bonds shall be issued in the aggregate principal amount, bear interest payable semiannually on June 1 and December 1 of each year, commencing December 1, 2005, shall mature on June 1 in such years and shall have such redemption provisions as are set forth in EXHIBIT A - SERIES 2005 A (TAXABLE) BOND TERMS, attached hereto and incorporated by reference herein. Except as otherwise set forth herein, all other provisions relating to the Bonds shall be as provided in the Ordinance, and the Bonds shall be in substantially the form provided in the Ordinance.

Section 2. The Bond Purchase Agreement between the Original Purchaser and the Issuer, substantially in the form submitted to this meeting, and the execution and delivery (in multiple counterparts) by the Mayor of the Bond Purchase Agreement on behalf of the Issuer are hereby authorized, approved, and directed. Execution of the Bond Purchase Agreement by the Mayor shall be conclusive evidence of any approval required by this Section, and authorization of any action required by the Bond Purchase Agreement relating to the issuance and sale of the Bonds, including the payment of all necessary fees and expenses in connection therewith. The price of the Bonds, pursuant to the Bond Purchase Agreement, shall be $2,247,063.18 ($2,355,000.00 par amount, less $43,538.70 original issue discount, less $70,650.00 underwriters' discount, plus accrued interest of $6,251.88 from the date of the Bonds to the date of delivery of the Bonds).

Section 3. The Continuing Disclosure Agreement by and between the Issuer and the Original Purchaser, to be dated as of the date of delivery of the Bonds, substantially in the form submitted to this meeting, and the execution and delivery (in multiple counterparts) by the Mayor and the City Manager thereof shall be and the same are hereby authorized, approved and directed. The Mayor and the City Manager shall execute and deliver the Continuing Disclosure Agreement with such changes, insertions and omissions as may be approved by the Mayor and the City Manager. Execution of the Continuing Disclosure Agreement by the Mayor and the City Manager shall be conclusive evidence of any approval required by this Section.

Section 4. The Official Statement to be dated on the date of sale of the Bonds, to be substantially in the form of the Preliminary Official Statement described below (with such changes, insertions and omissions as may be necessary or advisable in the opinion of the Mayor and City Manager), and the distribution of counterparts or copies thereof by the Original Purchaser are hereby approved. The Mayor and City Manager shall execute and deliver the Official Statement with such changes, insertions and omissions as may be approved by the Mayor and City Manager. The execution of the Official Statement by the Mayor and City Manager shall be conclusive evidence of any approval required by this Section. The distribution by the Original Purchaser of the Preliminary Official Statement dated May 24, 2005 (which is a "deemed final" official statement in accordance with SEC Rule 15c2-12), substantially in the form submitted to this meeting is hereby ratified and approved. The certificates of the Issuer relating to compliance with SEC Rule 15c2-12 and the execution and delivery thereof by the Mayor and City Manager are hereby ratified and approved.

Section 6. The Registrar Agreement is to be dated as of the date of delivery, by and between the Issuer and the Registrar designated herein, substantially in the form submitted to this meeting, shall be and the same are hereby approved. The Mayor and the City Manager shall execute and deliver the Registrar Agreement with such changes, insertions and omissions as may be approved by the Mayor and the City Manager. The execution of the Registrar Agreement by the Mayor and City Manager shall be conclusive evidence of any approval required by this Section.

Section 7. The Issuer does hereby appoint and designate the West Virginia Municipal Bond Commission for the purpose of serving in the capacity of Paying Agent for the Bonds.

Section 8. The Issuer does hereby appoint and designate United Bank, Inc., Charleston, West Virginia, for the purpose of serving in the capacity of Registrar for the Bonds and Branch Banking and Trust Company, Ranson, West Virginia, as Depository Bank for the Bonds.

Section 9. Series 2005 A Bonds proceeds in the amount of $152,253.56 shall be deposited in the Series 2005 A Bonds Sinking Fund, as capitalized interest and $6,251.88 shall be deposited in the Series 2005 A Bonds Sinking Fund, as accrued interest.

Section 10. Series 2005 A Bonds proceeds in the amount of $193,750.00 shall be deposited in the Series 2005 A Bonds Reserve Account.

Section 11. Series 2005 A Bonds proceeds in the amount of $58,100.00 shall be deposited in the Series 2005 A Bonds Costs of Issuance Fund and shall be drawn out, used and applied by the Issuer solely to pay costs of issuance of the Series 2005 A Bonds at the written direction of the Issuer. Any such proceeds held in the Series 2005 A Bonds Costs

of Issuance Fund that have not been applied within 120 days following the date of delivery of the Series 2005 A Bonds shall be transferred by the Issuer to the Series 2005 A Bonds Sinking Fund and applied to the next ensuing payment of interest on the Series 2005 A Bonds.

Section 12. The balance of the proceeds of the Series 2005 A Bonds shall be deposited in the Series 2005 A Bonds Acquisition and Construction Fund and applied solely to the costs of the Project.

Section 13. The firm of Steptoe & Johnson PLLC, Charleston, West Virginia, is hereby appointed bond counsel to the City in connection with the issuance of the Bonds.

Section 14. The notice addresses for the Registrar, Paying Agent, Depository Bank and Original Purchaser shall be as follows:

REGISTRAR

United Bank, Inc.
500 Virginia Street, East
Charleston, West Virginia 25301
Attention: Corporate Trust

DEPOSITORY BANK

Branch Banking and Trust Company
301 South Mildred Street
Ranson, West Virginia 25438
Attention: Branch Manager

PAYING AGENT

West Virginia Municipal Bond Commission
812 Quarrier Street, Suite 300
Charleston, West Virginia 25301
Attention: Executive Director

ORIGINAL PURCHASER

Crews & Associates, Inc.
300 Summers Street, Suite 930
Charleston, West Virginia 25301
Attention: Vice President

Section 15. The Mayor, City Manager and City Clerk are hereby authorized and directed to execute and deliver such other documents and certificates required or desirable in connection with the Bonds to the end that the Bonds may be delivered on a timely basis to the Original Purchaser pursuant to the Bond Purchase Agreement.

Section 16. Under the provisions of the Act, and as provided in the Ordinance and the Bonds, the Bonds and the interest thereon do not constitute indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, but shall be payable solely from the Gross Revenues derived from the operation of the System of the Issuer and the Series 2005 A Bonds Reserve Account established by the Ordinance, and neither the credit nor the taxing power of the Issuer is pledged for, and no tax shall ever be levied for, payment of the Bonds and the interest thereon.

Section 17. The Mayor, City Manager, City Clerk and other appropriate officers and employees of the Issuer are hereby authorized and directed to take all further actions necessary to cause the Bonds to be issued at the earliest practicable date.

Section 18. This Resolution shall be effective immediately.

Adopted this 27th day of May, 2005.

[SEAL]

Mayor

City Manager

ATTEST:

City Clerk

APPROVED AND CORRECT AS TO FORM:

City Attorney

EXHIBIT A

CITY OF CHARLES TOWN
(WEST VIRGINIA)

COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS,
SERIES 2005 A

$2,355,000 Term Bonds

Maturity Date (June 1)	Maturity Amount	Interest Rate	Price or Yield
2010	$130,000	5.250%	99.695%
2015	$205,000	6.000%	99.258%
2025	$685,000	6.750%	98.065%
2030	$555,000	7.000%	97.919%
2035	$780,000	7.250%	97.844%

(accrued interest to be added)

Redemption

Extraordinary Redemption. If any of the following events shall have occurred, the Series 2005 A Bonds shall also be subject to redemption as follows:

(1) If there should occur any damage to or destruction of the System or any condemnation of the title to or the use of the System, the applicable Series 2005 A Bonds shall be subject to redemption at any time at the redemption price of 100% of the principal amount thereof plus accrued interest to the Redemption Date from any condemnation awards or insurance proceeds which are not used to repair, rebuild or rearrange the System.

(2) If the Series 2005 A Bonds can be refunded by the issuance of tax-exempt bonds, in whole or in part at any time as provided below under Notice of Redemption, from amounts deposited with the Bond Commission by the City, at a redemption price equal to the 102% principal amount thereof, plus accrued interest to the date fixed for redemption.

(3) The Series 2005 A Bonds are subject to redemption at the option and direction of the City, prior to maturity, in whole or in part on any principal payment date, in inverse order of maturity of the Series 2005 A Bonds, in principal amounts of not less than $50,000, and multiples of $5,000 in excess of $50,000, from amounts deposited with the Paying Agent by the City from funds of the City available therefor (other than from proceeds of refunding bonds) at a redemption price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption.

Optional Redemption. The Bonds maturing on or after June 1, 2011 are subject to redemption at the option of the Issuer, prior to maturity, on or after June 1, 2010, in whole or in part at any time at a redemption price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption.

Mandatory Sinking Fund Redemption. The Bonds are subject to mandatory redemption prior to maturity, by lot, from the Redemption Account created in the Sinking Fund, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption:

Term Bonds Due June 1, 2010

Year (June 1)	Principal Amount
2007	$ 30,000
2008	$ 30,000
2009	$ 35,000
2010 (maturity)	$ 35,000

Term Bonds Due June 1, 2015

Year (June 1)	Principal Amount
2011	$ 35,000
2012	$ 40,000
2013	$ 40,000
2014	$ 45,000
2015 (maturity)	$ 45,000

Term Bonds Due June 1, 2025

Year (June 1)	Principal Amount
2016	$ 50,000
2017	$ 55,000
2018	$ 55,000
2019	$ 60,000
2020	$ 65,000
2021	$ 70,000
2022	$ 75,000
2023	$ 80,000
2024	$ 85,000
2025 (maturity)	$ 90,000

Term Bonds Due June 1, 2030

Year (June 1)	Principal Amount
2026	$ 95,000
2027	$105,000
2028	$110,000
2029	$120,000
2030 (maturity)	$125,000

Term Bonds Due June 1, 2035

Year (June 1)	Principal Amount
2031	$135,000
2032	$145,000
2033	$155,000
2034	$165,000
2035 (maturity)	$180,000

CERTIFICATION

Certified a true, correct and complete copy of a Supplemental Resolution duly adopted by the City Council of the CITY OF CHARLES TOWN at a special meeting of the City Council held at 7:00 p.m., on May 27, 2005, pursuant to proper notice, at which meeting a quorum was present and acting throughout.

Dated this 15th day of June, 2005.

[SEAL]

City Clerk

05/27/05

144220.00007

CITY OF CHARLES TOWN, WEST VIRGINIA

COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2006 B (TAX-EXEMPT)

BOND ORDINANCE

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CONFORMED ORDINANCE

CITY OF CHARLES TOWN, WEST VIRGINIA

AN ORDINANCE AUTHORIZING THE DESIGN, ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING WATERWORKS PORTION OF THE COMBINED WATERWORKS AND SEWERAGE SYSTEM OF THE CITY OF CHARLES TOWN AND THE FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE BY THE CITY OF NOT MORE THAN $2,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2006 B (TAX-EXEMPT); PROVIDING FOR THE RIGHTS AND REMEDIES OF, AND THE SECURITY FOR, THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING THE EXECUTION AND DELIVERY OF BOND PURCHASE AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS RELATING TO THE BONDS; AND ENACTING OTHER PROVISIONS WITH RESPECT TO SUCH BONDS.

WHEREAS, the City of Charles Town (the "Issuer" or the "City") presently owns and operates, through the City of Charles Town Utility Board (the "Board"), a combined municipal waterworks and sewerage system (the "System") and has heretofore financed the acquisition and construction of the System and certain additions, betterments and improvements thereto through the issuance of several series of bonds or refunding bonds, of which there are presently outstanding the Prior Bonds, as hereinafter defined.

WHEREAS, all of the Prior Bonds were issued pursuant to ordinances of the Issuer previously enacted (such ordinances, as so amended and supplemented, collectively herein called the "Prior Ordinances");

WHEREAS, under the provisions of Chapter 8, Article 20 of the West Virginia Code of 1931, as amended (the "Act"), the Issuer is authorized and

empowered to design, acquire, construct and operate extensions, additions, betterments and improvements for the System;

WHEREAS, the Issuer has determined, and does hereby affirm, that the design, acquisition and construction of certain extensions, additions, betterments and improvements to the System, is necessary, appropriate, useful and desirable for the health, safety, and welfare of the inhabitants of the City and surrounding areas;

WHEREAS, the Issuer has determined that the aforementioned design, acquisition and construction of extensions, additions, betterments and improvements to the waterworks portion of the System should be financed, as provided under the Act, in whole or in part, from the proceeds of revenue bonds to be issued by the Issuer, to pay all or any portion of the costs thereof, and to enact this Ordinance and issue its Combined Waterworks and Sewerage System Revenue Bonds, Series 2006 B (Tax-Exempt) (the "Series 2006 B Bonds"), such Series 2006 B Bonds to be secured by and payable from the Gross Revenues of the System, and containing such other terms and provisions as are hereinafter provided, all in the manner set forth herein; and

WHEREAS, the Issuer has determined and hereby determines that it is in the best interest of the residents of the City that its Series 2006 B Bonds be sold to the Original Purchaser (as hereinafter defined) thereof pursuant to the terms and provisions of a bond purchase agreement (the "Bond Purchase Agreement") between the Issuer and the Original Purchaser, hereinafter defined;

NOW, THEREFORE, THE COUNCIL OF THE CITY OF CHARLES TOWN HEREBY ORDAINS:

ARTICLE I

DEFINITIONS; STATUTORY AUTHORITY; FINDINGS

Section 1.01. Definitions. All capitalized terms used in this Ordinance and not otherwise defined in the recitals hereto shall have the meanings specified below, unless the context expressly requires otherwise:

"Act" means Chapter 8, Article 20 of the West Virginia Code of 1931, as amended and in effect on the Closing Date for the Series 2006 B Bonds.

"Authorized Newspaper" means a financial journal or newspaper of general circulation in the City of New York, New York, printed in the English language and customarily published on each business day of the Registrar, whether or not published on Saturdays, Sundays or legal holidays, and so long as so published, shall include The Bond Buyer.

"Authorized Officer" means the Mayor or City Manager of the Issuer or any other officer of the Issuer specifically designated by resolution of the Council of the Issuer.

"Board" shall mean the City of Charles Town Utility Board, created by an ordinance of the Issuer, or any successor thereto.

"Bond Commission" means the West Virginia Municipal Bond Commission or any other agency of the State of West Virginia which succeeds to the functions of the Bond Commission.

"Bond Counsel" means any law firm having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds, appointed by the Issuer or the Board, and shall initially mean Steptoe & Johnson PLLC, Charleston, West Virginia.

"Bondholder," "Holder," "Holder of the Bonds," "Owner of the Bonds," "Registered Owner," or any similar term means any person who shall be the registered owner of any outstanding Bond.

"Bond Insurer" means any entity which shall insure all or any portion of the payment of principal of and interest on the Bonds, and with respect to the Series 2006 B Bonds shall initially mean the bond insurer or bond insurers, if any, named in the Supplemental Resolution.

"Bond Register" means the books of the Issuer maintained by the Registrar for the registration and transfer of Series 2006 B Bonds.

"Bond Year" means with respect to the Series 2006 B Bonds, the 12 month period beginning on the anniversary of the Closing Date in each year and ending on the day prior to the anniversary date of the Closing Date in the following year, except that the first Bond Year shall begin on the Closing Date.

"Bonds" means, collectively, the Series 2006 B Bonds, the Prior Bonds and any additional parity Bonds hereafter issued within the terms, restrictions and conditions contained herein.

"Business Day" means any day other than a Saturday, Sunday or a day on which national banking associations, West Virginia banking corporations or the New York Stock Exchange are authorized by law to remain closed.

"Certificate of Authentication and Registration" means the Certificate of Authentication and Registration on the Series 2006 B Bonds, in substantially the form set forth in EXHIBIT A - SERIES 2006 B BOND FORM hereto.

"City" or "Issuer" means the City of Charles Town, a municipal corporation and political subdivision of the State of West Virginia, in Jefferson County thereof, and, where appropriate, the Council, the Board and any successor thereto.

"City Manager" means the City Manager of the Issuer.

"Closing Date" means the date upon which there is an exchange of the Bonds for the proceeds representing the original purchase price thereof.

"Code" shall mean the Internal Revenue Code of 1986, as amended and supplemented from time to time, and Regulations thereunder.

"Connection Fees" means the fees, if any, paid by customers of the System in order to connect thereto.

"Consulting Engineers" means any independent qualified engineer or engineers or firm or firms of engineers that shall at any time now or hereafter be retained by the Issuer as Consulting Engineers for the System, or portion thereof.

"Costs" or similar terms means all those costs now or hereafter permitted by the Act to be financed with bonds issued pursuant hereto, including, without limitation those costs set forth in Section 1.02C.

"Council" means the City Council of the Issuer or any other governing body of the Issuer that succeeds to the functions of the Council as presently constituted.

"Debt Service" with reference to a specified period, means the amount of principal, including any sinking fund payments, and interest payable with respect to the Bonds during such period.

"Depository Bank" means the bank or banks to be designated as such in the Supplemental Resolution, and any other bank or national banking association located in the State of West Virginia, eligible under the laws of the State of West Virginia to receive deposits of state and municipal funds and insured by the FDIC that may hereafter be appointed by the Issuer as Depository Bank.

"DTC" means The Depository Trust Company, New York, New York, or its successor thereof.

"DTC-eligible" means, with respect to the Series 2006 B Bonds, meeting the qualifications prescribed by DTC.

"Event of Default" means any occurrence or event specified in Section 7.01.

"FDIC" means the Federal Deposit Insurance Corporation or any successor to the functions of the FDIC.

"Fiscal Year" means each 12-month period beginning on July 1 and ending on the succeeding June 30.

"Government Obligations" shall have the meaning set forth in the Supplemental Resolution.

"Gross Revenues" means the aggregate gross operating and non-operating revenues of the System, determined in accordance with generally accepted accounting principles, after deduction of prompt payment discounts, if any, and reasonable provision for uncollectible accounts, and includes any proceeds from the sale or other disposition of capital assets, but does not include any increase in the value of capital assets (including Qualified Investments).

"Independent Accountant" means the West Virginia State Tax Department or any certified public accountant or firm of certified public accountants that shall at any time hereafter be retained by the Issuer to prepare an independent annual or special audit of the accounts of the System or for any purpose except keeping the accounts of said System in the normal operations of its business and affairs.

"Investment Property" means any security (as said term is defined in Section 165(g)(2)(A) or (B) of the Code), obligation, annuity contract, investment-type property or residential rental property for family units which is not located within the jurisdiction of the Issuer and which is not acquired to implement a court ordered or approved

housing desegregation plan, excluding, however, obligations the interest on which is excluded from gross income, under Section 103 of the Code, for federal income tax purposes other than specified private activity bonds as defined in Section 57(a)(5)(C) of the Code.

"Maximum Annual Debt Service" means, at the time of computation, the greatest amount of Debt Service required to be paid on the Bonds for the then current or any succeeding Fiscal Year.

"Mayor" means the Mayor of the Issuer.

"Net Proceeds" means the face amount of the Series 2006 B Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds deposited in the Series 2006 B Bonds Reserve Account. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Series 2006 B Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

"Net Revenues" means Gross Revenues less Operating Expenses.

"Nonpurpose Investment" means any Investment Property which is acquired with the gross proceeds of the Series 2006 B Bonds and is not acquired in order to carry out the governmental purpose of the Series 2006 B Bonds.

"Operating Expenses," unless qualified, means the current expenses, paid or accrued, of repair, operation and maintenance of the System, and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses (other than those capitalized as part of the costs of any project relating to the acquisition or construction of additions, betterments or improvements for the System), supplies, labor, wages, the cost of materials and supplies used for current operations, fees and expenses of fiscal agents and of the Depository Bank, Registrar and Paying Agent or Paying Agents, payments to pension or retirement funds, taxes and such other reasonable operating costs and expenses as should normally and regularly be included under generally accepted accounting principles.

"Ordinance" or "Bond Ordinance" regardless of whether preceded by the article "the" or "this," means this Ordinance, as it may hereafter from time to time be amended or supplemented, by ordinance or by resolution.

"Original Purchaser" means the investment banking firm or firms, bank or banks or such other entity or entities as shall purchase the Series 2006 B Bonds directly from the Issuer, as determined by a resolution supplemental hereto.

"Outstanding," when used with reference to the Series 2006 B Bonds, or the Prior Bonds and as of any particular date, describes all Bonds theretofore and thereupon

being issued and delivered except (a) any Bond or Prior Bond canceled by the registrar for such Bond or Prior Bonds at or prior to said date; (b) any Bond or Prior Bonds for the payment of which monies, equal to its principal amount, with interest to the date of maturity, shall be held in trust under this Ordinance and set aside for such payment (whether upon or prior to maturity); (c) any Bond deemed to have been paid as provided by Section 9.01; and (d) with respect to determining the number or percentage of Bondholders or Bonds or Prior Bonds for the purpose of consents, notices and the like, any Bond registered to the Issuer. Notwithstanding the foregoing, in the event that a Bond Insurer has paid principal of and/or interest on any Bond or Prior Bond, such Bond or Prior Bond shall be deemed to be Outstanding until such time as such Bond Insurer has been reimbursed in full.

"Paying Agent" means, initially, the West Virginia Municipal Bond Commission and any other paying agent for the Series 2006 B Bonds which may be appointed by a resolution supplemental hereto, all in accordance with Section 8.12 hereof.

"Prior Bonds" means, collectively, the Series 1987 B Bonds, the Series 1988 B-1 Bonds, the Series 1988 B-2 Bonds, the Series 1989 B Bonds, the Series 1988 Design Bonds, the Series 2000 A Bonds, the Series 2002 A Bonds, the Series 2002 B Bonds, the Series 2002 C Bonds, the Series 2003 A Bonds, the Series 2005 A Bonds, and the Series 2006 A Bonds, as more fully defined in Section 1.03B hereof.

"Prior Ordinances" means, collectively, the ordinances of the Issuer, authorizing the issuance of the Prior Bonds.

"Private Business Use" means use directly or indirectly in a trade or business carried on by a natural person or in any activity carried on by a person other than a natural person, excluding, however, use by a state or local governmental unit and use as a member of the general public.

"Project" means the design, acquisition and construction of certain additions, betterments and improvements to the waterworks and sewerage portions of the System, including Phase One Wastewater Treatment Plant Upgrade Project, and all necessary appurtenances.

"Purchase Price," for the purpose of computation of the Yield of the Series 2006 B Bonds, has the same meaning as the term "issue price" in Sections 1273(b) and 1274 of the Code, and, in general, means the initial offering price of the Series 2006 B Bonds to the public (not including bond houses and brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of the Bonds of each maturity is sold or, if the Series 2006 B Bonds are privately placed, the price paid by the first buyer of the Series 2006 B Bonds or the acquisition cost of the first buyer. "Purchase Price," for purposes of computing Yield of Nonpurpose Investments, means the fair market value of the Nonpurpose Investments on the date of use of Gross Proceeds of the Series 2006 B Bonds for acquisition thereof, or if later, on the date that Investment Property

constituting a Nonpurpose Investment becomes a Nonpurpose Investment of the Series 2006 B Bonds.

"Qualified Investments" means and includes the investments set forth in the Supplemental Resolution and designated as such.

"Record Date" means the date or dates which shall be so stated in the Series 2006 B Bonds, regardless of whether such day is a Saturday, Sunday or legal holiday.

"Recording Officer," "Recorder" or "Clerk" means the City Clerk of the Issuer.

"Redemption Date" means the date fixed for redemption of Bonds subject to redemption in any notice of redemption published or mailed in accordance herewith.

"Redemption Price" means the price at which any of the Bonds may be called for redemption and includes the principal amount of the Bonds to be redeemed, plus the interest and the premium, if any, required to be paid to effect such redemption.

"Registrar" means the bank to be designated in the Supplemental Resolution as the Registrar for the Series 2006 B Bonds, and any successor thereto appointed in accordance with Section 8.08 hereof.

"Regulations" means temporary and permanent regulations promulgated under the Code, and includes applicable regulations promulgated under the Internal Revenue Code of 1954.

"Revenue Fund" means the Revenue Fund created by the Prior Ordinances and continued hereby.

"Series 2006 B Bonds" means the Combined Waterworks and Sewerage System Revenue Bonds, Series 2006 B (Tax-Exempt), of the Issuer, originally authorized to be issued pursuant to this Ordinance and the Supplemental Resolution.

"Series 2006 B Bonds Construction Fund" means the Series 2006 B Bonds Construction Fund created by Section 4.01 hereof.

"Series 2006 B Bonds Costs of Issuance Fund" means the Costs of Issuance Fund created by Section 4.01 hereof.

"Series 2006 B Bonds Redemption Account" means the Redemption Account created in the Series 2006 B Bonds Sinking Fund by Section 4.02 hereof.

"Series 2006 B Bonds Reserve Account" means the Series 2006 B Bonds Reserve Account created in the Series 2006 B Bonds Sinking Fund by Section 4.02 hereof.

"Series 2006 B Bonds Sinking Fund" means the Series 2006 B Bonds Sinking Fund created by Section 4.02 hereof.

"Series 2006 B Bonds Reserve Account Requirement" means an amount equal to the lesser of (i) 10% of the original principal amount of the Series 2006 B Bonds, (ii) Maximum Annual Debt Service at the time of original issuance of the Series 2006 B Bonds, or (iii) 125% of average annual Debt Service at the time of original issuance of the Series 2006 B Bonds.

"State" means the State of West Virginia.

"Supplemental Resolution" means any ordinance or resolution amendatory hereof or supplemental hereto and, when preceded by the article "the," refers specifically to the Supplemental Resolution or Resolutions to be adopted by the Issuer following enactment of this Ordinance, setting forth the final amounts, maturities, interest rates, redemption provisions, Bond Insurer provisions (if any) and other terms of the Series 2006 B Bonds and authorizing the sale of the Series 2006 B Bonds to the Original Purchaser; provided, that any provision intended to be included in the Supplemental Resolution and not so included may be contained in any other Supplemental Resolution.

"System" means the complete existing combined municipal waterworks and sewerage system of the Issuer, consisting of a water treatment and distribution system, including a water filtration and treatment plant, reservoirs, water tanks, distribution lines and booster stations, and a sewage treatment and collection system, including a sewage treatment plant, collection and transportation lines and lift stations, now owned by the Issuer or any integral part thereof, and all other facilities necessary, appropriate, useful, convenient or incidental in connection with or to the waterworks and sewage systems, and shall include any additions, betterments and improvements thereto hereafter acquired or constructed for said waterworks or sewage systems from any sources whatsoever, both within and without the Issuer.

"Term Bonds" means Bonds subject to mandatory sinking fund redemption, as described by Section 3.06 hereof.

Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations and vice versa; and words importing the masculine gender shall include the feminine and neuter genders and vice versa.

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.

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.

Articles, sections and subsections mentioned by number only are the respective articles, sections and subsections of this Ordinance so numbered.

Section 1.02. Authority for this Ordinance. This Ordinance is enacted pursuant to the provisions of the Act and other applicable provisions of law.

Section 1.03. Findings. The Council hereby finds and determines as follows:

A. The Issuer is a municipal corporation and political subdivision of the State of West Virginia in Jefferson County of said State.

B. The Issuer presently owns and operates a public combined waterworks and sewerage system. However, it is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer that there be designed, acquired and constructed certain additions, betterments and improvements to the waterworks portion of the System, consisting of the Project, as defined in Section 1.01, in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications have heretofore been filed with the City Clerk of the Issuer.

C. It is deemed necessary for the Issuer to issue its Combined Waterworks and Sewerage System Revenue Bonds, in the total aggregate principal amount of not more than $2,000,000, being the Combined Waterworks and Sewerage System Revenue Bonds, Series 2006 B in the aggregate principal amount of not more than $2,000,000, to permanently finance the costs of acquisition and construction of the Project. Said costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest, if any, upon the Series 2006 B Bonds prior to and during acquisition or construction and for a period not exceeding 6 months after completion of acquisition and construction of the Project; amounts which may be deposited in the Series 2006 B Bonds Reserve Account; underwriter's discount, engineering and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise; administrative expense; commitment fees; premiums for municipal bond insurance, reserve account insurance or reserve account surety bonds; letter of credit fees; discount; initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Series 2006 B Bonds and such

other expenses as may be necessary or incidental to the financing herein authorized; the acquisition and construction of the Project and the placing of same in operation; and the performance of the things herein required or permitted, in connection with any thereof, provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Series 2006 B Bonds or the repayment of indebtedness incurred by the Issuer for such purposes shall be deemed Costs of the Project, as hereinafter defined.

D. The period of usefulness of the System after completion of the Project is not less than 30 years.

E. It is in the best interests of the Issuer that the Series 2006 B Bonds be sold to the Original Purchaser pursuant to the terms and provisions of a bond purchase agreement or bond purchase agreements to be entered into by and between the Issuer and the Original Purchaser, as shall be approved by supplemental resolution of the Issuer.

F. There are outstanding obligations of the Issuer which will rank on a parity with the Series 2006 B Bonds as to liens, pledge, source of and security for payment, as follows:

(1) Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 B, dated November 18, 1987, issued in the original aggregate principal amount of $413,629 (the "Series 1987 B Bonds");

(2) Combined Waterworks and Sewerage System Revenue Bonds, Series 1988 B-1, dated May 4, 1988, issued in the original aggregate principal amount of $295,916 (the "Series 1988 B-1 Bonds");

(3) Combined Waterworks and Sewerage System Revenue Bonds, Series 1988 B-2, dated May 20, 1988, issued in the original aggregate principal amount of $558,000 (the "Series 1988 B-2 Bonds");

(4) Combined Waterworks and Sewerage System Revenue Bonds, Series 1989 B, dated April 13, 1989, issued in the original aggregate principal amount of $117,480 (the "Series 1989 B Bonds");

(5) Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 1998, dated May 15, 1998, issued in the original aggregate principal amount of $10,355,000 (the "Series 1998 Refunding Bonds");

(6) Combined Waterworks and Sewerage System Design Revenue Bonds, Series 1998 (West Virginia SRF Program), dated September 29, 1998, issued in the original aggregate principal amount of $437,601 (the "Series 1998 Design Bonds");

(7) Combined Waterworks and Sewerage System Revenue Bonds, Series 2000 A (West Virginia SRF Program), dated June 22, 2000, issued in the original aggregate principal amount of $3,163,781 (the "Series 2000 A Bonds");

(8) Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 A (West Virginia Water Development Authority), dated August 22, 2002, issued in the original aggregate principal amount of $1,100,000 (the "Series 2002 A Bonds"); and

(9) Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 B (West Virginia Infrastructure Fund), dated August 22, 2002, issued in the original aggregate principal amount of $3,600,000 (the "Series 2002 B Bonds").

(10) Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 C (Insured), dated December 1, 2002, issued in the original aggregate principal amount of $4,135,000 (the "Series 2002 C Bonds");

(11) Combined Waterworks and Sewerage System Revenue Bonds, Series 2003 A (AMT - Uninsured), dated January 1, 2003, issued in the original aggregate principal amount of $1,000,000 (the "Series 2003 A Bonds");

(12) Combined Waterworks and Sewerage System Revenue Bonds, Series 2005 A (Taxable), dated June 15, 2005, issued in the original aggregate principal amount of $2,355,000 (the "Series 2005 A Bonds"); and

(13) Combined Waterworks and Sewerage System Revenue Bonds, Series 2006 A (Taxable), dated January 19, 2006, issued in the original aggregate principal amount of $1,830,000 (the "Series 2006 A Bonds"); and

The Series 1987 B Bonds, the Series 1988 B-1 Bonds, the Series 1988 B-2 Bonds, the Series 1989 B Bonds, the Series 1998 Refunding Bonds, the Series 1998 Design Bonds, the Series 2000 A Bonds, the Series 2002 A Bonds, the Series 2002 B Bonds, the Series 2002 C Bonds, the Series 2003 A Bonds, the Series 2005 A Bonds and the Series 2006 A Bonds are hereinafter collectively called the "Prior Bonds." The ordinances which authorized the issuance of the Prior Bonds are herein collectively referred to as the "Prior Ordinances."

The Series 2006 B Bonds shall be issued on a parity with one another and with the Prior Bonds, all of which shall have a first lien position with respect to pledge and source of and security for payment and in all other respects. The Issuer has met the coverage requirements for issuance of parity bonds of the Prior Bonds and the Prior Ordinances and has substantially complied with all other parity requirements, except to the extent that noncompliance with any such other parity requirements is not of a material nature.

Prior to the issuance of the Series 2006 B Bonds, the Issuer will obtain (i) the certificate of an Independent Certified Public Accountant stating that the coverage and parity tests of the Prior Bonds are met; and (ii) the written consent of the Holders of the Prior Bonds to the issuance of the Series 2006 B Bonds on a parity with such Bonds if required by the Prior Ordinances.

Other than the Prior Bonds, there are no other outstanding bonds or obligations of the Issuer which are secured by revenues or assets of the System.

G. The Issuer intends to issue the Series 2006 B Bonds and to pledge for payment thereof, from the Gross Revenues of the System, on a parity with one another and on a parity with such pledge in favor of the Holders of the Prior Bonds.

H. 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 repair, maintenance and operation of the System, the payment of interest upon the Series 2006 B Bonds, and the Prior Bonds and to create sinking funds, as hereinafter provided, to pay the principal on the Series 2006 B Bonds, and the Prior Bonds as and when it becomes due and reasonable reserves therefor, to provide an adequate renewal and replacement fund, as hereinafter provided, and to make all other payments provided for in this Ordinance.

I. It is in the best interests of the Issuer, and the residents thereof, that the Issuer issue the Series 2006 B Bonds, and secure the Series 2006 B Bonds by a pledge and assignment of the Gross Revenues derived from the operation of the System, the monies in the Series 2006 B Bonds Reserve Account, unexpended proceeds of the Series 2006 B Bonds and as further set forth herein.

J. The Series 2006 B Bonds and the Certificate of Authentication and Registration to be endorsed thereon are to be in substantially the forms set forth in EXHIBIT A - SERIES 2006 B BOND FORM attached hereto and incorporated herein by reference, with necessary and appropriate variations, omissions and insertions as permitted or required by this Ordinance or a Supplemental Resolution or as deemed necessary by the Registrar or the Issuer.

K. All things necessary to make the Series 2006 B Bonds, when authenticated by the Registrar and issued as in this Ordinance provided, the valid, binding and legal special obligations of the Issuer according to the import thereof, and to validly pledge and assign those funds pledged hereby to the payment of the principal of and interest on the Series 2006 B Bonds, will be timely done and duly performed.

L. The enactment of this Ordinance, the execution and issuance of the Series 2006 B Bonds and the amendment, subject to the terms thereof, will not result in any breach of, or constitute a default under, any instrument to which the Issuer is a party or by which it may be bound or affected.

O. The Issuer has complied with all requirements of West Virginia law relating to authorization of the acquisition, construction and operation of the Project and the System and issuance of the Series 2006 B Bonds, 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 will either have expired prior to the date of issuance of the Series 2006 B Bonds or such final order will not be subject to appeal or rehearing.

Section 1.04. Ordinance Constitutes Contract. In consideration of the acceptance of the Series 2006 B Bonds by those who shall own or hold the same from time to time, this Ordinance shall be deemed to be and shall constitute a contract between the Issuer and such Bondholders, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the legal Holders of any and all of such Bonds, all of which shall be of equal rank and without preference, priority or distinction between any one Bond and any other Bond, by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

ARTICLE II

AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT

Section 2.01. Authorization of Acquisition and Construction of the Project. There is hereby authorized and ordered the acquisition and construction of the Project, at an estimated cost of not more than $2,000,000. The proceeds of the Series 2006 B Bonds hereby authorized shall be applied as provided herein.

ARTICLE III

THE SERIES 2006 B BONDS

Section 3.01. Form and Payment of Bonds. No Series 2006 B Bond shall be issued pursuant to this Ordinance except as provided in this Article III. Any Series 2006 B Bonds issued pursuant to this Ordinance may be issued only as fully registered Series 2006 B Bonds without coupons, in the denomination of $5,000 or any integral multiple thereof for any year of maturity. All Series 2006 B Bonds shall be dated as of the date provided in a Supplemental Resolution applicable to such series. All Series 2006 B Bonds shall bear interest from the interest payment date next preceding the date of authentication or, if authenticated after the Record Date but prior to the applicable interest payment date or on such interest payment date, from such interest payment date or, if no interest on such Series 2006 B Bonds has been paid, from the date thereof; provided however, that, if, as shown by the records of the Registrar, interest on such Series 2006 B Bonds shall be in default, Bonds issued in exchange for Series 2006 B Bonds surrendered for transfer or exchange shall bear interest from the date to which interest has been paid in full on the initial Series 2006 B Bonds surrendered.

The principal of and the premium, if any, on the Series 2006 B Bonds shall be payable in any coin or currency which, on the respective date of such payment, is legal tender for the payment of public and private debts under the laws of the United States of America upon surrender at the principal office of the Paying Agent. Interest on the Series 2006 B Bonds shall be paid by check or draft made payable and mailed to the Holder thereof at his address as it appears in the Bond Register at the close of business on the Record Date, or, if requested, in the case of a Registered Owner of $1,000,000 or more of the Series 2006 B Bonds, by wire transfer to a domestic bank account specified in writing at least 5 days prior to such interest payment date by such Registered Owner.

In the event any Series 2006 B Bond is redeemed in part, such bond shall be surrendered to and canceled by the Registrar, and the Issuer shall execute, and the Registrar shall authenticate and deliver to the Holder thereof, another Series 2006 B Bond in the principal amount of said 2002 C Bond then Outstanding.

Section 3.02. Execution of Bonds. The Series 2006 B Bonds shall be executed in the name of the Issuer by the Mayor and City Manager, by their respective manual or facsimile signatures, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the City Clerk by his or her manual or facsimile signature; provided, that, all such signatures and the seal may be by facsimile. In case any one or more of the officers who shall have signed or sealed any of the Series 2006 B Bonds shall cease to be such officer of the Issuer before the Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such

office. Any Series 2006 B 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 3.03. Authentication and Registration. No Series 2006 B 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 and Registration on such Series 2006 B Bond, substantially in the form set forth in EXHIBIT A - SERIES 2006 B BOND FORM attached hereto and incorporated herein by reference with respect to the Series 2006 B Bonds, shall have been duly manually executed by the Registrar. Any such manually executed Certificate of Authentication and Registration upon any such Series 2006 B Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Ordinance. The Certificate of Authentication and Registration on any Series 2006 B Bond shall be deemed to have been executed by the Registrar if signed by an authorized officer of the Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Series 2006 B Bonds issued hereunder.

Section 3.04. Negotiability and Registration. Subject to the requirements for transfer set forth below, the Series 2006 B Bonds shall be, and have all of the qualities and incidents of, negotiable instruments under the Uniform Commercial Code of the State, and each successive Holder, in accepting any of said Bonds, shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State, and each successive Holder shall further be conclusively deemed to have agreed that said Bonds shall be incontestable in the hands of a bona fide holder for value.

So long as any of the Series 2006 B Bonds remains Outstanding, the Registrar shall keep and maintain books for the registration and transfer of the Series 2006 B Bonds. The Series 2006 B Bonds shall be transferable only by transfer of registration upon the Bond Register by the registered owner thereof in person or by his attorney or legal representative duly authorized in writing, upon surrender thereof, together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or such duly authorized attorney or legal representative. Upon transfer of a Series 2006 B Bond, there shall be issued at the option of the Holder or the transferee another Bond or Bonds of the aggregate principal amount equal to the unpaid amount of the transferred Bond and of the same series, interest rate and maturity of said transferred Bond.

Upon surrender thereof at the office of the Registrar with a written instrument of transfer satisfactory to the Registrar and duly executed by the registered owner or his attorney or legal representative duly authorized in writing, Series 2006 B Bonds may at the option of the Holder thereof be exchanged for an equal aggregate principal amount of Bonds of the same series, maturity and interest rate, in any authorized denominations.

In all cases in which the privilege of transferring or exchanging a Series 2006 B Bond is exercised, Bonds shall be delivered in accordance with the provisions of this Ordinance. All Series 2006 B Bonds surrendered in any such transfer or exchange shall forthwith be canceled by the Registrar. Transfers of Series 2006 B Bonds, the initial exchange of Bonds and exchanges of Bonds in the event of partial redemption of fully registered Bonds shall be made by the Registrar without charge to the Holder or the transferee thereof, except as provided below. For other exchanges of Series 2006 B Bonds, the Registrar may impose a service charge. For every such transfer or exchange of Series 2006 B Bonds, the Registrar may make a charge sufficient to reimburse its office for any tax or other governmental charge required to be paid with respect to such transfer or exchange, and such tax or governmental charge, and such service charge for exchange other than the initial exchange or in the event of partial redemption, shall be paid by the person requesting such transfer or exchange as a condition precedent to the exercise of the privilege of making such transfer or exchange. The Registrar shall not be obliged to make any such transfer or exchange of Series 2006 B Bonds that have been called for redemption.

Section 3.05. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Series 2006 B Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may execute, in its discretion, and the Registrar shall authenticate, register and deliver any new Bond of like series, maturity and principal amount as the Bond, so mutilated, destroyed, stolen or lost, in exchange and upon surrender and cancellation of, such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing the Issuer and the Registrar proof of his ownership thereof and that said Bond has been destroyed, stolen or lost and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer or the Registrar may prescribe and paying such expenses as the Issuer or the Registrar may incur. The name of the Bondholder listed in the Bond Register shall constitute proof of ownership. All Series 2006 B Bonds so surrendered shall be submitted to and canceled by the Registrar, and evidence of such cancellation shall be given to the Issuer. If such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer, by and through the Registrar, may pay the same, upon being indemnified as aforesaid, and, if such Bond be lost, stolen or destroyed, without surrender therefor.

Any such duplicate Bonds issued pursuant to this section shall constitute original, additional contractual obligations on the part of the Issuer, whether or not the lost, stolen or destroyed Bonds be at any time found by any one, and such duplicate Bonds shall be entitled to equal and proportionate benefits and rights as to lien and source of and security for payment from the Revenues pledged herein with all other Bonds issued hereunder.

Section 3.06. Term Bonds. In the event Term Bonds are issued as part of the Series 2006 B Bonds pursuant to this Ordinance, the following provisions shall apply:

1. The amounts to be deposited, apportioned and set apart by the Issuer from the Revenue Fund and into the Series 2006 B Bonds Redemption Account in accordance

with Subsection 4.03(A)(1) shall include (after credit as provided below) on the first of each month, beginning on the first day of that month which is 12 months prior to the first mandatory redemption date of said Term Bonds, a sum equal to 1/12th of the amount (or, if the Series 2006 B Bonds mature semiannually rather than annually, that month which is 6 months prior to the first mandatory redemption date of said Term Bonds, a sum equal to 1/6th of the amount) required to redeem the principal amount of such Term Bonds which are to be redeemed as of the next ensuing mandatory Redemption Date, which amounts and dates, if any, with respect to a series of Bonds shall be set forth in the Supplemental Resolution relating thereto.

2. At its option, to be exercised on or before the 60th day next preceding any such mandatory Redemption Date, the Issuer may (a) deliver to the Registrar for cancellation such Term Bonds in any aggregate principal amount desired or (b) receive a credit in respect of its mandatory redemption obligation for any such Term Bonds which prior to said date have been redeemed (otherwise than pursuant to this section) and canceled by the Registrar and not theretofore applied as a credit against any such mandatory redemption obligation. Each Term Bond so delivered or previously redeemed shall be credited by the Registrar at 100% of the principal amount thereof against the obligation of the Issuer on such mandatory Redemption Date, and Term Bonds delivered in excess of such mandatory redemption obligation shall be credited against future mandatory redemption obligations in the order directed by the Issuer, and the principal amount of such Term Bonds to be redeemed pursuant to mandatory sinking fund redemption shall be accordingly reduced.

3. The Issuer shall on or before the 60th day next preceding each mandatory Redemption Date furnish the Registrar and the Bond Commission with its certificate indicating whether and to what extent the provisions of (a) and (b) of the preceding paragraph are to be utilized with respect to such mandatory redemption payment and stating, in the case of the credit provided for in (b) of the preceding paragraph, that such credit has not theretofore been applied against any mandatory redemption obligation.

4. After said 60th day but prior to the date on which the Registrar selects the Term Bonds to be redeemed, the Bond Commission may use the monies in the Series 2006 B Bonds Redemption Account to purchase Term Bonds at a price less than the par value thereof and accrued interest thereon. The Bond Commission shall advise the Issuer and the Registrar of any Term Bonds so purchased, and they shall be credited by the Registrar at 100% of the principal amount thereof against the obligation of the Issuer on such mandatory Redemption Date, and any excess shall be credited against future mandatory redemption obligations in the order directed by the Issuer, and the principal amount of such Term Bonds to be redeemed pursuant to mandatory sinking fund redemption shall be accordingly reduced.

5. The Registrar shall call for redemption, in the manner provided herein, an aggregate principal amount of such Term Bonds, at the principal amount thereof plus interest accrued to the Redemption Date (interest to be paid from the Series 2006 B Bonds Sinking Fund), as will exhaust as nearly as practicable such Series 2006 B Bonds Redemption Account payment designated to be made in accordance with paragraph (A)(1) of this section.

Such redemption shall be by random selection made on the 45th day preceding the mandatory Redemption Date, in such manner as may be determined by the Registrar. For purposes of this section, "Term Bonds" shall include any portion of a fully registered Term Bond, in integrals of $5,000.

Section 3.07. Notice of Redemption. Unless waived by any Holder of the Series 2006 B Bonds to be redeemed, official notice of any redemption shall be given by the Registrar on behalf of the Issuer by mailing a copy of an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the applicable Bond Insurer, the Original Purchaser, and the registered owner of the Series 2006 B Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such registered owner to the Bond Registrar.

So long as DTC (as CEDE & CO.) is the registered Owner of the Series 2006 B Bonds, the Registrar shall send all notices of redemption to DTC and shall verify that DTC has received notice. Copies of all redemption notices shall also be sent to registered securities depositories, nationally recognized municipal securities information repositories and to *Standard & Poor's Called Bond Record.*

All official notices of redemption shall be dated and shall state:

(1) The Redemption Date,

(2) The Redemption Price,

(3) If less than all Outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed,

(4) That on the Redemption Date the Redemption Price and interest accrued will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date,

(5) The place where such Bonds are to be surrendered for payment of the Redemption Price, which place of payment shall be the principal office of the Registrar, and

(6) Such other information, if any, as shall be required for DTC-Eligible Bonds.

If funds sufficient to redeem all Series 2006 B Bonds called for optional redemption have not been deposited with the Paying Agent at the time of mailing any notice of optional redemption, such notice shall also state that such optional redemption is subject

to the deposit of such monies with the Paying Agent on or before the Redemption Date. If such monies are not so deposited, the Registrar shall notify all holders of Series 2006 B Bonds called for redemption of such fact.

Official notice of redemption having been given as aforesaid, the Series 2006 B Bonds, or portions of Bonds so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Issuer shall default in the payment of the Redemption Price) such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Series 2006 B for redemption in accordance with said notice, such Bonds shall be paid by the Registrar at the Redemption Price. Installments of interest due on or prior to the Redemption Date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Bond, there shall be prepared for the registered owner a new Bond or Bonds of the same maturity in the amount of the unpaid principal of such Bond. All Series 2006 B Bonds which have been redeemed shall be canceled and destroyed by the Bond Registrar and shall not be reissued.

Failure to receive such notice or any defect therein or in the mailing thereof shall not affect the validity of proceedings for the redemption of Series 2006 B Bonds, and failure to mail such notice shall not affect the validity of proceedings for the redemption of any portion of Bonds for which there was no such failure.

Section 3.08. Persons Treated as Owners. The Issuer, the Registrar and any agent of the Issuer or the Registrar may treat the person in whose name any Bond is registered as the owner of such Bond for the purpose of receiving payment of the principal of, and interest on, such Bond and (except as provided in Section 6.18) for all other purposes, whether or not such Bond is overdue.

Section 3.09. Temporary Bonds. Until Bonds of any series in definitive form are ready for delivery, the Issuer may execute and the Registrar shall authenticate, register, if applicable, and deliver, subject to the same provisions, limitations and conditions set forth in this Article III, one or more printed, lithographed or typewritten Bonds in temporary form, substantially in the form of the definitive Bonds of such series, with appropriate omissions, variations and insertions, and in authorized denominations. Until exchanged for Bonds in definitive form, such Bonds in temporary form shall be entitled to the lien and benefit created under this Ordinance. Upon the presentation and surrender of any Bond or Bonds in temporary form, the Issuer shall, without unreasonable delay, prepare, execute and deliver to the Registrar, and the Registrar shall authenticate, register, if applicable, and deliver, in exchange therefor, a Bond or Bonds in definitive form. Such exchange shall be made by the Registrar without making any charge therefor to the Holder of such Bond in temporary form.

Section 3.10. Series 2006 B Bonds. For the purposes of paying costs of acquisition and construction of improvements and betterments to the System, partially funding the Series 2006 B Bonds Reserve Account and paying costs in connection therewith, there shall be issued the Series 2006 B Bonds of the Issuer, in an aggregate principal amount

of not more than $2,000,000. Said Series 2006 B Bonds shall be designated "Combined Waterworks and Sewerage System Revenue Bonds, Series 2006 B," or such other designation as may be appropriate for the year and sequence of the issue, as may be set forth in a Supplemental Resolution, and shall be issued in fully registered form, in the denomination of $5,000 or any integral multiple thereof for any period of maturity, not exceeding the aggregate principal amount of Series 2006 B Bonds maturing in the period of maturity for which the denomination is to be specified. The Series 2006 B Bonds shall be numbered from BR-1 consecutively upward. The Series 2006 B Bonds shall be dated; shall be in such aggregate principal amount (not to exceed $2,000,000); shall bear interest at such rate or rates, not exceeding the then legally permissible rate (not to exceed 9%), payable semiannually on such dates; shall mature on such dates (which may be annual or semi-annual) (not to exceed 35 years) and in such amounts; shall be subject to such mandatory and optional redemption provisions; and shall have such other terms, all as the Issuer shall prescribe herein and in the Supplemental Resolution.

Section 3.11. Book Entry System for Series 2006 B Bonds.

A. The Series 2006 B Bonds shall each initially be issued in the form of one fully-registered bond for the aggregate principal amount of the Series 2006 B Bonds of each maturity, registered in the name of CEDE & CO., as nominee of DTC. Except as provided in paragraph E below, all of the Series 2006 B Bonds shall be registered in the registration books kept by the Registrar in the name of CEDE & CO., as nominee of DTC; provided that if DTC shall request that the Series 2006 B Bonds be registered in the name of a different nominee, the Registrar shall exchange all or any portion of the Series 2006 B Bonds registered in the name of such nominee or nominees. No person other than DTC or its nominee shall be entitled to receive from the Issuer or the Registrar either a Series 2006 B Bond or any other evidence of ownership of the Series 2006 B Bonds, or any right to receive any payment in respect thereof unless DTC or its nominee shall transfer record ownership of all or any portion of the Series 2006 B Bonds on the registration books maintained by the Registrar, in connection with discontinuing the book entry system as provided in paragraph E below.

B. At or prior to settlement for the Series 2006 B Bonds, the Issuer and the Registrar shall execute or signify their approval of a representation letter addressed to DTC in a form satisfactory to DTC (the "Representation Letter"). Any successor Registrar shall, in its written acceptance of its duties under this Ordinance, agree to take any actions necessary from time to time to comply with the requirements of the Representation Letter.

C. So long as the Series 2006 B Bonds or any portion thereof are registered in the name of DTC or any nominee thereof, all payments of the principal or Redemption Price of or interest on such Series 2006 B Bonds shall be made to DTC or its nominee at the addresses set forth in the Representation Letter in New York Clearing House or equivalent next day funds on the dates provided for such payments to be made to any Bondholder under this Ordinance. Each such payment to DTC or its nominee shall be valid and effective to fully discharge all liability of the Issuer and the Registrar with respect to the principal or

Redemption Price of or interest on the Series 2006 B Bonds to the extent of the sum or sums so paid. In the event of the redemption of less than all of the Series 2006 B Bonds Outstanding of any maturity, the Registrar shall not require surrender by DTC of the Series 2006 B Bonds so redeemed, but DTC may retain such Series 2006 B Bonds and make an appropriate notation on the Series 2006 B Bonds certificate as to the amount of such partial redemption; provided that DTC shall deliver to the Registrar, upon request, a written confirmation of such partial redemption. The records maintained by the Registrar shall be conclusive as to the amount of the Series 2006 B Bonds of such maturity which have been redeemed.

D. The Issuer, the Paying Agent and the Registrar may treat DTC as the sole and exclusive owner of the Series 2006 B Bonds registered in its name or the name of its nominee for the purposes of payment of the principal or Redemption Price of or interest on the Series 2006 B Bonds, selecting the Series 2006 B Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Bondholders under this Ordinance, registering the transfer of Series 2006 B Bonds, obtaining any consent or other action to be taken by Bondholders and for all other purposes whatsoever; and neither the Issuer nor the Registrar shall be affected by any notice to the contrary. Neither the Issuer nor the Registrar shall have any responsibility or obligation to any direct or indirect participant in DTC, any person claiming a beneficial ownership interest in the Series 2006 B Bonds under or through DTC or any such participant, or any other person which is not shown on the registration books of the Registrar as being a Bondholder with respect to (i) the Series 2006 B Bonds, (ii) the accuracy of any records maintained by DTC or any such participant, (iii) the payment by DTC or any such participant of any amount in respect of the principal or Redemption Price of or interest on the Series 2006 B Bonds, (iv) any notice which is permitted or required to be given to Bondholders under this Ordinance, (v) the selection by DTC or any such participant of any person to receive payment in the event of a partial redemption of the Series 2006 B Bonds, or (vi) any consent given or other action taken by DTC as Bondholder.

E. The book entry system for registration of the ownership of the Series 2006 B Bonds may be discontinued at any time if either: (i) DTC determines to resign as securities depository for the Series 2006 B Bonds; or (ii) the Issuer determines that continuation of the system of book entry transfers through DTC (or through a successor securities depository) is not in the best interest of the beneficial owners of the Series 2006 B Bonds. In either of such events (unless in the case described in clause (iii) above, the Issuer appoints a successor securities depository), the Series 2006 B Bonds shall be delivered in registered certificate form to such persons, and in such maturities and principal amounts, as may be designated by DTC, but without any liability on the part of the Issuer or the Registrar for the accuracy of such designation. Whenever DTC requests the Issuer and the Registrar to do so, the Issuer and the Registrar shall cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of certificates evidencing the Series 2006 B Bonds.

Section 3.13. Delivery of Series 2006 B Bonds. The Issuer shall execute and deliver the Series 2006 B Bonds to the Registrar, and the Registrar shall authenticate, register and deliver the Series 2006 B Bonds to the Original Purchaser upon receipt of the documents set forth below:

(1) If not registered in the name of DTC or its nominee, a list of the names in which the Series 2006 B Bonds are to be registered upon original issuance, together with such taxpayer identification and other information as the Registrar may reasonably require;

(2) A request and authorization to the Registrar on behalf of the Issuer, signed by an Authorized Officer, to authenticate and deliver the Series 2006 B Bonds to DTC for the benefit of the Original Purchaser;

(3) Copies, certified by the City Clerk, of this Ordinance and the Supplemental Resolution;

(4) The unqualified approving opinion upon the Series 2006 B Bonds by Bond Counsel; and

(5) Such other opinions, certificates and documents as shall be reasonably requested by the Original Purchaser.

Section 3.14. Form of Series 2006 B Bonds. The definitive Series 2006 B Bonds shall be in substantially the form set forth in EXHIBIT A - SERIES 2006 B BOND FORM attached hereto and incorporated herein by reference, with such necessary and appropriate omissions, insertions and variations as are approved by those officers executing such Series 2006 B Bonds on behalf of the Issuer and execution thereof by such officers shall constitute conclusive evidence of such approval, and the definitive Series 2006 B Bonds shall have the form of the opinion of Steptoe & Johnson PLLC, as Bond Counsel, attached thereto or printed on the reverse thereof.

Section 3.15. Disposition of Proceeds of Series 2006 B Bonds. Upon the issuance and delivery of the Series 2006 B Bonds, the Issuer shall forthwith deposit the proceeds thereof as follows:

1. All interest accrued on the Series 2006 B Bonds from the date thereof to the date of delivery thereof shall be deposited in the Series 2006 B Bonds Sinking Fund and applied to payment of interest on the Series 2006 B Bonds at the first interest payment date, if any.

2. An amount of the proceeds of the Series 2006 B Bonds equal to the amount, if any, set forth in the Supplemental Resolution shall be remitted to the Bond Commission for deposit in the Series 2006 B Bonds Reserve Account, provided that, to the extent the Series 2006 B Bonds Reserve Requirement is satisfied in whole or in part from a

reserve account letter of credit, surety bond or other credit facility, proceeds of the Series 2006 B Bonds shall be deposited in the Series 2006 B Bonds Reserve Account only to the extent needed to satisfy the balance of the Series 2006 B Bonds Reserve Requirement.

3. The amount of Series 2006 B Bond proceeds which, together with other monies or securities deposited therein shall be equal to the Costs of Issuance of the Series 2006 B Bonds shall be deposited with the Depository Bank in the Series 2006 B Bonds Costs of Issuance Fund and shall be drawn out, used and applied by the Issuer solely to pay costs of issuance of the Series 2006 B Bonds at the written direction of the Issuer. Monies not to be applied immediately to pay such costs of issuance may be invested in accordance with this Ordinance, subject however, to applicable yield restrictions as may be in effect under the Code. If for any reason such proceeds, or any part thereof, are not necessary for, or are not applied to such purpose within 120 days following the Closing Date for the Series 2006 B Bonds, such unapplied proceeds shall be transferred by the Issuer to the Series 2006 B Bonds Sinking Fund established in Section 4.01 hereof and applied to the next ensuing payment of interest on the Series 2006 B Bonds. All such proceeds shall constitute a trust fund for such purposes, and there hereby is created a lien upon such monies until so applied in favor of the Holders of the Series 2006 B Bonds from which such proceeds are derived.

4. The balance of Series 2006 B Bonds proceeds, if any, shall be deposited in the Series 2006 B Bonds Acquisition and Construction Fund and disbursed as provided in Section 3.16(A) hereof.

Section 3.16. Disbursements from the Construction Fund.

A. Disbursements from the Series 2006 B Bonds Construction Fund, except for payment of Costs of Issuance of the Series 2006 B Bonds in excess of the monies available in the Costs of Issuance Fund which shall be made upon request of the Issuer, shall be made only for design, acquisition and construction of improvements, repairs and replacements for the System, including all necessary engineering and other professional services relating thereto. Pending such application, monies in the Series 2006 B Bonds Construction Fund, including any accounts therein, shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

ARTICLE IV

SYSTEM REVENUES; FUNDS AND ACCOUNTS

Section 4.01. Establishment of Funds and Accounts with Depository Bank. Pursuant to this Article IV, the following special funds are created with, and shall be held by, the Depository Bank, segregated from all other funds and accounts of the Depository Bank or the Issuer and from each other (except as set forth in this Section 4.01), and used solely for the purposes provided herein:

(1) Revenue Fund;

(2) Renewal and Replacement Fund;

(3) Series 2006 B Bonds Costs of Issuance Fund;

(4) Series 2006 B Bonds Construction Fund; and

(5) Rebate Fund.

Section 4.02. Establishment of Funds and Accounts with Bond Commission. Pursuant to this Article IV, the following special fund and accounts are hereby established with and shall be held by the Bond Commission:

(1) Series 2006 B Bonds Reserve Account; and

(2) Series 2006 B Bonds Redemption Account;

Section 4.03. System Revenues and Application Thereof. So long as any of the Series 2006 B Bonds shall be Outstanding and unpaid, the Issuer covenants as follows:

A. The entire Gross Revenues derived from the operation of the System and all parts thereof shall be deposited by the Issuer in the Revenue Fund. The Revenue Fund shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner herein provided. All Revenues at any time remaining on deposit in the Revenue Fund shall be disposed of only in the following manner and order of priority:

(1) The Issuer shall first, from the monies in the Revenue Fund, on the first day of each month, simultaneously remit to the Commission (i) the amounts required by the Prior Ordinances to be deposited in the Prior Bonds Sinking Funds for payment of interest on the Prior Bonds; and (ii) beginning on the first day of that month which is 6 months prior to the first interest payment date on the Series 2006 B Bonds, apportion and set apart out of the Revenue Fund and deposit in the Series 2006 B Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on said Series 2006 B Bonds on the next ensuing semiannual interest payment date, provided,

that in the event the period to elapse between the date of such initial deposit in the Series 2006 B Bonds Sinking Fund and the next ensuing semiannual interest payment date is less than or greater than 6 months, then such monthly payments shall be increased or decreased proportionately to provide, 1 month prior to the next ensuing semiannual interest payment date, the required amount of interest coming due on such date, and provided further, that the initial amount required to be transferred from the Revenue Fund and deposited in the Series 2006 B Bonds Sinking Fund shall be reduced by the amount of accrued interest on the Series 2006 B Bonds deposited therein, if any, and subsequent amounts required to be transferred from the Revenue Fund and deposited in the Series 2006 B Bonds Sinking Fund shall be reduced by the amount of any earnings credited to the Series 2006 B Bonds Sinking Fund.

(2) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and, simultaneously remit to the Commission (i) the amounts required by the Prior Ordinances to be deposited in the Prior Bonds Sinking Funds for payment of principal on the Prior Bonds; and (ii) for deposit in the Series 2006 B Bonds Sinking Fund (and in the Series 2006 B Bonds Redemption Account therein in the case of Term Bonds which are to be redeemed) on the first day of each month, beginning on the first day of that month which is 12 months prior to the first principal payment or mandatory Redemption Date of the Series 2006 B Bonds, a sum equal to 1/12th of the amount (or 1/6th of the amount if the Series 2006 B Bonds mature semiannually rather than annually) of principal which will mature or be redeemed and become due on the Series 2006 B Bonds on the next ensuing principal payment or mandatory Redemption Date, provided, that in the event the period to elapse between the date of such initial deposit in the Series 2006 B Bonds Sinking Fund and the next ensuing principal payment or mandatory Redemption Date is less than or greater than 12 months (or 6 months if the Series 2006 B Bonds mature semiannually rather than annually), then such monthly payments shall be increased or decreased proportionately to provide, one month prior to the next ensuing principal payment date or mandatory Redemption Date, the required amount of principal coming due on such date, and provided further, that the amount of such deposits shall be reduced by the amount of any earnings credited to the Series 2006 B Bonds Sinking Fund and not previously credited pursuant to the preceding paragraph.

(3) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and, simultaneously remit to the Commission (i) the amounts required by the Prior Ordinances to be deposited in the Prior Bonds Reserve Accounts for the Prior Bonds; and (ii) commencing 13 months prior to the first date of payment of principal of the Series 2006 B Bonds or upon completion of construction of the Project, whichever is earlier, if not fully funded upon issuance of the Series 2006 B Bonds, for deposit in the Series 2006 B Bonds Reserve Account, an amount equal to 1/120th of the

Series 2006 B Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2006 B Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2006 B Bonds Reserve Requirement; provided further, that if the amounts in the Series 2006 B Bonds Reserve Account, as a result of a decrease in value of the Series 2006 B Bonds Reserve Account below the Series 2006 B Reserve Account Requirement or any withdrawal from the Series 2006 B Bonds Reserve Account, the Issuer shall apply such monies for deposit into the Series 2006 B Bonds Reserve Act, beginning with the first full calendar month following the date on which (i) the valuation of investments in the Series 2006 B Bonds Reserve Account results in a determination that the amount of monies and the value of the Qualified Investments deposited to the credit of the Series 2006 B Bonds Reserve Account is less than the Series 2006 B Reserve Account Requirement.

Amounts in the Series 2006 B Bonds Reserve Account shall be used only for the purpose of making payments of principal of and interest on the Series 2006 B Bonds when due, when amounts in the Series 2006 B Bonds Sinking Fund are insufficient therefor and for no other purpose.

(4) Thereafter from the monies remaining in the Revenue Fund, the Issuer shall next, each month, transfer from the Revenue Fund an amount sufficient to pay current Operating Expenses of the System.

(5) The Issuer shall next, on the first day of each month, transfer from the monies remaining in the Revenue Fund and remit to the Depository Bank for deposit in the Renewal and Replacement Fund (as previously set forth in the Prior Ordinances and not in addition thereto), a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any Reserve Account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII hereof. Subject to the restrictions contained in the Prior Ordinances, so long as the Prior Bonds are outstanding, withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency repairs, or improvements or extensions to the System; provided, that any deficiency in any Reserve Account, except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof, shall be promptly eliminated with monies from the Renewal and Replacement Fund.

(6) Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinabove provided, are current and there remains in the Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into such funds during

the following month or such other period as required by the Act, such excess shall be considered as surplus revenues (the "Surplus Revenues"). Surplus Revenues may be used for any lawful purpose of the System.

B. The Bond Commission is hereby designated as the fiscal agent for the administration of the Series 2006 B Bonds Sinking Fund created hereunder, and all amounts required for said Sinking Fund shall be remitted to the Bond Commission from said Revenue Fund and from the proceeds of the sale of the Series 2006 B Bonds, by the Issuer at the times and as otherwise provided herein. All remittances made by the Issuer to the Bond Commission shall clearly identify the fund or account into which each amount is to be deposited.

C. The monies on deposit in the Revenue Fund and the Renewal and Replacement Fund in excess of the sum insured by the FDIC shall at all times be secured, to the full extent thereof in excess of such insured sum, by Government Obligations or by other Qualified Investments as shall be eligible as security for deposits of municipal funds under the laws of the State.

D. Principal, interest or reserve payments, whether for a deficiency or otherwise, shall be made on a parity and pro rata, with respect to the Prior Bonds, the Series 2006 B Bonds, all in accordance with the respective principal amounts then Outstanding.

ARTICLE V

INVESTMENTS; NON-ARBITRAGE; REBATES OF EXCESS INVESTMENT EARNINGS

Section 5.01. Investments. The Issuer shall invest and reinvest, and shall instruct the Bond Commission and the Depository Bank to invest and reinvest, any monies held as a part of the funds and accounts created by this Ordinance in Qualified Investments to the fullest extent possible under applicable laws, this Ordinance, the need for such monies for the purposes set forth herein and the specific restrictions and provisions set forth in this section.

Except as provided below, any investment shall be held in and at all times deemed a part of the fund or account in which such monies were originally held, and the interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. The Issuer shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in any fund or account is insufficient to make the payments required from such fund or account, regardless of the loss on such liquidation. The Issuer may make any and all investments permitted by this section through the bond department of the Depository Bank. The Depository Bank shall not be responsible for any losses from such investments, other than for its own negligence or willful misconduct.

The following specific provisions shall apply with respect to any investments made under this section (unless otherwise required by the Bond Insurer and as set forth in the Supplemental Resolution):

(A) Qualified Investments acquired for the Series 2006 B Bonds Reserve Account shall mature or be subject to retirement at the option of the holder within not more than 5 years from the date of such investment.

(B) The Issuer shall, or shall cause the Bond Commission to, annually transfer from the Series 2006 B Bonds Reserve Account to the Sinking Fund any earnings on the monies deposited therein and any other funds in excess of the Series 2006 B Bonds Reserve Requirement, provided, however, that there shall at all times remain on deposit in the Series 2006 B Bonds Reserve Account an amount at least equal to the Series 2006 B Bonds Reserve Requirement.

(C) In computing the amount in any fund or account, Qualified Investments shall be valued at the lower of the cost or the market price, exclusive of accrued interest. Valuation of all funds and accounts shall occur annually, except in the event of a withdrawal from the Series 2006 B Bonds Reserve Account, whereupon it shall be valued immediately after such

withdrawal. If amounts on deposit in the Series 2006 B Bonds Reserve Account shall, at any time, be less than the applicable Series 2006 B Bonds Reserve Requirement, the applicable Bond Insurer shall be notified immediately of such deficiency, and such deficiency shall be made up from the first available Gross Revenues after required deposits to the Sinking Fund and otherwise in accordance with Section 4.03(3).

(D) All amounts representing accrued interest, if any, shall be held by the Bond Commission, pledged solely to the payment of interest on the Series 2006 B Bonds, and invested only in Government Obligations maturing at such times and in such amounts as are necessary to match the interest payments to which they are pledged.

(E) Notwithstanding the foregoing, all monies deposited in the Series 2006 B Bonds Sinking Fund may be invested by the Bond Commission in the West Virginia "consolidated fund" managed by the West Virginia Board of Treasury Investments pursuant to Chapter 12, Article 6(c) of the Code of West Virginia, 1931, as amended.

Section 5.02. Arbitrage. The Issuer covenants that (i) it will restrict the use of the proceeds of the Series 2006 B Bonds in such manner and to such extent as may be necessary, so that such the Series 2006 B Bonds will not constitute "arbitrage bonds" under Section 148 of the Code and Regulations prescribed thereunder, and (ii) it will take all actions that may be required of it (including, without implied limitation, the timely filing of Federal information returns with respect to the Series 2006 B Bonds) so that the interest on the Series 2006 B Bonds will be and remain excluded from gross income for Federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 5.03. Tax Certificate and Rebate. A. The Issuer shall deliver a certificate of arbitrage, a tax certificate or other similar certificate to be prepared by nationally recognized bond counsel or tax counsel relating to payment of arbitrage rebate and other tax matters as a condition to issuance of the Series 2006 B Bonds. In addition, the Issuer covenants to comply with all Regulations from time to time in effect and applicable to the Series 2006 B Bonds as may be necessary in order to fully comply with Section 148(f) of the Code, and covenants to take such actions, and refrain from taking such actions, as may be necessary to fully comply with such Section 148(f) of the Code and such Regulations, regardless of whether such actions may be contrary to any of the provisions of this Ordinance.

B. The Issuer shall calculate, annually, the rebatable arbitrage, determined in accordance with Section 148(f) of the Code for the Series 2006 B Bonds. Upon completion of each such annual calculation, the Issuer shall deposit, or cause to be deposited, in the Rebate Fund such sums as are necessary to cause the aggregate amount on deposit in the Rebate Fund to equal the sum determined to be subject to rebate to the United States, which, notwithstanding anything herein to the contrary, shall be paid from investment earnings on the underlying fund or account established hereunder and on which such rebatable arbitrage

was earned or from other lawfully available sources. Notwithstanding anything herein to the contrary, the Rebate Fund shall be held free and clear of any lien or pledge hereunder and used only for payment of rebatable arbitrage to the United States. The Issuer shall pay, or cause to be paid, to the United States, from the Rebate Fund or from the Gross Revenues in the event that the Rebate Fund is insufficient therefor, the rebatable arbitrage in accordance with Section 148(f) of the Code and such Regulations. In the event that there are any amounts remaining in the Rebate Fund following all such payments required by the preceding sentence, the Depository Bank shall pay said amounts to the Issuer to be used for any lawful purpose of the System. The Issuer shall remit payments to the United States at the time and the address prescribed by the Regulations as the same may be in time to time in effect with such reports and statements as may be prescribed by such Regulations. In the event that, for any reason, amounts in the Rebate Fund are insufficient to make the payments to the United States which are required, the Issuer shall assure that such payments are made by the Issuer to the United States, on a timely basis, from any funds lawfully available therefor. The Issuer at its expense, may provide for the employment of independent attorneys, accountants or consultants compensated on such reasonable basis as the Issuer may deem appropriate in order to assure compliance with this Section 5.03. The Issuer shall keep and retain, or cause to be kept and retained, records of the determinations made pursuant to this Section 5.03 in accordance with the requirements of Section 148(f) of the Code and such Regulations. In the event the Issuer fails to make such rebates as required, the Issuer shall pay the required rebate amounts, and any and all penalties and other amounts, from lawfully available sources, and obtain a waiver from the Internal Revenue Service, if necessary, in order to maintain the exclusion of interest on the Series 2006 B Bonds from gross income for federal income tax purposes.

Section 5.04. Continuing Disclosure Agreement The Issuer shall deliver a continuing disclosure agreement or certificate in form acceptable to the Original Purchaser sufficient to ensure compliance with SEC Rule 15c2-12, as it may be amended from time to time, and the Issuer hereby instructs the Mayor and City Manager to take all actions necessary for the Issuer to comply with the continuing disclosure agreement.

ARTICLE VI

ADDITIONAL COVENANTS OF THE ISSUER

Section 6.01. Covenants Binding and Irrevocable. All the covenants, agreements and provisions of this Ordinance shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Series 2006 B Bonds, as prescribed by Article VII. In addition to the other covenants, agreements and provisions of this Ordinance, the Issuer hereby covenants and agrees with the Holders of the Series 2006 B Bonds, as hereinafter provided in this Article VI. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of the Series 2006 B Bonds or the interest thereon, are Outstanding and unpaid.

Section 6.02. Bonds not to be Indebtedness of the Issuer. The Series 2006 B Bonds shall not be or constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness but shall be payable solely from the Gross Revenues of the System, the monies in the Series 2006 B Bonds Sinking Fund and all accounts therein, the unexpended proceeds of the Series 2006 B Bonds or monies in a construction fund, if any, all as herein provided. No Holder or Holders of any Series 2006 B Bonds issued hereunder shall ever have the right to compel the exercise of the taxing power of the Issuer to pay said Series 2006 B Bonds or the interest thereon.

Section 6.03. Bonds Secured by Pledge of Gross Revenues and Monies in Sinking Fund. The payment of the debt service of all of the Series 2006 B Bonds issued hereunder shall be secured forthwith equally and ratably by a first lien on the Gross Revenues derived from the operation of the System on a parity with one another and with the lien on the Gross Revenues in favor of the Holders of the Prior Bonds and, in the instance of the Series 2006 B Bonds, all monies and securities in the Series 2006 B Sinking Fund, including the Series 2006 B Bonds Reserve Account therein, to the extent necessary to make the payments required under Section 4.03. The Gross Revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Prior Bonds and the Series 2006 B Bonds herein authorized, and to make the payments into the Series 2006 B Bonds Sinking Fund, all monies and securities in the Series 2006 B Bonds Sinking Fund, including the Series 2006 B Bonds Reserve Account therein, and all other payments provided for in this Ordinance, are hereby irrevocably pledged in the manner provided in this Ordinance to the payment of the principal of and interest on the Prior Bonds and the Series 2006 B Bonds herein authorized as the same become due and for the other purposes provided in this Ordinance.

Section 6.04. Rates. Equitable rates or charges for the use of and service rendered by the System have been established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the City Clerk, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from the System

sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the Series 2006 B Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Series 2006 B Bonds, including the Prior Bonds.

The Issuer hereby covenants to commence enactment of such ordinance or ordinances as shall be required to increase the rates and charges for the services and facilities of the System within 30 days following a determination of the Independent Accountant that less than the above-required coverage exists or in the event that the annual audit report shows less than the above-required coverage, such increase to provide rates and charges sufficient to produce such required coverage.

Section 6.05. Completion of Project; Operation and Maintenance. The Issuer will complete the Project as promptly as possible. The Issuer will maintain the System in good condition and will operate the same as a revenue-producing enterprise in an efficient and economical manner, making such expenditures for equipment and for renewal, repair and replacement as may be proper for the economical operation and maintenance thereof from the Revenues of said System in the manner provided in this Ordinance.

The Issuer will obtain all permits required by state and federal laws for the acquisition and construction of the Project and all orders and approvals from the Public Service Commission of West Virginia necessary for the acquisition and construction of the Project and the operation of the System.

Section 6.06. Sale of the System . So long as the Prior Bonds are Outstanding, the Issuer shall not sell, mortgage, lease or otherwise dispose of the System, except as provided by the Prior Ordinances. Additionally, so long as the Series 2006 B Bonds are Outstanding, the System may be sold, mortgaged, leased or otherwise disposed of only as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to defease the pledge created by this Ordinance as provided by Section 9.01. The proceeds from such sale, mortgage, lease or other disposition of the System shall be immediately remitted to the Bond Commission for deposit in the Series 2006 B Bonds Sinking Fund, and otherwise as prescribed by Section 9.01. Any balance remaining after such defeasance shall be remitted to the Issuer by the Bond Commission unless necessary for the payment of other obligations of the Issuer payable out of the Revenues of the System.

The foregoing provision notwithstanding, the Board 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 is not in excess of $50,000, the Board shall, in writing, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof, and the Board may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Revenue Fund. If the amount to be received from such sale, lease or other disposition of said property shall be in excess of $50,000 but not in excess of $200,000, the Board shall first, in writing, determine with the written approval of the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof, and the Board may then, if it be so advised, by resolution duly adopted, approve and concur in such finding and authorize such sale, lease or other disposition of such property in accordance with the laws of the State. The proceeds derived from any such sale, lease or other disposition of such property, in excess of $50,000 and not in excess of $200,000, shall be deposited by the Issuer into the Renewal and Replacement Fund. Such payments of such proceeds into the Renewal and Replacement Fund shall reduce the amounts required to be paid into said funds by other provisions of this Ordinance.

No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom shall be in excess of $200,000 and insufficient to defease the pledge created by this Ordinance, as provided by Section 9.01, without the prior approval and consent in writing of any applicable Bond Insurer and the Holders, or their duly authorized representatives, of 60% in amount of Bonds then Outstanding. The Issuer shall prepare the form of such approval and consent for execution by the Bond Insurer and the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 6.07. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. The Issuer shall not issue any other obligations whatsoever, except Additional Parity Bonds provided for in Section 6.08 hereof, payable from the Revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from the Gross Revenues with the Series 2006 B Bonds; and all obligations hereafter issued by the Issuer payable from the Revenues of the System, except such Additional Parity Bonds, shall contain an express statement that such obligations are junior and subordinate as to lien on and source of and security for payment from such Revenues and in all other respects to the Series 2006 B Bonds.

The Issuer shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or, except with respect to such Additional Parity Bonds, being on a parity with the lien of the Series 2006 B Bonds, and the interest thereon, upon any of the income and Revenues of the System pledged for payment of the Series 2006 B Bonds and the interest thereon in this Ordinance or upon the System or any part thereof.

Section 6.08. Additional Parity Bonds. So long as the Prior Bonds are outstanding, the limitations on the issuance of parity obligations set forth in the Prior

Ordinances shall be applicable. In addition, 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 such Additional Parity Bonds shall be issued except for the purpose of financing the costs of design, acquisition or construction of additions, betterments or improvements to the System, refunding all or a portion of one or more series of Bonds issued pursuant hereto or the Prior Bonds, to pay claims which may exist against the revenues or facilities of the System, or all of such purposes.

No such Additional Parity Bonds shall be issued at any time, however, unless and until there has been procured and filed with the City Clerk a written statement by an Independent Accountant, reciting the conclusion that the Net Revenues actually derived, subject to the adjustments hereinafter provided for, from the System during any 12 consecutive months within the 18 months immediately preceding the date of the actual issuance of such Additional Parity Bonds, plus the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the date of issuance of such Additional Parity Bonds, shall be not less than 115% of the Maximum Annual Debt Service on the following:

(1) The Series 2006 B Bonds then Outstanding;

(2) The Prior Bonds Outstanding;

(3) Any Additional Parity Bonds theretofore issued pursuant to the provisions contained in this Bond Legislation then Outstanding; and

(4) The Additional Parity Bonds then proposed to be issued.

The "estimated average increased annual Net Revenues to be received in each of the 3 succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from the improvements to be financed by such Additional Parity Bonds and any increase in rates enacted by the Issuer, the time for appeal of which shall have expired (without successful appeal) prior to the issuance of such Additional Parity Bonds, and shall not exceed the amount to be stated in a certificate of the Independent Accountant, which shall be filed in the office of the Clerk prior to the issuance of such Additional Parity Bonds.

The Net Revenues actually derived from the System during the 12 consecutive month period hereinabove referred to may be adjusted by adding to such Net Revenues such additional Net Revenues which would have been received, in the opinion of the Independent Accountant, as stated in a certificate on account of increased rates, rentals, fees and charges for the System enacted by the Issuer, the time for appeal of which shall have expired (without successful appeal) prior to issuance of such Additional Parity Bonds.

Not later than ten (10) days after the delivery of such Additional Parity Bonds, the Issuer shall have entered into written contracts for the immediate design of such additions, extensions, betterments or improvements to the System which 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 Gross Revenues of the System on a parity with the Series 2006 B Bonds and the Prior 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 Series 2006 B Bonds and the Prior Bonds and the Holders of any Additional Parity Bonds theretofore or 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 Gross Revenues of the System, and their source of and security for payment from said Gross Revenues, without preference of any Bond over any other. The Issuer shall comply fully with all the increased payments into the various funds and accounts created in this 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.

No Additional Parity Bonds shall be valid unless authenticated pursuant to Section 3.03. Prior to such authentication, registration, if applicable, and delivery, the Registrar shall receive those documents prescribed by Section 3.12 with respect to the Series 2006 B Bonds, modified as deemed necessary by the Registrar to reflect the issuance of such additional parity Bonds.

The term "Additional Parity Bonds," as used in this section, shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien on the Revenues of the System of which is subject to the prior and superior lien of the Bonds on such Revenues. Any such subordinate bonds, notes, certificates or other obligations shall be payable from the Gross Revenues remaining after all payments required to be made pursuant to Section 4.03(1), (2) and (3) have first been paid. The Issuer shall not issue any obligations whatsoever payable from the Revenues of the System, or any part thereof, which rank prior to or equally, as to lien and source of and security for payment from such Revenues, with the Series 2006 B Bonds except in the manner and under the conditions provided in this section.

No Additional Parity Bonds, as in this section defined, shall be issued at any time, however, unless all of the payments into the respective funds and accounts provided for in this Ordinance on account of the Bonds then Outstanding (excluding the Renewal and Replacement Fund) and the Prior Bonds, 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 Issuer shall then be in full compliance with all the covenants, agreements and terms in the Ordinance and every ordinance supplemental thereto, or shall have fully corrected any delinquency or deficiency with respect to such payments and compliance.

The Issuer may issue Additional Parity Bonds without compliance with any other conditions for the purpose of refunding prior to maturity any series of the Series 2006 B Bonds or portion thereof, provided that the annual debt service required on account of the refunding Bonds and the Series 2006 B Bonds which are not refunded shall not be greater in any year in which the Series 2006 B Bonds not refunded and the refunding Bonds are to be Outstanding than the annual debt service required in such year if the Series 2006 B Bonds to be refunded were not so refunded and provided further, that the final maturity of such Additional Parity Bonds does not exceed that of the refunded Bonds.

Section 6.09. Insurance and Bonds. The Issuer hereby covenants and agrees, that so long as the Series 2006 B Bonds remain Outstanding, the Issuer or the Board will, as an Operating Expense, procure, carry and maintain insurance and bonds and worker's compensation coverage with a reputable insurance carrier or carriers or bonding company or companies rated at least "A" by Standard & Poor's Corporation covering the following risks and in the following amounts:

A. FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE, on all above-ground insurable portions of the System in an amount equal to the greater of the fair appraised value or the original cost thereof. In the event of any damage to or destruction of any portion of the System, the Board will promptly arrange for the application of the insurance proceeds for the repair or reconstruction of such damages or destroyed portion. The Board will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance to protect the interests of the Board and the Issuer during construction of the Project in the full insurable value thereof.

B. PUBLIC LIABILITY INSURANCE, with limits of not less than is customarily carried by municipalities of equivalent size with respect to works and properties similar to the System to protect the Issuer and the Board from claims for bodily injury and/or death and from claims for damage to property of others which may arise from the operation of the System, and insurance with the same limits to protect the Issuer and the Board from claims arising out of operation or ownership of motor vehicles of or for the System, provided that, the Board, with the review of an insurance consultant and the concurrence of the Issuer, may elect to self-insure, so long as the following requirements are met:

(i) The self-insurance program has been reviewed by an insurance consultant;

(ii) The self-insurance program includes an actuarially sound claims reserve fund out of which each self-insured claim shall be paid; the adequacy of such fund shall be evaluated on an annual basis by an insurance consultant; and any deficiencies in any self-insured claims reserve fund will be remedied in accordance with the recommendation of the insurance consultant;

(iii) The self-insured claims reserve fund shall be held in the United States of America in a separate trust fund by an independent corporate trustee; and

(iv) In the event the current funding of the self-insurance program shall be discontinued, the actuarial soundness of its claims reserve fund, as determined by an insurance consultant, shall be maintained.

If the Issuer determines in good faith that any required insurance is not commercially available at a reasonable cost with reasonable terms, it shall engage an insurance consultant to verify the determination and to make recommendations regarding the types, amounts and provisions of any such insurance that should be purchased or funded by the Issuer, taking into consideration the costs and practices of other municipal water and sewer systems of similar size and type in the State to the extent that such information is available. The Issuer may, upon resolution adopted in good faith and upon the recommendations of the insurance consultant, adopt alternate or supplemental risk management programs which the Issuer determines to be reasonable, including the right to self-insure and participate in captive insurance companies.

C. WORKER'S COMPENSATION COVERAGE FOR ALL EMPLOYEES OF OR FOR THE SYSTEM ELIGIBLE THEREFOR; AND PERFORMANCE AND PAYMENT OR COMPLETION BONDS, such bonds to be in the amounts of not less than 100% of the amount of any construction contract and to be required of each contractor dealing directly with the Board and such payment bonds will be filed with the Clerk of the County Commission of Jefferson County prior to commencement of construction of any additions, extensions or improvements for the System in compliance with West Virginia Code, Section 38-2-39.

D. FIDELITY BONDS will be provided as to every officer and employee of the Board having custody of the Revenues or of any other funds of the System, in an amount at least equal to the total funds in the custody of any such person at any one time.

Section 6.10. Services Rendered to the Board or Issuer. The Board will not render or cause to be rendered any free services of any nature by its System; and, in the event the Board, the Issuer or any department, agency, instrumentality, officer or employee thereof shall avail himself of the facilities or services provided by the System or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Board, the Issuer and any such department, agency, instrumentality, officer or employee. Such charges shall be paid as they accrue, and the Board or the Issuer shall transfer from its general funds sufficient sums to pay such charges for service to any of its departments or properties. The revenues so received shall be deemed to be Revenues derived from the operation of the System and shall be deposited and accounted for in the same manner as other Revenues derived from such operation of the System.

Section 6.11. Enforcement of Collections. The Issuer or the Board will diligently enforce and collect all fees, rentals or other charges for the services and facilities of the System, and take all steps, actions and proceedings for the enforcement and collection of such fees, rentals or other charges which shall become delinquent to the full extent permitted or authorized by the Act, the rules and regulations of the Public Service Commission of West Virginia and other laws of the State of West Virginia.

Whenever any fees, rates, rentals or other charges for the services and facilities of the System shall remain unpaid for a period of 20 days after the same shall become due and payable, the property and the owner thereof, as well as the user of the services and facilities, shall be delinquent until such time as all such rates and charges are fully paid and to the extent authorized by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, all delinquent rates, rentals and other changes, if not paid, shall become a lien on the premises served by the System. The Issuer further covenants and agrees that, it will, to the full extent permitted by law and the rules and regulations promulgated by the Public Service Commission of West Virginia, discontinue and shut off the services and facilities of the System and any services and facilities of the Issuer's waterworks system, to all delinquent users of services and facilities of the System and will not restore such services of the System (or waterworks system) until all billing for charges for the services and facilities of the System, plus penalty charges for the restoration of service, has been fully paid or an appropriate payment plan has been established.

Section 6.12. No Competing Franchise. To the extent legally allowable, neither the Issuer nor the Board will grant or cause, consent to or allow the granting of any franchise or permit to any person, firm, corporation or body, or agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the System.

Section 6.13. Books and Records. The Board will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Board or the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and any Holder of a Series 2006 B Bond, shall have the right at all reasonable times to inspect the System, and all parts thereof, and all records, accounts and data of the Board relating thereto.

The accounting system for the System shall follow current generally accepted accounting principles, to the extent allowable under and in accordance with the rules and regulations of the Public Service Commission of West Virginia and the Act. Separate control accounting records shall be maintained by the Board. Subsidiary records as may be required shall be kept in the manner, on the forms, in the books and along with other bookkeeping records as prescribed by the Board. The Board 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 Board shall be reported to such agent of the Board as it shall direct.

The Issuer or the Board shall file with the Original Purchaser and any Bond Insurer, and shall mail to any Bondholder requesting the same, an annual report within 30 days following the date of receipt of the final audit containing a balance sheet, statement

of revenues, expenses, and changes in retained earnings, and statement of cash flows, as prescribed by generally accepted accounting principles.

The Issuer or the Board shall also file with the Original Purchaser and any Bond Insurer, and mail to any Bondholder requesting the same, a monthly unaudited report within 30 days following the end of each month containing the following:

(A) A statement of Gross Revenues, Operating Expenses, and Net Revenues derived from the System; and

(B) A statement of account balances in the Sinking Fund accounts provided for in this Ordinance and status of said funds.

The Issuer or the Board shall also, at least once a year, cause the books, records and accounts of the System to be completely audited by an Independent Accountant, shall mail upon request, and make available generally, the report of said Independent Accountant, or a summary thereof, to any Holder or Holders of Series 2006 B Bonds issued pursuant to this Ordinance and shall file said report with the Original Purchaser.

Section 6.14. Operating Budget. The Board shall annually, at least 45 days preceding the beginning of each Fiscal Year, or at such earlier date required by the charter of the Issuer, prepare and adopt by resolution a detailed budget of the estimated expenditures for operation and maintenance of the System during the succeeding Fiscal Year. No increased expenditures in excess of 10% of the amount of such budget shall be made except upon the further certificate of such a registered professional engineer that such increased expenditures are necessary for the continued operation of the System. The Board shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Original Purchaser and the Bond Insurer, if any, and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to the Original Purchaser and to any Bondholder or anyone acting for and in behalf of such Bondholder who requests the same.

Section 6.15. Mandatory Connections . The mandatory use of the sewerage portion of the System is essential and necessary for the protection and preservation of the public health, comfort, safety, convenience and welfare of the inhabitants and residents of, and the economy of, the Issuer, and in order to assure the rendering harmless of sewage and waterborne waste matter produced or arising within the territory served by the sewerage portion of the System. Accordingly, every owner, tenant or occupant of any house, dwelling or building located near 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 sewerage portion of 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 and every such owner, tenant or occupant shall, after a 30 day notice of the availability of sewerage services of the System, pay the rates and charges established therefor.

Any such house, dwelling or building from which emanates sewage or waterborne waste matter and which is not so connected with the sewerage portion of the System is hereby declared and found to be a hazard to the health, safety, comfort and welfare of the residents of the Issuer and a public nuisance which shall be abated to the extent permitted by law and as promptly as possible by proceedings in a court of competent jurisdiction.

Section 6.16. Statutory Mortgage Lien. For the further protection of the Holders of the Series 2006 B Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, shall take effect immediately upon the issuance of the Series 2006 B Bonds and shall be on a parity with one another and with the statutory mortgage lien in favor of the Holders of the Prior Bonds.

Section 6.17. Tax Covenants. The Issuer hereby further covenants and agrees as follows:

A. PRIVATE BUSINESS USE LIMITATION. The Issuer shall assure that (i) not in excess of 10% of the Net Proceeds of the Series 2006 B Bonds are used for Private Business Use if, in addition, the payment of more than 10% of the principal or 10% of the interest due on the Series 2006 B Bonds during the term thereof is, under the terms of the Series 2006 B Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for a Private Business Use or in payments in respect of property used or to be used for a Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for a Private Business Use; and (ii) in the event that both (A) in excess of 5% of the Net Proceeds of the Series 2006 B Bonds are used for a Private Business Use, and (B) an amount in excess of 5% of the principal or 5% of the interest due on the Series 2006 B Bonds during the term thereof is, under the terms of the Series 2006 B Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for said Private Business Use or in payments in respect of property used or to be used for said Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for said Private Business Use, then said excess over said 5% of Net Proceeds of the Series 2006 B Bonds used for a Private Business Use shall be used for a Private Business Use related to the governmental use of the System, or if the Series 2006 B Bonds are for the purpose of financing more than one project, a portion of the System, and shall not exceed the proceeds used for the governmental use of that portion of the System to which such Private Business Use is related. This covenant is not applicable to the Series 2003 A Bonds.

B. PRIVATE LOAN LIMITATION. The Issuer shall assure that not in excess of the lesser of 5% of the Net Proceeds of the Series 2006 B Bonds or $5,000,000 are used, directly or indirectly, to make or finance a loan (other than loans constituting Nonpurpose Investments) to persons other than state or local government units.

C. FEDERAL GUARANTEE PROHIBITION. The Issuer shall not take any action or permit or suffer any action to be taken if the result of the same would be to

cause the Series 2006 B Bonds to be directly or indirectly "federally guaranteed" within the meaning of Section 149(b) of the Code and Regulations promulgated thereunder.

D. INFORMATION RETURN. The Issuer will file all statements, instruments and returns necessary to assure the tax-exempt status of the Series 2006 B Bonds and the interest thereon, including without limitation, the information return required under Section 149(e) of the Code.

E. FURTHER ACTIONS. The Issuer will take all actions that may be required of it so that the interest on the Series 2006 B Bonds will be and remain excludable from gross income for federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 6.18. Designation of Series 2006 A Bonds as "Qualified Tax-Exempt Obligations." The Issuer hereby designates the 2006 A Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3)(B) of the Code and covenants that the 2006 A Bonds do not constitute private activity bonds as defined in Section 141 of the Code, and that not more than $10,000,000 aggregate principal amount of obligations the interest on which is excludable (under Section 103(a) of the Code) from gross income for federal income tax purposes (excluding, however, obligations issued to currently refund any obligation of the Issuer to the extent the amount of the refunding obligation does not exceed the amount of the refunded obligation and private activity bonds, as defined in Section 141 of the Code, other than qualified 501(c)(3) bonds as defined in Section 145 of the Code), including the 2006 A Bonds, have been or shall be issued by the Issuer, including all subordinate entities of the Issuer, during the calendar year 2006, all as determined in accordance with the Code.

ARTICLE VII

DEFAULTS AND REMEDIES

Section 7.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Series 2006 B Bonds:

(A) If default occurs in the due and punctual payment of the principal of or interest on any Bond;

(B) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part in this Ordinance or any Supplemental Resolution or in the Series 2006 B Bonds contained, and such default shall have continued for a period of 30 days after written notice specifying such default and requiring the same to be remedied shall have been given to the Issuer by any Bondholder or any Insurer; or

(C) If the Issuer files a petition seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America.

(D) If default occurs with respect to the Prior Bonds or the Prior Ordinances.

Section 7.02. Enforcement. Upon the happening and continuance of any Event of Default, any Bondholder (with the prior written consent of the applicable Bond Insurer) or any Bond Insurer may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his rights and, in particular:

(A) Bring suit for any unpaid principal or interest then due;

(B) By mandamus or other appropriate proceeding enforce all rights of the Bondholders, including the right to require the Issuer to perform its duties under the Act and this Ordinance;

(C) Bring suit upon the Series 2006 B Bonds;

(D) By action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Bondholders; and

(E) By action or bill in equity enjoin any acts in violation of this Ordinance or the rights of the Bondholders.

No remedy by the terms of this Ordinance conferred upon or reserved to the Bondholders is intended to be exclusive of any other remedy, but each and every such

remedy shall be cumulative and shall be in addition to any other remedy given to the Bondholders hereunder or now or hereafter existing at law or by statute.

No delay or omission to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or Event of Default hereunder by the Bondholders shall be made without the prior written consent of the applicable Bond Insurer or shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereto.

Section 7.03. Appointment of Receiver. If there be any Event of Default existing and continuing, any Bondholder or any Bond Insurer shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System on behalf of the Issuer, with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of the principal of and interest on the Series 2006 B Bonds, and the Prior Bonds, the deposits into the funds and accounts hereby established as herein provided and the payment of Operating Expenses of the System and to apply such rates, rentals, fees, charges or other Revenues in conformity with the provisions of this Ordinance and the Act.

The receiver so appointed shall forthwith, directly or by his agents and attorneys, enter into and upon and take possession of all facilities of said System and shall hold, operate, maintain, manage and control such facilities, and each and every part thereof, and in the name of the Issuer exercise all the rights and powers of the Issuer with respect to said facilities as the Issuer itself might do.

Whenever all that is due upon the Series 2006 B Bonds issued pursuant to this Ordinance and interest thereon and under any covenants of this Ordinance for reserve, sinking or other funds and accounts and upon any other obligations and interest thereon having a charge, lien or encumbrance upon the Revenues of the System shall have been paid and made good, and all defaults under the provisions of this Ordinance shall have been cured and made good, and all monies due hereunder or under any Supplemental Resolution have been paid in full, possession of the System shall be surrendered to the Issuer upon the entry of an order of the court to that effect. Upon any subsequent default, any Bondholder shall have the same right to secure the further appointment of a receiver upon any such subsequent default.

Such receiver, in the performance of the powers hereinabove conferred upon him, shall be under the direction and supervision of the court making such appointment, shall at all times be subject to the orders and decrees of such court and may be removed thereby and a successor receiver appointed in the discretion of such court. Nothing herein contained shall limit or restrict the jurisdiction of such court to enter such other and further orders and

decrees as such court may deem necessary or appropriate for the exercise by the receiver of any function not specifically set forth herein.

Any receiver appointed as provided herein shall hold and operate the System in the name of the Issuer and for the joint protection and benefit of the Issuer and the Holders of the Series 2006 B Bonds issued pursuant to this Ordinance. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the possession, operation and maintenance of the System, for the sole purpose of the protection of both the Issuer and the Bondholders, and the curing and making good of any default under the provisions of this Ordinance, and the title to and ownership of said System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, mortgage or otherwise dispose of any assets of the System.

Notwithstanding any other provision of this Ordinance, in determining whether the rights of the Bondholders will be adversely affected by any action taken pursuant to the terms and provisions of this Ordinance, any trustee or Bondholder's committee shall consider the effect on the Bondholders as if no Municipal Bond Insurance Policy were then in effect.

Section 7.04. Restoration of Issuer and Bondholder. In case any Bondholder shall have proceeded to enforce any right under this Ordinance by the appointment of a receiver, by entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case the Issuer and such Bondholder shall be restored to their former positions and rights hereunder, and all rights and remedies of such Bondholder shall continue as if no such proceedings had been taken.

ARTICLE VIII

REGISTRAR AND PAYING AGENT

Section 8.01. Appointment of Registrar. The Registrar for the Series 2006 B Bonds shall be appointed pursuant to the Supplemental Resolution. The Issuer is hereby authorized and directed to enter into an agreement with the Registrar, the substantial form of which agreement is to be approved by Supplemental Resolution.

Section 8.02. Responsibilities of Registrar. The recitals of fact in the Bonds shall be taken as statements of the Issuer, and the Registrar shall not be responsible for their accuracy. The Registrar shall not be deemed to make any representation as to, and shall not incur any liability on account of, the validity of the execution of any Series 2006 B Bonds by the Issuer. Notwithstanding the foregoing, the Registrar shall be responsible for any representation in its Certificate of Authentication on the Series 2006 B Bonds. The Registrar and any successor thereto shall agree to perform all the duties and responsibilities spelled out in this Ordinance and any other duties and responsibilities incident thereto, all as provided by said agreement described in Section 8.01.

Section 8.03. Evidence on Which Registrar May Act. Except as otherwise provided by Section 10.02, the Registrar shall be protected in acting upon any notice, resolution, request, consent, order, certificate, opinion or other document believed by it to be genuine and to have been signed or presented by the proper party or parties. Whenever the Registrar shall deem it necessary or desirable that a fact or matter be proved or established prior to taking or suffering any action, such fact or matter, unless other evidence is specifically prescribed, may be deemed to be conclusively proved and established by a certificate of an Authorized Officer of the Issuer, but in its discretion the Registrar may instead accept other evidence of such fact or matter.

Section 8.04. Compensation and Expenses. The Issuer shall pay to the Registrar from time to time reasonable compensation for all services, including the transfer of registration of Series 2006 B Bonds, the first exchange of Series 2006 B Bonds and the exchange of Series 2006 B Bonds in the event of partial redemption, incurred in the performance of its duties hereunder.

Section 8.05. Certain Permitted Acts. The Registrar may become the owner of or may deal in Series 2006 B Bonds as fully and with the same rights it would have if it were not Registrar. To the extent permitted by law, the Registrar may act as depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or effect or aid in any reorganization growing out of the enforcement of the Series 2006 B Bonds, or this Ordinance, whether or not any such committee shall represent the Holders of a majority in principal amount of the Series 2006 B Bonds Outstanding.

Section 8.06. Resignation of Registrar. The Registrar may at any time resign and be discharged of its duties and obligations under this Ordinance by giving not less than 60 days' written notice to the Issuer and publishing in an Authorized Newspaper notice (or mailing such notice to each Bondholder in the event all Bonds are fully registered), specifying the date when such resignation shall take effect, within 20 days after the giving of such written notice. A copy of such notice shall also be mailed to each owner of a fully registered Bond or a coupon Bond registered as to principal (other than to bearer). Such resignation shall take effect upon the day specified in such notice unless a successor shall have been previously appointed by the Issuer or bondholders, in which event such resignation shall take effect immediately, provided that in no event shall such resignation take effect until a successor has been appointed and has accepted its duties as Registrar.

Section 8.07. Removal. The Registrar may be removed at any time by the Issuer, the applicable Bond Insurer or by the Holders of a majority in principal amount of the Series 2006 B Bonds then Outstanding by an instrument or concurrent instruments in writing signed and duly acknowledged by the Issuer, the applicable Bond Insurer or by such Bondholders or their attorneys duly authorized in writing and delivered to the Issuer, as the case may be. Copies of each such instrument shall be delivered by the Issuer to the Registrar. Such removal shall take effect upon the date stated in such instrument, provided that in no event shall such removal take effect until a successor has been appointed and has accepted its duties as Registrar.

Section 8.08. Appointment of Successor . In case at any time the Registrar shall resign or shall be removed or shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or if a receiver, liquidator or conservator of the Registrar or of its property shall be appointed, or if any public officer or court shall take charge or control of the Registrar or of its property or affairs, a successor may be appointed by the Holders of a majority in principal amount of the Series 2006 B Bonds then Outstanding by an instrument or concurrent instruments in writing signed by such Bondholders or their attorneys duly authorized in writing and delivered to the Issuer and such successor Registrar, notification thereof being given to the predecessor Registrar. Pending such appointment, the Issuer shall forthwith appoint a Registrar to fill such vacancy until a successor Registrar shall be appointed by such Bondholders. The Issuer shall publish in an Authorized Newspaper (or mail to each Bondholder in the event all Bonds are fully registered) notice of any such appointment within 20 days after the effective date of such appointment. A copy of such notice shall also be mailed to each owner of a fully registered Bond or a coupon Bond registered as to principal (other than to bearer). Any successor Registrar appointed by the Issuer shall, immediately and without further act, be superseded by a Registrar appointed by such Bondholders. If in a proper case no appointment of a successor Registrar shall be made within 45 days after the Registrar shall have given to the Issuer written notice of resignation or after the occurrence of any other event requiring such appointment, the Registrar or any Bondholder may apply to any court of competent jurisdiction to appoint a successor. Any Registrar appointed under the provisions of this section shall be a bank, trust company or national banking association authorized to perform the duties imposed upon it by this Ordinance.

Section 8.09. Transfer of Rights and Property to Successor. Any predecessor Registrar or Paying Agent shall pay over, assign and deliver any monies, books and records held by it to its successor.

Section 8.10. Merger or Consolidation. Any company into which the Registrar may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party, or any company to which the Registrar or any public officer or court may sell or transfer all or substantially all of its corporate trust business, shall be the successor to such Registrar without the execution or filing of any paper or the performance of any further act; provided, however, that such company shall be a bank, trust company or national banking association meeting the requirements set forth in Section 8.08.

Section 8.11. Adoption of Authentication. In case any of the Series 2006 B Bonds shall have been authenticated but not delivered, any successor Registrar may adopt a Certificate of Authentication and Registration executed by any predecessor Registrar and deliver such Bonds so authenticated, and, in case any Bonds shall have been prepared but not authenticated, any successor Registrar may authenticate such Bonds in the name of the predecessor Registrar or in its own name.

Section 8.12. Paying Agent. The West Virginia Municipal Bond Commission shall initially serve as Paying Agent. Any alternate Paying Agent must be a bank, trust company or national banking association authorized to perform the duties imposed upon it by this Ordinance. Such alternate Paying Agent shall signify its acceptance of the duties and obligations imposed upon it pursuant hereto by executing and delivering to the Issuer a written acceptance thereof. Any successor Paying Agent shall take such actions as may be necessary to ensure that the Series 2006 B Bond shall be and remain DTC-Eligible.

Each Paying Agent shall be entitled to payment and reimbursement for reasonable fees for its services rendered hereunder and all advances, counsel fees and other expenses reasonably and necessarily made or incurred by such Paying Agent in connection with such services solely from monies available therefor.

Any bank, trust company or national banking association with or into which any Paying Agent may be merged or consolidated, or to which the assets and business of such Paying Agent may be sold, shall be deemed the successor of such Paying Agent for the purposes of this Ordinance. If the position of Paying Agent shall become vacant for any reason, the Issuer shall, within 30 days thereafter, appoint a bank, trust company or national banking association located in the same city as such Paying Agent to fill such vacancy; provided, however, that, if the Issuer shall fail to appoint such Paying Agent within said period, the Bond Commission, a court of competent jurisdiction or a majority of the Bondholders may make such appointment.

The Paying Agents shall enjoy the same protective provisions in the performance of their duties hereunder as are specified in this Article VIII with respect to the Registrar, insofar as such provisions may be applicable.

Notice of the appointment of successor or additional Paying Agents or fiscal agents shall be given in the same manner as provided by Section 8.08 hereof with respect to the appointment of a successor Registrar.

All monies received by the Paying Agents shall, until used or applied as provided in this Ordinance, be held in trust for the purposes for which they were received.

ARTICLE IX

DEFEASANCE; DISCHARGE OF PLEDGE OF ORDINANCE

Section 9.01. Defeasance; Discharge of Pledge of Ordinance . If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all Series 2006 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, and all other monies due hereunder have been paid, then this Ordinance and the pledges of the Gross Revenues and other monies and securities pledged hereunder, and all covenants, agreements and other obligations of the Issuer on behalf of the Holders of the Series 2006 B Bonds made hereunder, as applicable, shall thereupon cease, terminate and become void and be discharged and satisfied.

Bonds for the payment of which either monies in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide monies which, together with the monies, if any, deposited with the Paying Agent at the same or earlier time, shall be sufficient, to pay as and when due the respective principal of and interest on such 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 2006 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 Bond Commission or an escrow trustee either monies in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide monies which, together with the monies, if any, deposited with the Bond Commission or said escrow trustee at the same or earlier time shall be sufficient, to pay when due the principal of, any redemption premium on and interest due and to become due on said Bonds on and prior to the maturity date thereof, or if the Issuer irrevocably determines to redeem any of said Bonds prior to the maturity thereof, on and prior to said Redemption Date. Neither securities nor monies deposited with the Bond Commission or an escrow trustee pursuant to this section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and interest on said Bonds; provided, that any cash received from such principal, redemption premium, if any, and interest payments on such securities deposited with the Bond Commission or said escrow trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal of and redemption premium, if any, and interest to become due on said Bonds on and prior to such maturity or Redemption Dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer as received by the Bond Commission or said escrow trustee, free and clear of any trust, lien or pledge.

ARTICLE X

MISCELLANEOUS

Section 10.01. Amendment of Ordinance. Prior to issuance of the Series 2006 B Bonds, this Ordinance may be amended, modified or supplemented in any way by the Supplemental Resolution. All provisions required by the Bond Insurer, if any, shall be set forth in the Supplemental Resolution and to the extent they constitute an amendment or modification of this Ordinance, shall be controlling. Following issuance of the Series 2006 B Bonds, this Ordinance and any Supplemental Resolution may, without the consent of any Bondholder or other person, be amended, modified or supplemented in any manner which, in the opinion of Bond Counsel, does not materially adversely affect the interests of the Bondholders or any Bond Insurer, provided that, in the event any of the Bonds are insured, no such amendment or modification which affects the rights of the applicable Bond Insurer for such Bonds may be made without the written consent of such Bond Insurer. Otherwise, no materially adverse amendment or modification to this Ordinance, or of any Supplemental Resolution, may be made without the written consent of the Holders of 60% in aggregate principal amount of the Series 2006 B Bonds then Outstanding and affected thereby and the Bond Insurer, which must be filed with the Clerk of the Issuer before any such modification or amendment may be made. No such modification or amendment shall extend the maturity of or reduce the interest rate on, or otherwise alter the terms of payment of the principal of or interest on, any Bond without the express written consent of the Holder of such Bond, nor reduce the percentage of Series 2006 B Bonds required for consent to any such modification or amendment.

Section 10.02. Evidence of Signatures of Bondholders and Ownership of Bonds. Any request, consent, revocation of consent or other instrument which this Ordinance may require or permit to be signed and executed by Bondholders may be in one or more instruments of similar tenor, and shall be signed or executed by such Bondholders in person or by their attorneys duly authorized in writing. Proof of the execution of any such instrument, or of an instrument appointing or authorizing any such attorney, shall be sufficient for any purpose of this Ordinance if made in the following manner, or in any other manner satisfactory to the Issuer or the Registrar, as the case may be, which may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

A. The fact and date of the execution by any Bondholder or his attorney of any such instrument may be proved (i) by the certificate of a notary public or other officer authorized to take acknowledgments of deeds to be recorded in the jurisdiction in which he purports to act that the person signing such instrument acknowledged to him the execution thereof, or by the affidavit of a witness of such execution, duly sworn to before such a notary public or other officer or (ii) by the certificate, which need not be acknowledged or verified, of an officer of a bank, a trust company or a financial firm or corporation satisfactory to the Issuer or the Registrar, as the case may be, that the person signing such instrument acknowledged to such bank, trust company, firm or corporation the execution thereof.

B. The authority of a person or persons to execute any such instrument on behalf of a corporate Bondholder may be established without further proof if such instrument is signed by a person purporting to be the president or treasurer or a vice-president or an assistant treasurer of such corporation with a corporate seal affixed, and is attested by a person purporting to be its secretary or assistant secretary.

C. The amount of fully registered Series 2006 B Bonds held by a person executing any instrument as a Bondholder, the date of his holding such Series 2006 B Bonds and the numbers and other identification thereof, shall be confirmed by the Bond Register.

Any request, consent or other instrument executed by the Holder of any Bond shall bind all future Holders and owners of such Bond in respect of anything done or suffered to be done hereunder by the Issuer or the Registrar in accordance therewith.

Section 10.03. Preservation and Inspection of Documents. To the extent allowable under law, all reports, certificates, statements and other documents received by the Registrar under the provisions of this Ordinance shall be retained in its possession and shall be available at all reasonable times for the inspection of the Issuer or any Bondholder, and their agents and their representatives, but any such reports, certificates, statements or other documents may, at the election of the Registrar, be destroyed or otherwise disposed of at any time after such date as the pledge created by this Ordinance shall be discharged as provided in Section 9.01.

Section 10.04. Cancellation of Bonds. All Series 2006 B Bonds purchased or paid shall, if surrendered to the Issuer, be canceled and delivered to the Registrar, or, if surrendered to the Registrar, be canceled by it. No such Bonds shall be deemed Outstanding under this Ordinance and no Series 2006 B Bonds shall be issued in lieu thereof. All such Bonds shall be canceled and upon order of the Issuer shall be destroyed, and a certificate evidencing such destruction shall be delivered to the Issuer.

Section 10.05. Failure to Present Bonds. Anything in this Ordinance to the contrary notwithstanding, any monies held by the Bond Commission or a Paying Agent in trust for the payment and discharge of any of the Series 2006 B Bonds which remain unclaimed for two years after the date on which such Bonds have become due and payable, whether by maturity or upon call for redemption, shall at the written request of the Issuer be paid by the Bond Commission or said Paying Agent to the Issuer as its absolute property and free from trust, and the Bond Commission or said Paying Agent shall thereupon be released and discharged with respect thereto, and the Holders of such Bonds shall look only to the Issuer for the payment of such Bonds; provided, however, that, before making any such payment to the Issuer, the Registrar, if so advised by the Bond Commission, or said Paying Agent shall send to the Holder, at the address listed on the Bond Register, by certified mail, a notice that such monies remain unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the date of such notice is mailed, the balance of such monies then unclaimed will be returned to the Issuer.

Section 10.06. Notices, Demands and Requests . Unless otherwise expressly provided, all notices, demands and requests to be given or made hereunder to or by the Issuer, the Registrar, the Depository Bank, the Original Purchaser or the Bond Insurer shall be in writing and shall be properly made if sent by United States mail, postage prepaid, and addressed as follows or if hand-delivered to the individual to whom such notice, demand or request is required to be directed as indicated below:

CITY

City of Charles Town
101 East Washington Street
Charles Town, West Virginia 25414
Attention: City Manager

REGISTRAR

United Bank, Inc.
500 Virginia Street, East
Charleston, West Virginia 25301
Attention: Trust Department

PAYING AGENT

West Virginia Municipal Bond Commission
8 Capitol Street
Suite 500, Terminal Building
Charleston, West Virginia 25301
Attn: Executive Director

DEPOSITORY BANK

[Name(s) and address(s) to be set forth in
Supplemental Resolution]

ORIGINAL PURCHASER

Crews & Associates, Inc.
2000 Union National Plaza
124 West Capitol
Little Rock, Arkansas 72201

Any party listed above may change such address listed for it at any time upon written notice of change sent by United States mail, postage prepaid, to the other parties.

Section 10.07. No Personal Liability. No member of the Council, the Board or officer or employee of the Issuer shall be individually or personally liable for the payment of the principal of or the interest on any Bond, but nothing herein contained shall relieve any such member, official or employee from the performance of any official duty provided by law or this Ordinance.

Section 10.08. Law Applicable. The laws of the State shall govern the construction of this Ordinance and of all Series 2006 B Bonds issued hereunder.

Section 10.09. Parties Interested Herein. Nothing in this Ordinance expressed or implied is intended or shall be construed to confer upon, or give to, any person or corporation, other than the Issuer, the Registrar, the Paying Agent, the Holders of the Series 2006 B Bonds, the applicable Bond Insurer, if any, and the Original Purchaser, any right, remedy or claim under or by reason of this Ordinance. All the covenants, stipulations, promises and agreements contained in this Ordinance by and on behalf of the Issuer shall be for the sole and exclusive benefit of the Issuer, the Registrar, the Paying Agent, the Holders of the Series 2006 B Bonds, the Bond Insurer and the Original Purchaser.

Section 10.10. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Ordinance shall be held invalid, such invalidity shall not affect any of the remaining provisions of this Ordinance.

Section 10.11. Table of Contents and Headings. The Table of Contents and headings of the articles, sections and subsections hereof are for convenience only and shall neither control nor affect in any way the meaning or construction of any of the provisions hereof.

Section 10.12. Conflicting Provisions Repealed. All ordinances, orders, resolutions or parts thereof in conflict with the provisions of this Ordinance, are, to the extent of such conflict, hereby repealed.

Section 10.13. Procedure on Enactment of Ordinance; Public Hearing. Upon adoption of this Ordinance, the Clerk is hereby authorized and directed to have an abstract of this Ordinance, which abstract has been determined by the Council of the Issuer to contain sufficient information to give notice of the contents of such Ordinance, published once each week for 2 successive weeks, with not less than six full days between each publication, the first such publication to be not less than 10 days before the date stated below for the public hearing, in the *Spirit of Jefferson Advocate*, a newspaper published and having a general circulation in the City of Charles Town, together with a notice to all persons concerned, stating that this Ordinance has been adopted and that the Issuer contemplates the issuance of the Series 2006 B Bonds described in this Ordinance and that any person interested may appear before the Council at the public hearing to be had at a public meeting of Council on the 17th day of October, 2005, at 7:30 p.m., in the Council Chambers of the

City Hall, Charles Town and present protests, and that a certified copy of this Ordinance is on file with the Clerk for review by interested parties during the office hours of the Clerk. At such hearing all protests and suggestions shall be heard by the Council and it shall then take such action as it shall deem proper in the premises.

This Ordinance shall become effective following public hearing hereon in accordance with the Act.

First Reading:	September 19, 2005
Second Reading:	October 3, 2005
Effective following Public Hearing held on:	October 17, 2005

[SEAL]

Mayor

City Manager

ATTEST:

City Clerk

APPROVED AND CORRECT AS TO FORM:

By

City Attorney

CERTIFICATION

Certified a true, correct and complete copy of an Ordinance duly enacted by the City Council of the CITY OF CHARLES TOWN at a regular meeting of the City Council held at 7:30 p.m., on October 17, 2005, pursuant to proper notice, at which meeting a quorum was present and acting throughout, and which Ordinance was enacted following a public hearing thereon, notice of which public hearing was published once a week for two successive weeks in a newspaper having a general circulation in the City of Charles Town, the first publication having been not less than 10 days prior to such public hearing.

Dated this 27th day of July, 2006

[SEAL]

City Clerk

EXHIBIT A - SERIES 2006 B BOND FORM

[DTC Legend]

No. AR-_____ $_____

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF CHARLES TOWN (WEST VIRGINIA)
COMBINED WATERWORKS AND
SEWERAGE SYSTEM REVENUE BONDS, SERIES 2006 B (TAX-EXEMPT)

INTEREST RATE:	MATURITY DATE:	BOND DATE:	CUSIP:
_____%	_____	_____	_____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF CHARLES TOWN (West Virginia), a municipal corporation organized and existing under the laws of the State of West Virginia (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above and solely from such special funds also to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, or, if and to the extent that the Issuer shall default in the payment of interest on any Interest Payment Date, then this Bond shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, and in which case any Bond surrendered for transfer or exchange shall be dated as of the Interest Payment Date to which interest has been paid in full, at the Interest Rate per annum specified above, semiannually, on June 1 and December 1, in each year, beginning December 1, 2006 (each an "Interest Payment Date"), until maturity or until the date fixed for redemption if this Bond is called for prior redemption and payment on such date is provided for. Capitalized

terms used and not defined herein shall have the meanings ascribed thereto in the hereinafter-described Ordinance.

Interest accruing on this Bond on and prior to the Maturity Date hereof shall be payable by check or draft mailed by the West Virginia Municipal Bond Commission, Charleston, West Virginia, as paying agent (in such capacity, the "Paying Agent"), to the Registered Owner hereof as of the applicable Record Date (each May 15 and November 15) or, in the event of a default in the payment of Bonds, that special record date to be fixed by the hereinafter named Registrar by notice given to the Registered Owners not less than 10 days prior to said special record date at the address of such Registered Owner as it appears on the registration books of the Issuer maintained by United Bank, Inc., Charleston, West Virginia, as registrar (in such capacity, the "Registrar"), or, at the option of any Registered Owner of at least $500,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to a domestic bank account specified in writing by the Registered Owner to the Paying Agent at least 5 days prior to such Record Date. Principal and premium, if any, shall be paid when due upon presentation and surrender of this Bond for payment at the office of the Paying Agent, in Charleston, West Virginia.

This Bond is one of an issue of a series of bonds, in the aggregate principal amount of $_____ designated the "City of Charles Town Combined Waterworks and Sewerage System Revenue Bonds, Series 2006 B (Tax-Exempt)" (the "Series 2006 B Bonds"), of like tenor and effect, except as to number, denomination, date of maturity and interest rate, dated July 27, 2006, upon original issuance, the proceeds of which are to be used, together with other funds of the Issuer, (i) to finance the cost of design, acquisition and construction of certain additions, betterments and improvements to the waterworks portion of the combined waterworks and sewerage system of the Issuer, (ii) to partially fund a reserve account for the Series 2006 B Bonds, and (iii) to pay certain costs of issuance of the Series 2006 B Bonds and related costs. The Series 2006 B Bonds are issued under the authority of and in full compliance with the Constitution and statute of the State of West Virginia, including particularly, Chapter 8, Article 20 of the West Virginia Code of 1931, as amended (the "Act"), and an ordinance duly enacted by the City Council of the Issuer on October 15, 2005, and supplemented by a supplemental resolution adopted by said Council on July 17, 2006 (hereinafter collectively referred to as the "Ordinance"), and is subject to all the terms and conditions of said Ordinance. 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 Series 2006 B Bonds under the Ordinance. Reference is hereby made to the Ordinance, as the same may be amended and supplemented from time to time, for a description of the rights, limitations of rights, obligations, duties and immunities of the Issuer, the Registrar, the Paying Agent, the Registered Owners of the Series 2006 B Bonds and the Registered Owners of any subsequently issued additional bonds. Executed counterparts or certified copies of the Ordinance are on file at the office of the City Clerk in the City of Charles Town, West Virginia.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE FOLLOWING OUTSTANDING COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS OF THE ISSUER (COLLECTIVELY, THE "PRIOR BONDS").

(1) Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 B, dated November 18, 1987, issued in the original aggregate principal amount of $413,629 (the "Series 1987 B Bonds");

(2) Combined Waterworks and Sewerage System Revenue Bonds, Series 1988 B-1, dated May 4, 1988, issued in the original aggregate principal amount of $295,916 (the "Series 1988 B-1 Bonds");

(3) Combined Waterworks and Sewerage System Revenue Bonds, Series 1988 B-2, dated May 20, 1988, issued in the original aggregate principal amount of $558,000 (the "Series 1988 B-2 Bonds");

(4) Combined Waterworks and Sewerage System Revenue Bonds, Series 1989 B, dated April 13, 1989, issued in the original aggregate principal amount of $117,480 (the "Series 1989 B Bonds");

(5) Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 1998, dated May 15, 1998, issued in the original aggregate principal amount of $10,355,000 (the "Series 1998 Refunding Bonds");

(6) Combined Waterworks and Sewerage System Design Revenue Bonds, Series 1998 (West Virginia SRF Program), dated September 29, 1998, issued in the original aggregate principal amount of $437,601 (the "Series 1998 Design Bonds");

(7) Combined Waterworks and Sewerage System Revenue Bonds, Series 2000 A (West Virginia SRF Program), dated June 22, 2000, issued in the original aggregate principal amount of $3,163,781 (the "Series 2000 A Bonds");

(8) Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 A (West Virginia Water Development Authority), dated August 22, 2002, issued in the original aggregate principal amount of $1,100,000 (the "Series 2002 A Bonds"); and

(9) Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 B (West Virginia Infrastructure Fund), dated August 22, 2002, issued in the original aggregate principal amount of $3,600,000 (the "Series 2002 B Bonds").

(10) Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 C (Insured), dated December 1, 2002, issued in the original aggregate principal amount of $4,135,000 (the "Series 2002 C Bonds");

(11) Combined Waterworks and Sewerage System Revenue Bonds, Series 2003 A (AMT - Uninsured), dated January 1, 2003, issued in the original aggregate principal amount of $1,000,000 (the "Series 2003 A Bonds");

(12) Combined Waterworks and Sewerage System Revenue Bonds, Series 2005 A (Taxable), dated June 15, 2005, issued in the original aggregate principal amount of $2,355,000 (the "Series 2005 A Bonds"); and

(13) Combined Waterworks and Sewerage System Revenue Bonds, Series 2006 A (Taxable), dated January 19, 2006, issued in the original aggregate principal amount of $1,830,000 (the "Series 2006 A Bonds"); and

The Series 1987 B Bonds, the Series 1988 B-1 Bonds, the Series 1988 B-2 Bonds, the Series 1989 B Bonds, the Series 1998 Refunding Bonds, the Series 1998 Design Bonds, the Series 2000 A Bonds, the Series 2002 A Bonds, the Series 2002 B Bonds, the Series 2002 C Bonds, the Series 2003 A Bonds, the Series 2005 A Bonds and the Series 2006 A Bonds are hereinafter collectively called the "Prior Bonds." The ordinances which authorized the issuance of the Prior Bonds are herein collectively referred to as the "Prior Ordinances."

The Series 2006 B Bonds are subject to redemption prior to their stated maturity dates, as provided in the Ordinance and as set forth in the following lettered paragraphs:

(A) Optional Redemption. The Bonds maturing on and after _____, 20____, are subject to redemption prior to maturity at the option of the Issuer on or after _____, 20_____, in whole at any time and in part on any Interest Payment Date, as directed by the Issuer, in reverse order of maturity and by lot within a maturity, at the following Redemption Prices (expressed as percentages of the principal amount of Bonds to be redeemed), plus interest accrued thereon to the date fixed for redemption:

Period During Which Redeemed (Dates Inclusive)	Redemption Price

(B) Mandatory Sinking Fund Redemption. The Bonds maturing on _____, 20_____ and 20_____ are subject to annual mandatory

sinking fund redemption prior to maturity by random selection as may be determined by the Registrar, on _____ 1 of the years and in the principal amounts set forth below, at the Redemption Price of 100% of the principal amount of each Bond so called for redemption plus interest accrued to the date fixed for redemption:

Bonds Maturing _____ 1, 20 _____

Year (1)	Principal Amount

Bonds Maturing _____ 1, 20 _____

Year (1)	Principal Amount

_____

* Final Maturity

In the event of any redemption of less than all outstanding Series 2006 B Bonds, the maturities to be redeemed shall be selected by the Paying Agent at the direction of the Issuer and Series 2006 B Bonds to be redeemed shall be determined by lot within a maturity, or in such other manner deemed appropriate by the Paying Agent. If less than all the Series 2006 B Bonds are to be redeemed, the Series 2006 B Bonds to be redeemed shall be identified by reference to the Series designation, date of issue, CUSIP numbers and Maturity Dates.

Notice of any redemption of this Series 2006 B Bond, unless waived, shall be given by the Paying Agent on behalf of the Issuer by mailing an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Series 2006 B Bond or Series 2006 B Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Paying Agent. Such notice shall also be given by the Paying Agent to the Registrar. Notice of redemption having been given as aforesaid, the Series 2006 B Bonds or portions of Series 2006 B Bonds so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein

specified, and from and after such date (unless the Issuer shall default in the payment of the Redemption Price) such Series 2006 B Bonds or portions of Series 2006 B Bonds shall cease to bear interest.

Failure to receive such notice or any defect therein or in the mailing thereof shall not affect the validity of proceedings for the redemption of this Series 2006 B Bond.

The Series 2006 B Bonds and the interest thereon are payable only from and are secured by the Gross Revenues (as defined in the Ordinance) to be derived from the operation of the System, on a parity in all respects with the pledge of the Gross Revenues created in favor of the holders of the Prior Bonds, all monies in the Series 2006 B Bonds Sinking Fund, and the Series 2006 B Bonds Reserve Account therein, established under the Ordinance, and the unexpended proceeds of the Series 2006 B Bonds, and the Issuer hereby and in the Ordinance pledges such revenues and monies to such payment. Said Gross Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose and to make the other payments required by the Ordinance. This Series 2006 B Bond does not constitute an indebtedness of the Issuer within any constitutional or statutory provision or limitation, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Gross Revenues, the monies in the Series 2006 B Bonds Sinking Fund and the Series 2006 B Bonds Reserve Account and said unexpended Series 2006 B Bond proceeds. Pursuant to the Ordinance, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Series 2006 B Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Series 2006 B Bonds, including the Prior Bonds. The Issuer has entered into certain further covenants with the registered owners of the Series 2006 B Bonds, for the terms of which reference is made to the Ordinance. Remedies provided the registered owners of the Series 2006 B Bonds are exclusively as provided in the Ordinance, to which reference is here made for a detailed description thereof.

All monies received from the sale of the Bonds except for accrued interest thereon shall be applied solely to pay all costs of the Project, partially fund a reserve account for the Series 2006 B Bonds, and pay costs of issuance of the Bonds, and there shall be, and hereby is, created and granted a lien upon such monies, until so applied, in favor of the registered owners of said Series 2006 B 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 Series 2006 B 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 Series 2006 B

Bond, together with all other obligations of said Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia, and that a sufficient amount of the revenues of the System has been pledged to and will be set aside into said special fund by said Issuer for the prompt payment of the principal of and interest on the Series 2006 B Bonds of which this Series 2006 B Bond is one.

This Series 2006 B Bond, under the provisions of the Act is and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but may be transferred only upon the surrender hereof at the office of the Registrar and otherwise as provided by the within-described Ordinance.

This Series 2006 B Bond and the income therefrom are, under the Act, exempt from taxation in the State of West Virginia, except inheritance, estate and transfer taxes.

This Series 2006 B Bond is hereby designated a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended.

This Series 2006 B Bond shall not be entitled to any benefit under the Ordinance, or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon shall have been signed by the Registrar.

All provisions of the Ordinance, as defined on the reverse hereof, and the statutes under which this Series 2006 B Bond is issued shall be deemed to be a part of the contract evidenced by this Series 2006 B Bond to the same extent as if written fully herein.

IN WITNESS WHEREOF, the CITY OF CHARLES TOWN (West Virginia) has caused this Bond to be signed by its Mayor and City Manager, and its corporate seal to be imprinted hereon and attested by its City Clerk, and has caused this Series 2006 B Bond to be dated as of the Series 2006 B Bond Date specified above.

[SEAL]

[Manual or facsimile signature]
Mayor

[Manual or facsimile signature]
City Manager

ATTEST:

[Manual or facsimile signature]
City Clerk

CERTIFICATE OF AUTHENTICATION
AND REGISTRATION

This Series 2006 B Bond is one of the fully registered Series 2006 B Bonds described in the within-mentioned Ordinance and has been duly registered in the name of the Registered Owner on the date set forth below. Attached hereto is the complete text of the opinion of Steptoe & Johnson PLLC, bond counsel, signed originals of which are on file with the Registrar, delivered and dated on the date of the original delivery of and payment for the Series 2006 B Bonds.

Dated: July 27, 2006.

UNITED BANK, INC., as
Registrar

By: _____
Its: Authorized Officer

(FORM OF)
ASSIGNMENT

Social Security or Other Identifying Number of Assignee _____
_____

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____
_____
_____ the within Bond and does hereby irrevocably constitute and appoint _____
_____
_____ to transfer the said Bond on the books kept for registration thereof with full power of substitution in the premises.

Dated: _____, _____.

_____

SIGNATURE GUARANTEED:

_____
(Bank, Trust Company or Firm)

_____
(Authorized Officer)

NOTICE: The Assignor's signature to this Assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or any change whatever.

07.11.06
144220.00017

CITY OF CHARLES TOWN
(WEST VIRGINIA)

COMBINED WATERWORKS AND SEWERAGE SYSTEM
SUBORDINATE REVENUE BONDS, SERIES 2005 A
Redesignated hereby to
COMBINED WATERWORKS AND SEWERAGE SYSTEM
REVENUE BONDS, SERIES 2006 B (TAX-EXEMPT)

SUPPLEMENTAL PARAMETERS RESOLUTION

RESOLUTION OF THE COUNCIL OF THE CITY OF CHARLES TOWN AUTHORIZING AND APPROVING CERTAIN PARAMETERS RELATING TO THE ISSUANCE OF THE COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2006 B (TAX-EXEMPT), AND TERMS OF SUCH BONDS; AUTHORIZING CERTAIN DOCUMENTS RELATING TO THE BONDS; REDESIGNATING THE COMBINED WATERWORKS AND SEWERAGE SYSTEM SUBORDINATE REVENUE BONDS, SERIES 2005 A AS COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2006 B (TAX-EXEMPT); APPROVING A CONFORMED BOND ORDINANCE; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the City of Charles Town (the "Issuer"), in the County of Jefferson, State of West Virginia, is a municipal corporation of said State, the governing body of which is this Council;

WHEREAS, this Council duly enacted on October 17, 2005, an ordinance (the "Ordinance") entitled:

ORDINANCE AUTHORIZING THE DESIGN, ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS, BETTERMENTS AND IMPROVEMENTS FOR THE COMBINED WATERWORKS AND SEWERAGE SYSTEM OF THE CITY OF CHARLES

TOWN; THE ISSUANCE BY THE CITY OF NOT MORE THAN $2,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF COMBINED WATERWORKS AND SEWERAGE SYSTEM SUBORDINATE REVENUE BONDS, SERIES 2005 A, FOR THE PURPOSES OF TEMPORARILY FINANCING A PORTION OF THE COSTS OF SUCH PROJECT; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ENACTING OTHER PROVISIONS WITH RESPECT THERETO.

WHEREAS, the Combined Waterworks and Sewerage System Subordinate Revenue Bonds, Series 2005 A were not issued in 2005, but will be issued in 2006;

WHEREAS, the Governing Body desires to redesignate the Bonds as the "Combined Waterworks and Sewerage System Revenue Bonds, Series 2006 B (Tax-Exempt)" (the "Bonds" or the "Series 2006 B Bonds");

WHEREAS, such Ordinance provided for the issuance of the Bonds, for the purposes of temporarily (i) paying costs of design, acquisition and construction of improvements and betterments to the waterworks portion of the combined waterworks and sewerage facilities of the Issuer;(ii) funding the Series 2006 B Bonds Reserve Account; and (iii) paying costs of issuance and related costs, all in accordance with the Act;

WHEREAS, the Ordinance further provided that the exact principal amount of the Bonds to be sold and the dates, maturities, interest rates, redemption provisions, price and other terms of the Bonds should be established, a Registrar, Paying Agent and Depository Bank be designated, that a Registrar Agreement be approved, that additional covenants and provisions relating to the Bonds be provided herein, and that other matters pertaining to the Bonds be provided for by a supplemental resolution of this Council;

WHEREAS, the Governing Body wishes to revise the Ordinance and approve a conformed Bond Ordinance (the "Ordinance") in the form attached hereto;

WHEREAS, the Bonds are proposed to be purchased by Crews & Associates, Inc. (the "Original Purchaser"), pursuant to a Bond Purchase Agreement for the Bonds between the Original Purchaser and the Issuer (the "Bond Purchase Agreement");

WHEREAS, capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Ordinance; and

WHEREAS, this Council deems it essential and desirable that this Resolution be adopted and that the Bonds be redesignated, a Conformed Bond Ordinance be approved, the Bond Purchase Agreement, the Continuing Disclosure Certificate, and the Registrar Agreement hereinafter provided for be entered into by the Issuer, that the Official Statement relating to the Bonds, hereinafter described, be approved, that certain parameters for the prices, the maturity dates and amounts, and the interest rates of the Bonds, be fixed herein, all in accordance with said Ordinance;

NOW, THEREFORE, THE COUNCIL OF THE CITY OF CHARLES TOWN HEREBY RESOLVES:

Section 1. The Combined Waterworks and Sewerage System Subordinate Revenue Bonds, Series 2005 A are hereby redesignated as the "Combined Waterworks and Sewerage System Revenue Bonds, Series 2006 B (Tax-Exempt)" (the "Series 2006 B Bonds") and shall be sold to the Original Purchaser, in the original aggregate principal amount of not to exceed $2,000,000; shall be issued in fully registered form without coupons, in the denominations of $5,000 or integral multiples thereof for any period of maturity; shall be numbered from AR-1 consecutively upward in order of maturity; shall be dated such date, upon original issuance; shall bear interest at rates not to exceed 9.0% per annum, payable semiannually; shall mature in such principal amounts on such dates (with final maturity no later than June 1, 2041); shall be subject to such redemption provisions, all as shall subsequently be approved by the Mayor; and shall be substantially in the form set forth in the Ordinance. The Series 2006 B Bonds shall be signed by and on behalf of the City by its Mayor, City Manager and be countersigned by its City Clerk, which signatures may be either manual or facsimile signatures, and the seal of the City or a facsimile thereof shall be affixed to or imprinted thereon, provided that the authentication of the Series 2006 B Bonds shall be manually signed by the Registrar.

Section 2. The Mayor shall have the authority to approve the pricing and other final terms of the Series 2006 B Bonds, including the determination of when and whether to issue the Series 2006 B Bonds and to execute the Bond Purchase Agreement without further Council action or approval.

Section 3. The Issues hereby approves the Conformed Bond Ordinance attached hereto as Exhibit A.

Section 4. The Bond Purchase Agreement by and between the Original Purchaser and the Issuer, substantially in the form submitted to this meeting, and the execution and delivery (in multiple counterparts) by the Mayor thereof shall be and the same are hereby authorized, approved, and directed. The Mayor shall execute and deliver the Bond Purchase Agreement with such changes, insertions and omissions as may be approved by the Mayor. The execution of the Bond Purchase Agreement by the Mayor shall be conclusive evidence of any approval required by this Section, and authorization of any action required by the Bond Purchase Agreement relating to the issuance and sale of the Series 2006 B Bonds, including the payment of all necessary fees and expenses in connection therewith.

Section 5. The Continuing Disclosure Certificate delivered by the City, to be dated as of the date of delivery of the Series 2006 B Bonds, substantially in the form submitted to this meeting, shall be and the same is hereby approved. The Mayor shall execute and deliver the Continuing Disclosure Certificate with such changes, insertions and omissions as may be approved by the Mayor. The execution of the Continuing Disclosure Certificate shall be conclusive evidence of any approval required by this Section.

Section 6. The Registrar Agreement by and between the Issuer and the Registrar designated herein, to be dated as of the date of delivery of the Series 2006 B Bonds, substantially in the form submitted to this meeting, shall be and the same is hereby approved. The Mayor shall execute and deliver the Registrar Agreement with such changes, insertions and omissions as may be approved by the Mayor. The execution of the Registrar Agreement by the Mayor shall be conclusive evidence of any approval required by this Section.

Section 7. The distribution by the Original Purchaser of a Preliminary Official Statement (which is a "deemed final" official statement in accordance with SEC Rule 15c2-12), substantially in the form submitted to this meeting is hereby ratified and approved. The certificate of the Issuer relating to compliance with SEC Rule 15c2-12 and the execution and delivery thereof by the Mayor is hereby approved. The Official Statement to be substantially in the form of the Preliminary Official Statement, (with such changes, insertions and omissions as may be necessary or advisable in the opinion of the Mayor) and the distribution of counterparts or copies thereof by the Underwriter are hereby approved. The Mayor shall execute and deliver the Official Statement with such changes, insertions and omissions as may be approved. The execution of the Official Statement by the Mayor shall be conclusive evidence of any approval required by this Section.

Section 8. The Issuer does hereby appoint and designate the West Virginia Municipal Bond Commission for the purpose of serving in the capacity of Paying Agent for the Bonds.

Section 9. The Issuer does hereby appoint and designate United Bank, Inc., Charleston, West Virginia, for the purpose of serving in the capacity of Registrar for the Bonds.

Section 10. The Issuer does hereby appoint and designate United Bank, Inc., Charles Town, West Virginia, as Depository Bank for the Bonds.

Section 11. The firm of Crews & Associates, Inc., Charleston, West Virginia is hereby engaged for the purpose of serving as Underwriter with respect to the Series 2006 B Bonds.

Section 12. The firm of Steptoe & Johnson PLLC, Charleston, West Virginia, is hereby engaged for the purpose of serving as Bond Counsel with respect to the Series 2006 B Bonds.

Section 13. The notice addresses for the Registrar, Paying Agent, Depository Bank and Original Purchaser shall be as follows:

REGISTRAR

United Bank, Inc.
500 Virginia Street, East
Charleston, West Virginia 25301
Attention: Corporate Trust Department

DEPOSITORY BANK

United Bank, Inc.
106 W. Washington Street
Charles Town, West Virginia 25414
Attention: Trust Department

PAYING AGENT

West Virginia Municipal Bond Commission
Suite 500
8 Capitol Street
Charleston, West Virginia 25301
Attention: Executive Director

ORIGINAL PURCHASER

Crews & Associates, Inc.
300 Summers Street, Suite 930
Charleston, West Virginia 25301
Attention: Vice President

Section 14. Proceeds of the Series 2006 B Bonds shall be applied as set forth in the Ordinance. The proceeds of the Series 2006 B Bonds representing accrued interest shall be deposited in the Series 2006 B Bonds Sinking Fund held by the Commission.

Section 15. The Council hereby covenants and agrees that it will not permit at any time or times any of the proceeds of the Series 2006 B Bonds or any other funds of the Council to be used directly or indirectly to acquire any securities or obligations, the acquisition of which would cause any of the Series 2006 B Bonds to be an "arbitrage bond" as defined in Section 148 of the Code, and the regulations promulgated pursuant thereto. The Mayor of the City is authorized and directed to execute and deliver such further instruments or agreements as shall be required to provide further assurances of the City's compliance with this covenant.

Section 16. Under the provisions of the Act, and as provided in the Ordinance and the Series 2006 B Bonds, the principal of the Series 2006 B Bonds and the interest thereon do not constitute indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, but shall be payable solely from the Gross Revenues derived from the operation of the System of the Issuer and the Series 2006 B Bonds Reserve Account established by the Ordinance, and neither the credit nor the taxing power of the Issuer is pledged for, and no tax shall ever be levied for, payment of the Series 2006 B Bonds and the interest thereon.

Section 17. The Mayor, the City Manager, the City Clerk and all other appropriate officers and employees of the City are hereby authorized and directed to execute and deliver such other documents and certificates required or desirable in connection with the issuance of the Series 2006 B Bonds to the end that the Series 2006 B Bonds may be delivered at the earliest practicable date to the Original Purchaser.

Section 18. The Mayor, the City Manager, the City Clerk, and all other appropriate officers and employees of the City are hereby authorized, empowered and directed to do any and all things proper and necessary to cause the Series 2006 B Bonds to be duly and properly issued by the City and delivered to the Original Purchaser as herein authorized and to otherwise facilitate the transaction contemplated by this Resolution, and no further authority shall be necessary to authorize any such officers or employees to give such further assurance and do such further acts as may be legally required.

Section 19. This Resolution shall take effect immediately upon its adoption.

Adopted this 17th day of July, 2006.

[SEAL]

Mayor

City Manager

ATTEST:

City Clerk

APPROVED AND CORRECT AS TO FORM:

City Attorney

CERTIFICATION

Certified a true, correct and complete copy of a Supplemental Parameters Resolution duly adopted by the City Council of the CITY OF CHARLES TOWN at a regular meeting of the City Council held at 7:00 p.m., on July 17, 2006, pursuant to proper notice, at which meeting a quorum was present and acting throughout.

Dated this 27th day of July, 2006.

[SEAL]

City Clerk

07/11/06
144220.00017

EXHIBIT A

CONFORMED BOND ORDINANCE

CITY OF CHARLES TOWN (WEST VIRGINIA)
Combined Waterworks and Sewerage System Revenue
Bonds, Series 2006 B (Tax-Exempt)

CERTIFICATE OF DETERMINATIONS OF THE
MAYOR OF THE CITY OF CHARLES TOWN

I, PEGGY A. SMITH, Mayor of the City of Charles Town, hereby certify as follows:

1. Based upon the provisions and authorization set forth in the Supplemental Parameters Resolution of the City of Charles Town (the "City") adopted July 17, 2006 (the "Resolution"), I have determined and authorized that the above-captioned Bonds shall be issued in the aggregate principal amount of $2,000,000, shall be dated July 27, 2006, shall be in fully registered form, in the denominations of $5,000 or any whole multiple thereof, shall mature on June 1 of the years, shall bear interest payable semi-annually on June 1 and December 1 in each year, commencing December 1, 2006, at such rates, shall finally mature on June 1, 2026, shall be subject to such redemption provisions and shall have such other terms, all as are set forth in EXHIBIT A - BOND TERMS attached hereto and incorporated by reference herein.

2. Pursuant to the Resolution, the Bonds shall be sold to Crews & Associates, Inc. (the "Underwriter") pursuant to the terms and provisions of the Bond Purchase Agreement, dated as of July 19, 2006 by and between the City and the Underwriter, at the purchase price of $1,957,582.65 (which represents the par amount of the Bonds, less underwriter's discount of $50,000, plus a net original issue premium of $7,582.65).

3. I have further determined that the distribution of the Official Statement (which is a "deemed final" official statement in accordance with SEC Rule 15c2-12) is hereby ratified and approved.

4. I have further determined that the City Manager, City Clerk and other officers of the City are hereby authorized and directed to take all further actions necessary to cause the Bonds to be issued and delivered on a timely basis to the purchasers thereof.

IN WITNESS WHEREOF, I have hereunto set my hand as of this 19th day of July, 2006.

Mayor, City of Charles Town

EXHIBIT A - BOND TERMS

MATURITY SCHEDULE

$325,000 4.50% Series 2006 Term Bonds due June 1, 2011 at 4.50% (160028 BS4)
$330,000 4.75% Series 2006 Term Bonds due June 1, 2015 at 4.75% (160028 BT2)
$905,000 5.25% Series 2006 Term Bonds due June 1, 2023 at 4.75% (160028 BU9)
$440,000 5.00% Series 2006 Term Bonds due June 1, 2026 at 5.25% (160028 BV7)

Redemption Provisions:

Extraordinary Redemption

If any of the following events shall have occurred, the Series 2006 B Bonds shall also be subject to redemption as follows:

(1) If there should occur any damage to or destruction of the System or any condemnation of title to or the use of the System, the applicable Series 2006 B Bonds shall be subject to redemption at any time at the redemption price of 100% of the principal amount thereof plus accrued interest to the Redemption Date from any condemnation awards or insurance proceeds which are not used to repair, rebuild or rearrange the System.

Optional Redemption

The Series 2006 B Bonds are subject to redemption at the option of the City, prior to maturity, on or after December 1, 2011, in whole or in part at any time from amounts deposited with the Bond Commission by the City or from other funds available therefore at a redemption price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption.

If fewer than all of the Series 2006 B Bonds shall be called for optional redemption, the particular maturities of the Series 2006 B Bonds to be redeemed shall be selected by the City in such manner as it shall determine. So long as the Series 2006 B Bonds are maintained under a book-entry system, the selection of individual ownership interests in the Series 2006 B Bonds to be credited with any partial redemption shall be made as described herein under "BOOK-ENTRY ONLY SYSTEM" in the Official Statement.

Mandatory Redemption

The Series 2006 B Bonds maturing June 1, 2011, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2006 B Bonds Sinking Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the mandatory redemption date, on June 1, 2007, and on each June 1, thereafter to and including June 1, 2011, in annual principal amounts as follows:

Year	Amount
2007	$ 50,000
2008	$ 65,000
2009	$ 65,000
2010	$ 70,000
2011*	$ 75,000

The principal amount of the Series 2006 B Bonds maturing June 1, 2011, delivered to or purchased by the Trustee shall reduce pro tanto the principal amount of Series 2006 B Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

The Series 2006 B Bonds maturing June 1, 2015, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2006 B Bonds Sinking Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the mandatory redemption date, on June 1, 2012, and on each June 1 thereafter to and including June 1, 2015, in annual principal amounts as follows:

Year	Amount
2012	$ 75,000
2013	$ 80,000
2014	$ 85,000
2015*	$ 90,000

The principal amount of the Series 2006 B Bonds maturing June 1, 2015, delivered to or purchased by the Trustee shall reduce pro tanto the principal amount of Series 2006 B Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

The Series 2006 B Bonds maturing June 1, 2023, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2006 B Bonds Sinking Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the mandatory redemption date, on June 1, 2016, and on each June 1, thereafter to and including June 1, 2023, in annual principal amounts as follows:

Year	Amount
2016	$ 95,000
2017	$100,000
2018	$105,000
2019	$110,000
2020	$115,000
2021	$120,000
2022	$125,000
2023*	$135,000

The principal amount of the Series 2006 B Bonds maturing June 1, 2023, delivered to or purchased by the Trustee shall reduce pro tanto the principal amount of Series 2006 B Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

The Series 2006 B Bonds maturing June 1, 2026, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2006 B Bonds Sinking Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the mandatory redemption date, on June 1, 2024, and on each June 1, thereafter to and including June 1, 2026, in annual principal amounts as follows:

Year	Amount
2024	$140,000
2025	$145,000
2026*	$155,000

The principal amount of the Series 2006 B Bonds maturing June 1, 2026, delivered to or purchased by the Trustee shall reduce pro tanto the principal amount of Series 2006 B Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

* Final Maturity

Final (Updated)

$2,000,000

Charles Town, West Virginia

Northern High Zone and Huntfield-Locust Hill Projects

Final (Updated)

Sources & Uses

Dated 07/27/2006 | Delivered 07/27/2006

Sources Of Funds	
Par Amount of Bonds	$2,000,000.00
Interest Earnings on Project Construction Fund	13,292.53
Reoffering Premium	7,582.65
Total Sources	**$2,020,875.18**

Uses Of Funds	
Deposit to Project Construction Fund	1,888,888.00
Total Underwriter's Discount (2.500%)	50,000.00
Costs of Issuance	50,000.00
Deposit to Debt Service Reserve Fund	31,987.18
Total Uses	**$2,020,875.18**

Crews & Associates, Inc.
Public Finance

Final (Updated)

$2,000,000

Charles Town, West Virginia

Northern High Zone and Huntfield-Locust Hill Projects

Final (Updated)

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I
06/01/2007	50,000.00	4.500%	84,286.11	134,286.11
06/01/2008	65,000.00	4.500%	97,562.50	162,562.50
06/01/2009	65,000.00	4.500%	94,637.50	159,637.50
06/01/2010	70,000.00	4.500%	91,712.50	161,712.50
06/01/2011	75,000.00	4.500%	88,562.50	163,562.50
06/01/2012	75,000.00	4.750%	85,187.50	160,187.50
06/01/2013	80,000.00	4.750%	81,625.00	161,625.00
06/01/2014	85,000.00	4.750%	77,825.00	162,825.00
06/01/2015	90,000.00	4.750%	73,787.50	163,787.50
06/01/2016	95,000.00	5.250%	69,512.50	164,512.50
06/01/2017	100,000.00	5.250%	64,525.00	164,525.00
06/01/2018	105,000.00	5.250%	59,275.00	164,275.00
06/01/2019	110,000.00	5.250%	53,762.50	163,762.50
06/01/2020	115,000.00	5.250%	47,987.50	162,987.50
06/01/2021	120,000.00	5.250%	41,950.00	161,950.00
06/01/2022	125,000.00	5.250%	35,650.00	160,650.00
06/01/2023	135,000.00	5.250%	29,087.50	164,087.50
06/01/2024	140,000.00	5.000%	22,000.00	162,000.00
06/01/2025	145,000.00	5.000%	15,000.00	160,000.00
06/01/2026	155,000.00	5.000%	7,750.00	162,750.00
Total	**$2,000,000.00**	-	**$1,221,686.11**	**$3,221,686.11**

Crews & Associates, Inc.
Public Finance

Final (Updated)

$2,000,000

Charles Town, West Virginia

Northern High Zone and Huntfield-Locust Hill Projects

Final (Updated)

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
07/27/2006	-	-	-	-	-
12/01/2006	-	-	34,379.86	34,379.86	-
06/01/2007	50,000.00	4.500%	49,906.25	99,906.25	134,286.11
12/01/2007	-	-	48,781.25	48,781.25	-
06/01/2008	65,000.00	4.500%	48,781.25	113,781.25	162,562.50
12/01/2008	-	-	47,318.75	47,318.75	-
06/01/2009	65,000.00	4.500%	47,318.75	112,318.75	159,637.50
12/01/2009	-	-	45,856.25	45,856.25	-
06/01/2010	70,000.00	4.500%	45,856.25	115,856.25	161,712.50
12/01/2010	-	-	44,281.25	44,281.25	-
06/01/2011	75,000.00	4.500%	44,281.25	119,281.25	163,562.50
12/01/2011	-	-	42,593.75	42,593.75	-
06/01/2012	75,000.00	4.750%	42,593.75	117,593.75	160,187.50
12/01/2012	-	-	40,812.50	40,812.50	-
06/01/2013	80,000.00	4.750%	40,812.50	120,812.50	161,625.00
12/01/2013	-	-	38,912.50	38,912.50	-
06/01/2014	85,000.00	4.750%	38,912.50	123,912.50	162,825.00
12/01/2014	-	-	36,893.75	36,893.75	-
06/01/2015	90,000.00	4.750%	36,893.75	126,893.75	163,787.50
12/01/2015	-	-	34,756.25	34,756.25	-
06/01/2016	95,000.00	5.250%	34,756.25	129,756.25	164,512.50
12/01/2016	-	-	32,262.50	32,262.50	-
06/01/2017	100,000.00	5.250%	32,262.50	132,262.50	164,525.00
12/01/2017	-	-	29,637.50	29,637.50	-
06/01/2018	105,000.00	5.250%	29,637.50	134,637.50	164,275.00
12/01/2018	-	-	26,881.25	26,881.25	-
06/01/2019	110,000.00	5.250%	26,881.25	136,881.25	163,762.50
12/01/2019	-	-	23,993.75	23,993.75	-
06/01/2020	115,000.00	5.250%	23,993.75	138,993.75	162,987.50
12/01/2020	-	-	20,975.00	20,975.00	-
06/01/2021	120,000.00	5.250%	20,975.00	140,975.00	161,950.00
12/01/2021	-	-	17,825.00	17,825.00	-
06/01/2022	125,000.00	5.250%	17,825.00	142,825.00	160,650.00
12/01/2022	-	-	14,543.75	14,543.75	-
06/01/2023	135,000.00	5.250%	14,543.75	149,543.75	164,087.50
12/01/2023	-	-	11,000.00	11,000.00	-
06/01/2024	140,000.00	5.000%	11,000.00	151,000.00	162,000.00
12/01/2024	-	-	7,500.00	7,500.00	-
06/01/2025	145,000.00	5.000%	7,500.00	152,500.00	160,000.00
12/01/2025	-	-	3,875.00	3,875.00	-
06/01/2026	155,000.00	5.000%	3,875.00	158,875.00	162,750.00
Total	**$2,000,000.00**	-	**$1,221,686.11**	**$3,221,686.11**	-

Crews & Associates, Inc.
Public Finance

Final (Updated)

$2,000,000

Charles Town, West Virginia

Northern High Zone and Huntfield-Locust Hill Projects

Final (Updated)

Pricing Summary

Maturity	Type of Bond	Coupon	Yield	Maturity Value	Price		Dollar Price
06/01/2011	Term 1 Coupon	4.500%	4.499%	325,000.00	100.000%		325,000.00
06/01/2015	Term 2 Coupon	4.750%	4.749%	330,000.00	100.000%		330,000.00
06/01/2023	Term 3 Coupon	5.250%	4.750%	905,000.00	102.329%	c	926,077.45
06/01/2026	Term 4 Coupon	5.000%	5.250%	440,000.00	96.933%		426,505.20
Total	-	-	-	**$2,000,000.00**	-	-	**$2,007,582.65**

c = Priced to December 1, 2011 Par Call

Bid Information

Par Amount of Bonds	$2,000,000.00
Reoffering Premium or (Discount)	7,582.65
Gross Production	$2,007,582.65
Total Underwriter's Discount (2.500%)	$(50,000.00)
Bid (97.879%)	1,957,582.65
Total Purchase Price	$1,957,582.65
Bond Year Dollars	$24,038.89
Average Life	12.019 Years
Average Coupon	5.0821239%
Net Interest Cost (NIC)	5.2585769%
True Interest Cost (TIC)	5.3279137%

Crews & Associates, Inc.
Public Finance

Final (Updated)

$2,000,000

Charles Town, West Virginia

Northern High Zone and Huntfield-Locust Hill Projects

Final (Updated)

Operation Of Project Construction Fund

Date	Principal	Rate	Interest	Receipts	Disbursements	Cash Balance
07/27/2006	350,000.00	4.0000000%	-	350,000.05	350,000.00	0.05
08/01/2006	255,809.82	4.0000000%	671.50	256,481.32	256,481.33	0.04
09/01/2006	252,283.56	4.0000000%	4,197.77	256,481.33	256,481.33	0.03
10/01/2006	253,117.57	4.0000000%	3,363.75	256,481.32	256,481.33	0.02
11/01/2006	253,954.35	4.0000000%	2,526.97	256,481.32	256,481.33	0.01
12/01/2006	254,793.90	4.0000000%	1,687.43	256,481.33	256,481.33	-
01/01/2007	255,636.22	4.0000000%	845.11	256,481.33	256,481.33	-
Total	**$1,875,595.42**	-	**$13,292.53**	**$1,888,888.00**	**$1,888,888.00**	-

Investment Parameters

Investment Model [PV, GIC, or Securities]	GIC
Default investment yield target	User Defined
Cash Deposit	0.05
Cost of Investments Purchased with Bond Proceeds	1,875,595.42
Total Cost of Investments	$1,875,595.47
Target Cost of Investments at bond yield	$1,872,505.54
Actual positive or (negative) arbitrage	(3,089.93)
Yield to Receipt	4.0000020%
Yield for Arbitrage Purposes	4.9484345%

Final (Updated)

$2,000,000

Charles Town, West Virginia

Northern High Zone and Huntfield-Locust Hill Projects

Final (Updated)

Proof of Premium Bond Selection of Call Dates/Prices

Maturity	Call Date	Call Price	PV at Bond Yield	Lowest?
06/01/2023	-	-	931,660.22	No
06/01/2023	12/01/2011	100.000%	917,741.29	Yes

Crews & Associates, Inc.
Public Finance

Final (Updated)

$2,000,000

Charles Town, West Virginia

Northern High Zone and Huntfield-Locust Hill Projects

Final (Updated)

Proof of D/S for Arbitrage Purposes

Date	Principal	Interest	Total
07/27/2006	-	-	-
12/01/2006	-	34,379.86	34,379.86
06/01/2007	50,000.00	49,906.25	99,906.25
12/01/2007	-	48,781.25	48,781.25
06/01/2008	65,000.00	48,781.25	113,781.25
12/01/2008	-	47,318.75	47,318.75
06/01/2009	65,000.00	47,318.75	112,318.75
12/01/2009	-	45,856.25	45,856.25
06/01/2010	70,000.00	45,856.25	115,856.25
12/01/2010	-	44,281.25	44,281.25
06/01/2011	75,000.00	44,281.25	119,281.25
12/01/2011	905,000.00	42,593.75	947,593.75
06/01/2012	75,000.00	18,837.50	93,837.50
12/01/2012	-	17,056.25	17,056.25
06/01/2013	80,000.00	17,056.25	97,056.25
12/01/2013	-	15,156.25	15,156.25
06/01/2014	85,000.00	15,156.25	100,156.25
12/01/2014	-	13,137.50	13,137.50
06/01/2015	90,000.00	13,137.50	103,137.50
12/01/2015	-	11,000.00	11,000.00
06/01/2016	-	11,000.00	11,000.00
12/01/2016	-	11,000.00	11,000.00
06/01/2017	-	11,000.00	11,000.00
12/01/2017	-	11,000.00	11,000.00
06/01/2018	-	11,000.00	11,000.00
12/01/2018	-	11,000.00	11,000.00
06/01/2019	-	11,000.00	11,000.00
12/01/2019	-	11,000.00	11,000.00
06/01/2020	-	11,000.00	11,000.00
12/01/2020	-	11,000.00	11,000.00
06/01/2021	-	11,000.00	11,000.00
12/01/2021	-	11,000.00	11,000.00
06/01/2022	-	11,000.00	11,000.00
12/01/2022	-	11,000.00	11,000.00
06/01/2023	-	11,000.00	11,000.00
12/01/2023	-	11,000.00	11,000.00
06/01/2024	140,000.00	11,000.00	151,000.00
12/01/2024	-	7,500.00	7,500.00
06/01/2025	145,000.00	7,500.00	152,500.00
12/01/2025	-	3,875.00	3,875.00
06/01/2026	155,000.00	3,875.00	158,875.00
Total	**$2,000,000.00**	**$829,642.36**	**$2,829,642.36**

Final (Updated)

$2,000,000

Charles Town, West Virginia

Northern High Zone and Huntfield-Locust Hill Projects

Final (Updated)

Proof Of Bond Yield @ 4.9484345%

Date	Cashflow	PV Factor	Present Value	Cumulative PV
07/27/2006	-	1.0000000x	-	-
12/01/2006	34,379.86	0.9833038x	33,805.85	33,805.85
06/01/2007	99,906.25	0.9595621x	95,866.25	129,672.10
12/01/2007	48,781.25	0.9363937x	45,678.46	175,350.56
06/01/2008	113,781.25	0.9137847x	103,971.57	279,322.12
12/01/2008	47,318.75	0.8917216x	42,195.15	321,517.27
06/01/2009	112,318.75	0.8701912x	97,738.78	419,256.06
12/01/2009	45,856.25	0.8491806x	38,940.24	458,196.29
06/01/2010	115,856.25	0.8286773x	96,007.45	554,203.74
12/01/2010	44,281.25	0.8086691x	35,808.88	590,012.62
06/01/2011	119,281.25	0.7891439x	94,130.08	684,142.69
12/01/2011	947,593.75	0.7700902x	729,732.69	1,413,875.39
06/01/2012	93,837.50	0.7514966x	70,518.56	1,484,393.95
12/01/2012	17,056.25	0.7333519x	12,508.23	1,496,902.18
06/01/2013	97,056.25	0.7156452x	69,457.84	1,566,360.02
12/01/2013	15,156.25	0.6983661x	10,584.61	1,576,944.63
06/01/2014	100,156.25	0.6815042x	68,256.91	1,645,201.54
12/01/2014	13,137.50	0.6650495x	8,737.09	1,653,938.63
06/01/2015	103,137.50	0.6489920x	66,935.41	1,720,874.04
12/01/2015	11,000.00	0.6333222x	6,966.54	1,727,840.59
06/01/2016	11,000.00	0.6180308x	6,798.34	1,734,638.93
12/01/2016	11,000.00	0.6031086x	6,634.19	1,741,273.12
06/01/2017	11,000.00	0.5885467x	6,474.01	1,747,747.14
12/01/2017	11,000.00	0.5743363x	6,317.70	1,754,064.84
06/01/2018	11,000.00	0.5604691x	6,165.16	1,760,230.00
12/01/2018	11,000.00	0.5469367x	6,016.30	1,766,246.30
06/01/2019	11,000.00	0.5337311x	5,871.04	1,772,117.34
12/01/2019	11,000.00	0.5208442x	5,729.29	1,777,846.63
06/01/2020	11,000.00	0.5082686x	5,590.95	1,783,437.58
12/01/2020	11,000.00	0.4959965x	5,455.96	1,788,893.54
06/01/2021	11,000.00	0.4840208x	5,324.23	1,794,217.77
12/01/2021	11,000.00	0.4723342x	5,195.68	1,799,413.45
06/01/2022	11,000.00	0.4609298x	5,070.23	1,804,483.68
12/01/2022	11,000.00	0.4498008x	4,947.81	1,809,431.49
06/01/2023	11,000.00	0.4389404x	4,828.34	1,814,259.83
12/01/2023	11,000.00	0.4283423x	4,711.77	1,818,971.60
06/01/2024	151,000.00	0.4180001x	63,118.01	1,882,089.61
12/01/2024	7,500.00	0.4079076x	3,059.31	1,885,148.92
06/01/2025	152,500.00	0.3980587x	60,703.96	1,945,852.87
12/01/2025	3,875.00	0.3884477x	1,505.23	1,947,358.11
06/01/2026	158,875.00	0.3790687x	60,224.54	2,007,582.65
Total	**$2,829,642.36**	-	**$2,007,582.65**	-

Derivation Of Target Amount

Par Amount of Bonds	$2,000,000.00
Reoffering Premium or (Discount)	7,582.65
Original Issue Proceeds	$2,007,582.65

Final (Updated)

$2,000,000

Charles Town, West Virginia

Northern High Zone and Huntfield-Locust Hill Projects

Final (Updated)

Derivation Of Form 8038 Yield Statistics

Maturity	Issuance Value	Price	Issuance PRICE	Exponent	Bond Years
07/27/2006	-	-	-	-	-
06/01/2007	50,000.00	100.000%	50,000.00	0.8444444x	42,222.22
06/01/2008	65,000.00	100.000%	65,000.00	1.8444444x	119,888.89
06/01/2009	65,000.00	100.000%	65,000.00	2.8444444x	184,888.89
06/01/2010	70,000.00	100.000%	70,000.00	3.8444444x	269,111.11
06/01/2011	75,000.00	100.000%	75,000.00	4.8444444x	363,333.33
06/01/2012	75,000.00	100.000%	75,000.00	5.8444444x	438,333.33
06/01/2013	80,000.00	100.000%	80,000.00	6.8444444x	547,555.56
06/01/2014	85,000.00	100.000%	85,000.00	7.8444444x	666,777.78
06/01/2015	90,000.00	100.000%	90,000.00	8.8444444x	796,000.00
06/01/2016	95,000.00	102.329%	97,212.55	9.8444444x	957,003.55
06/01/2017	100,000.00	102.329%	102,329.00	10.8444444x	1,109,701.16
06/01/2018	105,000.00	102.329%	107,445.45	11.8444444x	1,272,631.66
06/01/2019	110,000.00	102.329%	112,561.90	12.8444444x	1,445,795.07
06/01/2020	115,000.00	102.329%	117,678.35	13.8444444x	1,629,191.38
06/01/2021	120,000.00	102.329%	122,794.80	14.8444444x	1,822,820.59
06/01/2022	125,000.00	102.329%	127,911.25	15.8444444x	2,026,682.69
06/01/2023	135,000.00	102.329%	138,144.15	16.8444444x	2,326,961.46
06/01/2024	140,000.00	96.933%	135,706.20	17.8444444x	2,421,601.75
06/01/2025	145,000.00	96.933%	140,552.85	18.8444444x	2,648,640.37
06/01/2026	155,000.00	96.933%	150,246.15	19.8444444x	2,981,551.38
Total	**$2,000,000.00**	-	**$2,007,582.65**	-	**$24,070,692.17**

IRS Form 8038

Weighted Average Maturity = Bond Years/Issue Price	11.990 Years
Total Interest from Debt Service	1,221,686.11
Reoffering (Premium) or Discount	(7,582.65)
Total Interest	1,214,103.46
NIC = Interest / (Issue Price * Average Maturity)	5.0439076%
Bond Yield for Arbitrage Purposes	4.9484345%

CITY OF CHARLES TOWN

(WEST VIRGINIA)

COMBINED WATERWORKS AND SEWERAGE SYSTEM BOND ANTICIPATION NOTES, SERIES 2007 A

NOTES ORDINANCE

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CITY OF CHARLES TOWN, WEST VIRGINIA

AN ORDINANCE AUTHORIZING THE DESIGN, ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING SEWERAGE PORTION OF THE COMBINED WATERWORKS AND SEWERAGE SYSTEM OF THE CITY OF CHARLES TOWN AND THE TEMPORARY FINANCING OF THE DESIGN, ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS, BETTERMENTS AND IMPROVEMENTS AND COSTS IN CONNECTION THEREWITH, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE BY THE CITY OF NOT MORE THAN $1,500,000 IN AGGREGATE PRINCIPAL AMOUNT OF COMBINED WATERWORKS AND SEWERAGE SYSTEM BOND ANTICIPATION NOTES, SERIES 2007 A; AUTHORIZING AND RESERVING THE ABILITY OF THE CITY AND/OR BOARD TO REIMBURSE ITSELF FOR EXPENDITURES RELATED TO THE NOTES AND/OR THE PROJECT FROM REVENUES, CAPACITY IMPROVEMENT FEES, CAPACITY ASSURANCE FEES, OR PROCEEDS OF FUTURE BONDS; PROVIDING FOR THE RIGHTS AND REMEDIES OF, AND THE SECURITY FOR, THE REGISTERED OWNERS OF SUCH NOTES; AUTHORIZING THE EXECUTION AND DELIVERY OF A NOTE PURCHASE AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS RELATING TO THE NOTES; AND ENACTING OTHER PROVISIONS WITH RESPECT TO SUCH NOTES.

WHEREAS, the City of Charles Town (the "Issuer" or the "City") presently owns and operates, through the City of Charles Town Utility Board (the "Board"), a combined municipal waterworks and sewerage system (the "System") and has heretofore financed the design, acquisition and construction of the System and certain additions, betterments and improvements thereto through the issuance of several series of bonds or refunding bonds, of which there are presently outstanding the Prior Bonds, as hereinafter defined.

WHEREAS, all of the Prior Bonds were issued pursuant to ordinances of the Issuer previously enacted (such ordinances, as so amended and supplemented, collectively herein called the "Prior Ordinances");

WHEREAS, under the provisions of Chapter 8, Article 20 of the West Virginia Code of 1931, as amended (the "Act"), the Issuer is authorized and empowered to design, acquire, construct and operate extensions, additions, betterments and improvements for the System;

WHEREAS, the Issuer presently owns and operates a public combined waterworks and sewerage system. However, it is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer that there be designed certain additions, betterments and improvements to the sewerage portion of the existing public combined waterworks and sewerage system of the Issuer, together with all appurtenant facilities (collectively, the "Project") (the existing public combined waterworks and sewerage system of the Issuer, the Project and any further additions, betterments and improvements thereto are herein called the "System"), in accordance with the plans and specifications prepared or to be prepared by the Consulting Engineers.

WHEREAS, it is deemed necessary for the Issuer to issue its Combined Waterworks and Sewerage System Bond Anticipation Notes, Series 2007 A (the "Series 2007 A Notes"), in an aggregate principal amount of not more than $1,500,000, to (i) temporarily finance the costs of the Project; (ii) to capitalize interest on the Series 2007 A Notes, and (iii) to pay costs of issuance of the Series 2007 A Notes and related costs. Said costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest upon the Series 2007 A Notes; underwriter's discount, engineering and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise; administrative expense; commitment fees; premiums for municipal bond insurance, reserve account insurance or reserve account surety bonds; letter of credit fees; discount; initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Series 2007 A Notes and such other expenses as may be necessary or incidental to the financing herein authorized; and the performance of the things herein required or permitted, in connection with any thereof, provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Series 2007 A Notes or the repayment of indebtedness incurred by the Issuer for such purposes shall be deemed Costs of the Project, as hereinafter defined.

WHEREAS, the Issuer has heretofore financed or refinanced the design, acquisition and construction of the System and certain additions, betterments and improvements thereto by the issuance of its bonds, of which there are presently outstanding its

(1) Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 B, dated November 18, 1987, issued in the original aggregate principal amount of $413,629 (the "Series 1987 B Bonds");

(2) Combined Waterworks and Sewerage System Revenue Bonds, Series 1988 B-1, dated May 4, 1988, issued in the original aggregate principal amount of $295,916 (the "Series 1988 B-1 Bonds");

(3) Combined Waterworks and Sewerage System Revenue Bonds, Series 1988 B-2, dated May 20, 1988, issued in the original aggregate principal amount of $558,000 (the "Series 1988 B-2 Bonds");

(4) Combined Waterworks and Sewerage System Revenue Bonds, Series 1989 B, dated April 13, 1989, issued in the original aggregate principal amount of $117,480 (the "Series 1989 B Bonds");

(5) Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 1998, dated May 15, 1998, issued in the original aggregate principal amount of $10,355,000 (the "Series 1998 Refunding Bonds");

(6) Combined Waterworks and Sewerage System Design Revenue Bonds, Series 1998 (West Virginia SRF Program), dated September 29, 1998, issued in the original aggregate principal amount of $437,601 (the "Series 1998 Design Bonds");

(7) Combined Waterworks and Sewerage System Revenue Bonds, Series 2000 A (West Virginia SRF Program), dated June 22, 2000, issued in the original aggregate principal amount of $3,163,781 (the "Series 2000 A Bonds");

(8) Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 A (West Virginia Water Development Authority), dated August 22, 2002, issued in the original aggregate principal amount of $1,100,000 (the "Series 2002 A Bonds"); and

(9) Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 B (West Virginia Infrastructure Fund), dated August 22, 2002, issued in the original aggregate principal amount of $3,600,000 (the "Series 2002 B Bonds").

(10) Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 C (Insured), dated December 1, 2002, issued in the original aggregate principal amount of $4,135,000 (the "Series 2002 C Bonds");

(11) Combined Waterworks and Sewerage System Revenue Bonds, Series 2003 A (AMT - Uninsured), dated January 1, 2003, issued in the original aggregate principal amount of $1,000,000 (the "Series 2003 A Bonds");

(12) Combined Waterworks and Sewerage System Revenue Bonds, Series 2005 A (Taxable), dated June 15, 2005, issued in the original aggregate principal amount of $2,355,000 (the "Series 2005 A Bonds");

(13) Combined Waterworks and Sewerage System Revenue Bonds, Series 2006 A (Taxable), dated January 19, 2006, issued in the original aggregate principal amount of $1,830,000 (the "Series 2006 A Bonds"); and

(14) Combined Waterworks and Sewerage System Revenue Bonds, Series 2006 B (Tax-Exempt), dated July 27, 2006, issued in the original aggregate principal amount of $2,000,000 (the "Series 2006 B Bonds").

The Series 1987 B Bonds, the Series 1988 B-1 Bonds, the Series 1988 B-2 Bonds, the Series 1989 B Bonds, the Series 1998 Refunding Bonds, the Series 1998 Design Bonds, the Series 2000 A Bonds, the Series 2002 A Bonds, the Series 2002 B Bonds, the Series 2002 C Bonds, the Series 2003 A Bonds, the Series 2005 A Bonds, the Series 2006 A Bonds and the Series 206 B Bonds are hereinafter collectively called the "Prior Bonds." The Prior Bonds are secured by a first lien on Net Revenues of the System. The ordinances which authorized the issuance of the Prior Bonds are herein collectively referred to as the "Prior Ordinances."

WHEREAS, the Series 2007 A Notes shall be payable only from and secured by a first lien on the proceeds of combined waterworks and sewerage system revenue bonds or other obligations of the Issuer to be issued subsequent to the issuance of the Series 2007 A Notes to permanently finance the costs of design, acquisition and construction of the Project and the Surplus Revenues of the System (all as more clearly hereinafter defined and described). **[The Series 2007 Notes shall have no lien on the Net Revenues or Gross Revenues of the System.]** Other than the Prior Bonds, there are no outstanding bonds or obligations of the Issuer which are secured by revenues or assets of the System.

WHEREAS, it is in the best interests of the Issuer that the Series 2007 A Notes be sold to the Original Purchaser pursuant to the terms and provisions of a note purchase agreement to be entered into by and between the Issuer and the Original Purchaser, as shall be approved by supplemental resolution of the Issuer.

WHEREAS, the Issuer has complied with all requirements of West Virginia law relating to the issuance of the Series 2007 A Notes.

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. All capitalized terms used in this Ordinance and not otherwise defined in the recitals hereto shall have the meanings specified below, unless the context expressly requires otherwise:

"Act" means Chapter 8, Article 20 of the West Virginia Code of 1931, as amended, and in effect on the date of delivery of the Series 2007 A Notes.

"Authorized Newspaper" means a financial journal or newspaper of general circulation in the City of New York, New York, printed in the English language and customarily published on each business day of the Registrar, whether or not published on

Saturdays, Sundays or legal holidays, and so long as so published, shall include The Bond Buyer and Redemption Digest.

"Authorized Officer" means the Mayor or City Manager of the Issuer or any other officer of the Issuer specifically designated by resolution of the Council of the Issuer.

"Board" means the City of Charles Town's Utility Board.

"Bond Commission" means the West Virginia Municipal Bond Commission or any other agency of the State of West Virginia which succeeds to the functions of the Bond Commission.

"Bond Counsel" shall mean any law firm having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds, appointed by the Issuer and shall initially mean Steptoe & Johnson PLLC, Charleston, West Virginia.

"Bond Year" means with respect to each series of Notes, the 12-month period beginning on the anniversary of the Closing Date in each year and ending on the day prior to the anniversary date of the Closing Date in the following year, except that the first Bond Year shall begin on the Closing Date.

"Bonds" means the Prior Bonds and any future bonds to be issued by the Issuer and secured by a lien on the revenues of the System.

"Business Day" means any day other than a Saturday, Sunday or a day on which national banking associations or West Virginia banking corporations are authorized by law to remain closed.

"City Clerk" means the City Clerk of the Issuer.

"City" or "Issuer" means the City of Charles Town, a municipal corporation and political subdivision of the State of West Virginia, in Jefferson County thereof, and, where appropriate, the Council, the Board and any successor thereto.

"City Manager" means the City Manager of the Issuer.

"Closing Date" means the date upon which there is an exchange of the Series 2007 A Notes for the proceeds representing the original purchase price thereof.

"Code" shall mean the Internal Revenue Code of 1986, as amended and supplemented from time to time, and Regulations thereunder.

"Consulting Engineers" means any qualified engineer or engineers or firm or firms of engineers, licensed by the State, that shall at any time now or hereafter be

retained by the Issuer as Consulting Engineers for the System, or portion thereof, in accordance with Chapter 5G, Article 1 of the West Virginia Code of 1931, as amended.

"Costs of Issuance Fund" means the Costs of Issuance Fund established by Section 4.01.

"Council" means the Council of the Issuer or any other governing body of the Issuer that succeeds to the functions of the Council as presently constituted.

"Depository Bank" means the bank or banks to be designated as such in the Supplemental Resolution, and any other bank or national banking association located in the State of West Virginia, eligible under the laws of the State of West Virginia to receive deposits of state and municipal funds and insured by the FDIC that may hereafter be appointed by the Issuer as Depository Bank.

"DTC" means The Depository Trust Company, New York, New York, or its successor thereof.

"DTC-eligible" means, with respect to the Series 2007 A Notes, meeting the qualifications prescribed by DTC.

"Event of Default" means any occurrence or event specified in Section 7.01.

"FDIC" means the Federal Deposit Insurance Corporation or any successor to the functions of the FDIC.

"Fiscal Year" means each 12-month period beginning on July 1 and ending on the succeeding June 30.

"Government Obligations" means direct obligations of, or obligations the timely payment of the principal of and interest on which is guaranteed by, the United States of America.

"Gross Revenues" means the aggregate gross operating and non-operating revenues of the System, determined in accordance with generally accepted accounting principles, after deduction of prompt payment discounts, if any, and reasonable provision for uncollectible accounts; provided that, "Gross Revenues" does not include any gains from the sale or other disposition of, or from any increase in the value of, capital assets (including Qualified Investments as hereinafter defined), or any Tap Fees, as hereinafter defined.

"Independent Accountants" means any certified public accountant or firm of certified public accountants that shall at any time hereafter be retained by the Issuer to prepare an independent annual or special audit of the accounts of the System or for any purpose except keeping the accounts of the System in the normal operations of its business and affairs.

"Investment Property" means any security (as said term is defined in Section 165(g)(2)(A) or (B) of the Code), obligation, annuity contract, investment-type property or residential rental property for family units which is not located within the jurisdiction of the Issuer and which is not acquired to implement a court ordered or approved housing desegregation plan, excluding, however, obligations the interest on which is excluded from gross income, under Section 103 of the Code, for federal income tax purposes other than specified private activity bonds as defined in Section 57(a)(5)(C) of the Code.

"Mayor" means the Mayor of the Issuer.

"Net Proceeds" means the face amount of the Series 2007 A Notes, plus accrued interest and premium, if any, less original issue discount, if any. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Series 2007 A Notes, without regard to whether or not such investment is made in tax-exempt obligations.

"Net Revenues" means the balance of Gross Revenues, remaining after deduction of Operating Expenses.

"Nonpurpose Investment" means any Investment Property as defined in Section 148(b) of the Code, that is not a purpose investment.

"Noteholder," "Holder ," "Owner," "Registered Owner" or any similar term means any person who shall be the registered owner of any outstanding Note.

"Note Register" means the books of the Issuer maintained by the Registrar for the registration and transfer of the Notes.

"Operating Expenses" means the reasonable, proper and necessary costs of repair, maintenance and operation of the System, and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses, other than those capitalized as part of the costs, fees and expenses of fiscal agents, the Depository Bank, the Registrar and the Paying Agent, other than those capitalized as part of the costs, payments to pension or retirement funds, taxes and such other reasonable operating costs and expenses as should normally and regularly be included under generally accepted accounting principles; provided, that "Operating Expenses" does not include payments on account of the principal of or redemption premium, if any, or interest on the Prior Bonds or the Notes, charges for depreciation, losses from the sale or other disposition of, or any decrease in the value of, capital assets, amortization of debt discount or such miscellaneous deductions as are applicable to prior accounting periods.

"Ordinance" or Bond Ordinance" regardless of whether preceded by the article "the" or "this," means this Ordinance, as it may hereafter from time to time be amended or supplemented, by ordinance or by resolution.

"Original Purchaser" means Crews & Associates, Inc., as the purchaser of the Series 2007 A Notes directly from the Issuer, or, if the Issuer and such Original Purchaser do not agree to the purchase of the Series 2007 A Notes with interest rates and other terms allowable under the Act, such other person or persons, firm or firms, bank or banks, corporation or corporations or such other entity or entities as shall purchase the Series 2007 A Notes directly from the Issuer, as determined by a resolution supplemental hereto; provided, that the Original Purchaser and the Issuer shall agree to the purchase of the Series 2007 A Notes, as hereinafter defined, including the exact principal amount thereof and interest rate or rates thereon as fixed by said Supplemental Resolution to be adopted by the Council at the time of approval of such sale of said Series 2007 A Notes.

"Outstanding," when used with reference to the Notes or Prior Bonds and as of any particular date, describes all Notes or Prior Bonds theretofore and thereupon being issued and delivered except (a) any Note or Prior Bond canceled by the registrar for such Note or Prior Note at or prior to said date; (b) any Note or Prior Bond for the payment of which moneys, equal to its principal amount, with interest to the date of maturity, shall be held in trust under this Ordinance and set aside for such payment (whether upon or prior to maturity); (c) any Note deemed to have been paid as provided by Section 9.01; and (d) with respect to determining the number or percentage of Noteholders or Notes or Prior Bonds for the purpose of consents, notices and the like, any Note or Prior Bond registered to the Issuer.

"Paying Agent" means the Paying Agent designated as such for the Series 2007 A Notes in the Supplemental Resolution, and any successor thereto, appointed in accordance with Section 8.12 hereof.

"Prior Bonds" means, collectively, the Series 1987 B Bonds, the Series 1988 B-1 Bonds, the Series 1988 B-2 Bonds, the Series 1989 B Bonds, the Series 1988 Design Bonds, the Series 2000 A Bonds, the Series 2002 A Bonds, the Series 2002 B Bonds, the Series 2002 C Bonds, the Series 2003 A Bonds, the Series 2005 A Bonds, the Series 2006 A Bonds and the Series 2006 B Bonds, as previously defined.

"Prior Ordinances" means, collectively, the ordinances authorizing the Prior Bonds.

"Private Business Use" means use (directly or indirectly) in a trade or business carried on by any person other than a governmental unit; provided that use as a member of the general public shall not be taken into account.

"Project" means the Project as described.

"Qualified Investments" means, collectively, the Qualified Investments defined in the Prior Ordinances, with such modifications as set forth in the Supplemental Resolution.

"Record Date" means the day of the month which shall be so stated in the Series 2007 A Notes, regardless of whether such day is a Saturday, Sunday or legal holiday.

"Redemption Date" means the date fixed for redemption of the Prior Bonds, the Series 2007 A Notes or any other Bonds of the Issuer called for redemption.

"Redemption Price" means the price at which the Prior Bonds or the Series 2007 A Notes of the Issuer may be called for redemption and includes the principal amount of such Prior Bonds or Notes to be redeemed, plus interest and the premium, if any, required to be paid to effect such redemption.

"Registrar" means the bank to be designated in the Supplemental Resolution as the Registrar for the Series 2007 A Notes, and any successor thereto, appointed in accordance with Section 8.08 hereof.

"Regulations" means temporary and permanent regulations promulgated under the Code, and includes applicable regulations promulgated under the Internal Revenue Code of 1954.

"Renewal and Replacement Fund" means the Renewal and Replacement Fund created by the Prior Ordinances and continued hereby.

"Series 2007 A Note Payment Fund" means the Series 2007 A Note Payment Fund established by Section 4.01 hereof.

"Series 2007 A Note Proceeds Fund" means the Series 2007 A Note Proceeds Fund established by Section 4.01 hereof.

"Series 2007 A Notes" or "Notes" means the Issuer's Combined Waterworks and Sewerage System Bond Anticipation Notes, Series 2007 A, originally authorized to be issued pursuant to this Ordinance and the Supplemental Resolution.

"State" means the State of West Virginia.

"Supplemental Resolution" means any ordinance or resolution amendatory hereof or supplemental hereto and, when preceded by the article "the," refers specifically to the Supplemental Resolution or Resolutions to be adopted by the Issuer following enactment of this Ordinance, setting forth the final amounts, maturities, interest rates and other terms of the Series 2007 A Notes, and authorizing the sale of the Series 2007 A Notes to the Original Purchaser; provided, that any provision intended to be included in the Supplemental Resolution and not so included may be contained in any other Supplemental Resolution.

"Surplus Revenues" means the Net Revenues not required by the Prior Resolutions to be set aside and held for the payment of or security for the Prior Bonds and any bonds issued on a parity therewith, including, without limitation, the Sinking Funds and

the Reserve Accounts for the Prior Bonds and any bonds issued on a parity therewith, and the Renewal and Replacement Fund required by the Prior Resolutions.

"System" means, collectively, the complete existing municipal combined waterworks and sewerage system of the Issuer, and shall include any additions, betterments and improvements thereto hereafter acquired or constructed for System from any sources whatsoever, both within and without the Issuer.

"Tap Fees" means the fees, if any, paid by prospective customers of the System in order to connect thereto.

Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations and vice versa; and words importing the masculine gender shall include the feminine and neuter genders and vice versa.

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.

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.

Articles, sections and subsections mentioned by number only are the respective articles, sections and subsections of this Ordinance so numbered.

Section 1.02. Ordinance Constitutes Contract . In consideration of the acceptance of the Series 2007 A Notes by those who shall own or hold the same from time to time, this Ordinance shall be deemed to be and shall constitute a contract between the Issuer and such Noteholders, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of such Noteholders of any and all of such Notes, all of which shall be of equal rank and without preference, priority or distinction between any one Note and any other Note, by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

ARTICLE II

AUTHORIZATION, DESIGN, ACQUISITION AND CONSTRUCTION OF THE PROJECT AND REIMBURSEMENT OF EXPENDITURES

Section 2.01. Authorization of Design, Acquisition and Construction of the Project. There is hereby authorized and ordered the design, acquisition and construction of the Project at an estimated cost of not to exceed $1,500,000, which will be temporarily financed with proceeds of the Series 2007 A Notes. The Issuer has entered, or will enter, into a contract for the Project.

Section 2.02. Reimbursement for Expenditures . The Issuer hereby authorizes and reserves its ability to reimburse itself and/or the Board for expenditures related to the Series 2007 A Notes and/or the Project from revenues, capacity improvement fees, capacity assurance fees, or proceeds of future bonds.

ARTICLE III

THE SERIES 2007 A NOTES

Section 3.01. Form and Payment of Notes. No Series 2007 A Notes shall be issued pursuant to this Ordinance except as provided in this Article III. Any Series 2007 A Notes issued pursuant to this Ordinance, may be issued only as fully registered Notes without coupons, in the denomination of $5,000 or any integral multiple thereof for any year of maturity. All Series 2007 A Notes shall be dated as of the date provided in a Supplemental Resolution applicable to such series. All Series 2007 A Notes shall bear interest from the interest payment date next preceding the date of authentication or, if authenticated after the Record Date but prior to the applicable interest payment date or on such interest payment date, from such interest payment date or, if no interest on such Notes has been paid, from the date thereof; provided however, that, if, as shown by the records of the Registrar, interest on such Notes shall be in default, Notes issued in exchange for Notes surrendered for transfer or exchange shall bear interest from the date to which interest has been paid in full on the initial Notes surrendered, all as shall be set forth in the Notes.

The principal of and the premium, if any, on the Series 2007 A Notes shall be payable in any coin or currency which, on the respective date of such payment, is legal tender for the payment of public and private debts under the laws of the United States of America upon surrender at the principal office of the Paying Agent. Interest on the Series 2007 A Notes shall be paid by check or draft made payable and mailed to the Holder thereof at his address as it appears in the Note Register at the close of business on the Record Date, or, if requested, in the case of a Registered Owner of $500,000 or more of the Notes, by wire transfer to a domestic bank account specified in writing at least 5 days prior to the Record Date by such Registered Owner.

In the event any Note is redeemed in part, such Note shall be surrendered to and canceled by the Registrar, and the Issuer shall execute, and the Registrar shall authenticate and deliver to the Holder thereof, another Note in the principal amount of said Note then Outstanding.

Section 3.02. Execution of Notes. The Series 2007 A Notes shall be executed in the name of the Issuer by the Mayor and City Manager, by their respective manual or facsimile signatures, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the City Clerk by his manual or facsimile signature; provided, that, all such signatures and the seal may be by facsimile. In case any one or more of the officers who shall have signed or sealed any of the Notes shall cease to be such officer of the Issuer before the Notes so signed and sealed 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 Issuer by such person as at the actual time of the execution of

such Notes shall hold the proper office in the Issuer, although at the date of such Notes such person may not have held such office or may not have been so authorized.

Section 3.03. Authentication and Registration. No Series 2007 A Notes 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 and Registration on such Note, substantially in the forms set forth in EXHIBIT A - FORM OF SERIES 2007 A NOTE attached hereto and incorporated herein by reference with respect to such respective Series 2007 A Notes, shall have been duly manually executed by the Registrar. Any such manually executed Certificate of Authentication and Registration upon any such Note shall be conclusive evidence that such Note has been authenticated, registered and delivered under this Ordinance. The Certificate of Authentication and Registration on any Note shall be deemed to have been executed by the Registrar if signed by an authorized officer of the Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Notes issued hereunder.

Section 3.04. Negotiability and Registration. Subject to the requirements for transfer set forth below, the Series 2007 A Notes shall be, and have all of the qualities and incidents of, negotiable instruments under the Uniform Commercial Code of the State, and each successive Holder, in accepting any of said Notes, shall be conclusively deemed to have agreed that such Notes shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State, and each successive Holder shall further be conclusively deemed to have agreed that said Notes shall be incontestable in the hands of a bona fide holder for value.

So long as any of the Series 2007 A Notes remains Outstanding, the Registrar shall keep and maintain books for the registration and transfer of the Notes. Notes shall be transferable only by transfer of registration upon the Note Register by the registered owner thereof in person or by his attorney or legal representative duly authorized in writing, upon surrender thereof, together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or such duly authorized attorney or legal representative. Upon transfer of a Note, there shall be issued at the option of the Holder or the transferee another Note or Notes of the aggregate principal amount equal to the unpaid amount of the transferred Note and of the same series, interest rate and maturity of said transferred Note.

Upon surrender thereof at the office of the Registrar with a written instrument of transfer satisfactory to the Registrar and duly executed by the registered owner or his attorney or legal representative duly authorized in writing, Notes may at the option of the Holder thereof be exchanged for an equal aggregate principal amount of Notes of the same series, maturity and interest rate, in any authorized denominations.

In all cases in which the privilege of transferring or exchanging a Note is exercised, Notes shall be delivered in accordance with the provisions of this Ordinance. All Notes surrendered in any such transfer or exchange shall forthwith be canceled by the

Registrar. Transfers of Notes, the initial exchange of Notes and exchanges of Notes in the event of partial redemption of fully registered Notes shall be made by the Registrar without charge to the Holder or the transferee thereof, except as provided below. For other exchanges of Notes, the Registrar may impose a service charge. For every such transfer or exchange of Notes, the Registrar may make a charge sufficient to reimburse its office for any tax or other governmental charge required to be paid with respect to such transfer or exchange, and such tax or governmental charge, and such service charge for exchange other than the initial exchange or in the event of partial redemption, shall be paid by the person requesting such transfer or exchange as a condition precedent to the exercise of the privilege of making such transfer or exchange. The Registrar shall not be obliged to make any such transfer or exchange of Notes that have been called for redemption.

Section 3.05. Notes Mutilated, Destroyed, Stolen or Lost . In case any Series 2007 A Notes shall become mutilated or be destroyed, stolen or lost, the Issuer may execute, in its discretion, and the Registrar shall authenticate, register and deliver any new Note of like series, maturity and principal amount as the Note, so mutilated, destroyed, stolen or lost, in exchange and 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 Issuer and the Registrar proof of his ownership thereof and that said Note has been destroyed, stolen or lost and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer or the Registrar may prescribe and paying such expenses as the Issuer or the Registrar may incur. The name of the Noteholder listed in the Note Register shall constitute proof of ownership. All Notes so surrendered shall be submitted to and canceled by the Registrar, and evidence of such cancellation shall be given to the Issuer. If such Note shall have matured or be about to mature, instead of issuing a substitute Note, the Issuer, by and through the Registrar, may pay the same, upon being indemnified as aforesaid, and, if such Note be lost, stolen or destroyed, without surrender therefor.

Any such duplicate Notes issued pursuant to this section shall constitute original, additional contractual obligations on the part of the Issuer, whether or not the lost, stolen or destroyed Notes be at any time found by any one, and such duplicate Notes shall be entitled to equal and proportionate benefits and rights as to lien and source of and security for payment from the Gross Revenues pledged herein with all other Notes issued hereunder.

Section 3.06. [Reserved].

Section 3.07. Notice of Redemption. Unless waived by any Holder of the Series 2007 A Notes to be redeemed, official notice of any redemption shall be given by the Registrar on behalf of the Issuer by mailing a copy of an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Bond Insurer, if any, the Original Purchaser and the registered owner of the Series 2007 A Notes or Notes to be redeemed at the address shown on the Note Register or at such other address as is furnished in writing by such registered owner to the Registrar.

So long as DTC (as CEDE & CO.) is the registered Owner of the Series 2007 A Notes, the Registrar shall send all notices of redemption to DTC and shall verify that DTC has received notice. Copies of all redemption notices relating to optional redemption of the Series 2007 A Notes shall also be sent to registered securities depositories, nationally recognized municipal securities information repositories and to *Standard & Poor's Called Bond Record.*

All official notices of redemption shall be dated and shall state:

(1) The Redemption Date,

(2) The Redemption Price,

(3) If less than all outstanding Notes are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Notes to be redeemed,

(4) That on the Redemption Date the Redemption Price and interest accrued will become due and payable upon each such Note or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date,

(5) The place where such Notes are to be surrendered for payment of the Redemption Price, which place of payment shall be the principal office of the Registrar, and

(6) Such other information, if any, as shall be required for DTC-eligible Notes.

If funds sufficient to redeem all Notes called for optional redemption have not been deposited with the Paying Agent at the time of mailing any notice of optional redemption, such notice shall also state that such optional redemption is subject to the deposit of such moneys with the Paying Agent on or before the Redemption Date. If such moneys are not so deposited, the Registrar shall notify all holders of Notes called for redemption of such fact.

Official notice of redemption having been given as aforesaid, the Series 2007 A Notes or portions of Notes so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Issuer shall default in the payment of the Redemption Price) such Notes or portions of Notes shall cease to bear interest. Upon surrender of such Notes for redemption in accordance with said notice, such Notes shall be paid by the Registrar at the Redemption Price. Installments of interest due on or prior to the Redemption Date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Note, there shall be prepared for the registered owner a new Note or Notes of the same

maturity in the amount of the unredeemed principal of such Note. All Notes which have been redeemed shall be canceled and destroyed by the Registrar and shall not be reissued.

Failure to receive such notice or any defect therein or in the mailing thereof shall not affect the validity of proceedings for the redemption of Notes, and failure to mail or otherwise send such notice shall not affect the validity of proceedings for the redemption of any portion of Notes for which there was no such failure.

Section 3.08. Persons Treated as Owners. The Issuer, the Registrar and any agent of the Issuer or the Registrar may treat the person in whose name any Note is registered as the owner of such Note for the purpose of receiving payment of the principal of, and interest on, such Note and for all other purposes, whether or not such Note is overdue.

Section 3.09. Temporary Notes. Until Notes of any series in definitive form are ready for delivery, the Issuer may execute and the Registrar shall authenticate, register, if applicable, and deliver, subject to the same provisions, limitations and conditions set forth in this Article III, one or more printed, lithographed or typewritten Notes in temporary form, substantially in the form of the definitive Notes of such series, with appropriate omissions, variations and insertions, and in authorized denominations. Until exchanged for Notes in definitive form, such Notes in temporary form shall be entitled to the lien and benefit created under this Ordinance. Upon the presentation and surrender of any Note or Notes in temporary form, the Issuer shall, without unreasonable delay, prepare, execute and deliver to the Registrar, and the Registrar shall authenticate, register, if applicable, and deliver, in exchange therefor, a Note or Notes in definitive form. Such exchange shall be made by the Registrar without making any charge therefor to the Holder of such Note in temporary form.

Section 3.10. Authorization of Notes. For the purposes of temporarily financing the costs of design, acquisition and construction of the Project, capitalizing interest on the Series 2007 A Notes, and paying costs of issuance of the Series 2007 A Notes and related costs, there shall be and hereby are authorized to be issued the Series 2007 A Notes of the Issuer, in an aggregate principal amount of not more than $1,500,000. The Series 2007 A Notes may be issued from time to time in one or more series as shall be determined by the Issuer. The Series 2007 A Notes shall be designated "City of Charles Town (West Virginia) Combined Waterworks and Sewerage System Bond Anticipation Notes, Series 2007 A Notes." In the event a portion of the Series 2007 A Notes are issued in a subsequent year, they shall bear an appropriate series designation relating to such year. The Series 2007 A Notes shall be issued in fully registered form, in the denomination of $5,000 or any integral multiple thereof for any year of maturity, not exceeding the aggregate principal amount of Series 2007 A Notes maturing in the year of maturity for which the denomination is to be specified. The Series 2007 A Notes shall be numbered from AR-1 consecutively upward (with appropriate series designation). The Series 2007 A Notes shall be designated; shall be dated; shall be in such aggregate principal amount; shall bear interest at such rate or rates,

not exceeding the then legally permissible rate, payable semiannually on such dates; shall mature on such dates and in such amounts; shall be subject to such mandatory and optional redemption provisions; and shall have such other terms, all as the Issuer shall prescribe herein and in the Supplemental Resolution.

Section 3.11. Book Entry System. The Series 2007 A Notes shall initially be issued in the form of one fully-registered Note for the aggregate principal amount of the Series 2007 A Notes of each maturity, registered in the name of CEDE & CO., as nominee of DTC. Except as provided in paragraph E below, all of the Series 2007 A Notes shall be registered in the registration books kept by the Registrar in the name of CEDE & CO., as nominee of DTC; provided that if DTC shall request that the Series 2007 A Notes be registered in the name of a different nominee, the Registrar shall exchange all or any portion of the Series 2007 A Notes registered in the name of such nominee or nominees. No person other than DTC or its nominee shall be entitled to receive from the Issuer or the Registrar either a Series 2007 A Notes or any other evidence of ownership of the Series 2007 A Notes, or any right to receive any payment in respect thereof unless DTC or its nominee shall transfer record ownership of all or any portion of the Series 2007 A Notes on the registration books maintained by the Registrar, in connection with discontinuing the book entry system as provided in paragraph E below.

B. At or prior to settlement for the Series 2007 A Notes, the Issuer and the Registrar shall execute or signify their approval of a representation letter addressed to DTC in a form satisfactory to DTC (the "Representation Letter"). Any successor Registrar shall, in its written acceptance of its duties under this Ordinance, agree to take any actions necessary from time to time to comply with the requirements of the Representation Letter.

C. So long as the Series 2007 A Notes or any portion thereof are registered in the name of DTC or any nominee thereof, all payments of the principal or Redemption Price of or interest on such Series 2007 A Notes shall be made to DTC or its nominee at the addresses set forth in the Representation Letter in New York Clearing House or equivalent next day funds on the dates provided for such payments to be made to any Noteholder under this Ordinance. Each such payment to DTC or its nominee shall be valid and effective to fully discharge all liability of the Issuer and the Registrar with respect to the principal or Redemption Price of or interest on the Series 2007 A Notes to the extent of the sum or sums so paid. In the event of the redemption of less than all of the Series 2007 A Notes Outstanding of any maturity, the Registrar shall not require surrender by DTC of the Series 2007 A Notes so redeemed, but DTC may return such Series 2007 A Notes and make an appropriate notation on the Series 2007 A Notes certificate as to the amount of such partial redemption; provided that DTC shall deliver to the Registrar, upon request, a written confirmation of such partial redemption. The records maintained by the Registrar shall be conclusive as to the amount of the Series 2007 A Notes of such maturity which have been redeemed.

D. The Issuer, the Paying Agent and the Registrar may treat DTC as the sole and exclusive owner of the Series 2007 A Notes registered in its name or the name of

its nominee for the purposes of payment of the principal or Redemption Price of or interest on the Series 2007 A Notes, selecting the Series 2007 A Notes or portions thereof to be redeemed, giving any notice permitted or required to be given to Noteholders under this Ordinance, registering the transfer of Series 2007 A Notes, obtaining any consent or other action to be taken by Noteholders and for all other purposes whatsoever; and neither the Issuer nor the Registrar shall be affected by any notice to the contrary. Neither the Issuer nor the Registrar shall have any responsibility or obligation to any direct or indirect participant in DTC, any person claiming a beneficial ownership interest in the Series 2007 A Notes under or through DTC or any such participant, or any other person which is not shown on the registration books of the Registrar as being a Noteholder with respect to (i) the Series 2007 A Notes, (ii) the accuracy of any records maintained by DTC or any such participant, (iii) the payment by DTC or any such participant of any amount in respect of the principal or Redemption Price of or interest on the Series 2007 A Notes, (iv) any notice which is permitted or required to be given to Noteholders under this Ordinance, (v) the selection by DTC or any such participant of any person to receive payment in the event of a partial redemption of the Series 2007 A Notes or (vi) any consent given or other action taken by DTC as Noteholder.

E. The book entry system for registration of the ownership of the Series 2007 A Notes may be discontinued at any time if either: (i) DTC determines to resign as securities depository for the Series 2007 A Notes; or (ii) the Issuer determines that continuation of the system of book entry transfers through DTC (or through a successor securities depository) is not in the best interest of the beneficial owners of the Series 2007 A Notes. In either of such events (unless in the case described in clause (ii) above, the Issuer appoints a successor securities depository), the Series 2007 A Notes shall be delivered in registered certificate form to such persons, and in such maturities and principal amounts, as may be designated by DTC, but without any liability on the part of the Issuer or the Registrar for the accuracy of such designation. Whenever DTC requests the Issuer and the Registrar to do so, the Issuer and the Registrar shall cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of certificates evidencing the Series 2007 A Notes.

Section 3.12. Delivery of Notes. The Issuer shall execute and deliver the Series 2007 A Notes to the Registrar, and the Registrar shall authenticate, register and deliver the Series 2007 A Notes to the Original Purchaser upon receipt of the documents set forth below:

(A) If not registered in the name of DTC or its nominee, a list of the names in which the Series 2007 A Notes are to be registered upon original issuance, together with such taxpayer identification and other information as the Registrar may reasonably require;

(B) A request and authorization to the Registrar on behalf of the Issuer, signed by an Authorized Officer, to

authenticate and deliver the Series 2007 A Notes to DTC for the benefit of the Original Purchaser;

(C) Copies of this Ordinance and the Supplemental Resolution certified by the City Clerk;

(D) The unqualified approving opinion of Bond Counsel regarding the Series 2007 A Notes; and

(E) A copy of such other documents and certificates as the Original Purchaser may reasonably require.

Section 3.13. Form of Notes. The definitive Series 2007 A Notes shall be in substantially the form set forth in EXHIBIT A - FORM OF SERIES 2007 A NOTE attached hereto and incorporated herein by reference, with such necessary and appropriate omissions, insertions and variations as are approved by those officers executing such Series 2007 A Notes on behalf of the Issuer and execution thereof by such officers shall constitute conclusive evidence of such approval, and the definitive Series 2007 A Notes shall have the form of the opinion of Steptoe & Johnson PLLC, as Bond Counsel, attached thereto or printed on the reverse thereof.

Section 3.14. Disposition of Proceeds of Series 2007 A Notes. Upon the issuance and delivery of the Series 2007 A Notes, the Issuer shall forthwith deposit the proceeds thereof as follows:

A. All interest accrued on the Series 2007 A Notes, if any, from the date thereof to the date of delivery thereof and any amount of capitalized interest shall be deposited in the Series 2007 A Note Payment Fund and applied to payment of interest on the Series 2007 A Notes.

B. The remainder of the proceeds of the Series 2007 A Notes shall be deposited into the Series 2007 A Note Proceeds Fund and applied solely to the payment of the costs of design, acquisition and construction of the Project and the costs of issuance of the Series 2007 A Notes and related costs, and until so expended, are hereby pledge as additional security for the Series 2007 A Notes.

ARTICLE IV

FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

Section 4.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are hereby created (or continued if previously established by the Prior Ordinances) with and shall be held by the Depository Bank separate and apart from all other funds or accounts of the Depository Bank and from each other:

(1) Revenue Fund (established by the Prior Ordinances);

(2) Renewal and Replacement Fund (established by the Prior Ordinances);

(3) Costs of Issuance Fund; and

(4) Series 2007 A Note Proceeds Fund.

Section 4.02. Establishment of Funds and Accounts with Bond Commission. The following special funds or accounts are hereby created with (or continued if previously established by the Prior Ordinances) and shall be held by the Bond Commission separate and apart from all other fund or accounts of the Bond Commission and from each other:

(1) Series 2007 A Note Payment Fund.

Section 4.03. System Revenues; Flow of Funds . The entire Gross Revenues derived from the operation of the System and all parts thereof shall be deposited upon receipt in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in the Prior Ordinances. All monies in the Revenue Fund shall be disposed of in the manner and order of priority as set forth particularly in the Prior Ordinances. To the extent that Surplus Revenues are available, the Issuer shall use Surplus Revenues to make all required interest payments in connection with the Series 2007 A Notes, as determined on the first day of the month. The Issuer shall remit to the Commission 7 months prior to the first interest payment date on the Series 2007 A Notes, an amount which is not less than 1/6th of the amount of interest due on the first interest payment date, if available.

ARTICLE V

INVESTMENTS; NON-ARBITRAGE; SMALL ISSUER EXEMPTION FROM REBATE OF EXCESS INVESTMENT EARNINGS

Section 5.01. Investments. The Issuer shall invest and reinvest, and shall instruct the Bond Commission and the Depository Bank to invest and reinvest, any moneys held as a part of the funds and accounts created by this Ordinance in Qualified Investments to the fullest extent possible under applicable laws, this Ordinance, the need for such moneys for the purposes set forth herein and the specific restrictions and provisions set forth in this section.

Except as provided below, any investment shall be held in and at all times deemed a part of the fund or account in which such moneys were originally held, and the interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. The Issuer shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in any fund or account is insufficient to make the payments required from such fund or account, regardless of the loss on such liquidation. The Issuer may make any and all investments permitted by this section through the trust department of the Depository Bank. The Depository Bank shall not be responsible for any losses from such investments, other than for its own negligence or willful misconduct.

Section 5.02. Arbitrage. The Issuer covenants that (i) it will restrict the use of the proceeds of the Series 2007 A Notes in such manner and to such extent as may be necessary, so that the Series 2007 A Notes will not constitute "arbitrage bonds" under Section 148 of the Code and Regulations prescribed thereunder, and (ii) it will take all actions that may be required of it (including, without implied limitation, the timely filing of a federal information return with respect to the Series 2007 A Notes) so that the interest on the Series 2007 A Notes will be and remain excluded from gross income for federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 5.03. Tax Certificate. The Issuer shall deliver a certificate of arbitrage, a tax certificate or other similar certificate to be prepared by nationally recognized bond counsel or tax counsel relating to tax matters as a condition to issuance of the Series 2007 A Notes.

Section 5.04. Small Issuer Exemption from Rebate of Excess Investment Earnings to the United States. In accordance with Section 148(f)(4)(D) of the Code, the Issuer covenants that it is a governmental unit with general taxing powers; that no part of the Series 2007 A Notes are private activity bonds; that 95% or more of the Net Proceeds of the Series 2007 A Notes are to be used for local governmental activities of the Issuer (or of a governmental unit the jurisdiction of which is entirely within the jurisdiction of the Issuer);

and that the aggregate face amount of all the tax-exempt obligations (other than private activity bonds) issued by the Issuer during the calendar year in which the Series 2007 A Notes are issued does not and will not exceed $5,000,000, determined in accordance with Section 148(f)(4)(D) of the Code and the Regulations from time to time in effect and applicable to the Series 2007 A Notes. For purposes of the first paragraph of Section 5.04 and for purposes of applying Section 148(f)(4)(D) of the Code, the Issuer and all entities which issue obligations on behalf of the Issuer shall be treated as one issuer; all obligations issued by a governmental unit to make loans to other governmental units with general taxing powers not subordinate to such unit shall, for purposes of applying this first paragraph of Section 5.04 and Section 148(f)(4)(D) of the Code to each other entity to which such entity is subordinate, be treated as issued by such other entity; and an entity formed (or, to the extent provided by the Secretary, as set forth in the Code, availed of) to avoid the purposes of such Section 148(f)(4)(D) of the Code and all other entities benefitting thereby shall be treated as one issuer.

Notwithstanding the foregoing, if in fact the Issuer is subject to the rebate requirements of Section 148(f) of the Code, and not exempted from such requirements, the Issuer covenants to make, or cause to be made, all rebate calculations, computations and payments in the time, manner and as required in Section 148(f) of the Code and the Regulations from time to time in effect and applicable to the Series 1995 Bonds and otherwise covenants and agrees to comply with the provisions of such Section 148(f) of the Code and the Regulations from time to time in effect and applicable to the Series 2007 A Notes. In the event of a failure to pay any such amount or amounts, the Issuer will pay, from any lawful sources available therefor, to the United States an amount equal to the sum of 50% of the amount not paid, plus interest at the required rate on the portion of the amount which was not paid on the required date, beginning on such date, unless waived. In order to provide for the administration of this paragraph, the Issuer may provide for the employment of independent attorneys, accountants and consultants compensated on such reasonable basis as the Issuer may deem appropriate.

Section 5.05. Continuing Disclosure Agreement. The Issuer shall deliver a continuing disclosure agreement or certificate in form acceptable to the Original Purchaser sufficient to ensure compliance with SEC Rule 15c2-12, as it may be amended from time to time.

ARTICLE VI

ADDITIONAL COVENANTS OF THE ISSUER

Section 6.01. Covenants Binding and Irrevocable. All the covenants, agreements and provisions of this Ordinance shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Series 2007 A Notes, as prescribed by Article VII. In addition to the other covenants, agreements and provisions of this Ordinance, the Issuer hereby covenants and agrees with the Holders of the Series 2007 A Notes, as hereinafter provided in this Article VI. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of the Series 2007 A Notes or the interest thereon, are Outstanding and unpaid.

Section 6.02. Notes not to be Indebtedness of the Issuer. The Series 2007 A Notes shall not be or constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness but shall be payable solely from the proceeds of sewerage system revenue bonds or other obligations of the Issuer to be issued subsequent to the issuance of the Series 2007 A Notes. No Holder or Holders of the Series 2007 A Notes issued hereunder shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Series 2007 A Notes or the interest thereon.

Section 6.03. Security for the Notes. The payment of the debt service of all of the Series 2007 A Notes issued hereunder shall be secured forthwith equally and ratably with each other by a first lien on the proceeds of combined waterworks and sewerage system revenue bonds or other obligations of the Issuer to be issued subsequent to the issuance of the Series 2007 A Notes specifically for the purpose of refunding the Series 2007 A Notes and Surplus Revenues of the System. **The Series 2007 A Notes have no lien on the Net Revenues or Gross Revenues of the System.**

Section 6.04 [Reserved].

Section 6.05. Completion of Project; Operation and Maintenance. The Issuer will complete the Project as promptly as possible and operate and maintain the System in good condition and in compliance with all federal and state requirements and standards.

The Issuer will obtain all permits required by state and federal laws for the Project and all orders and approvals from the Public Service Commission of West Virginia necessary for the operation of the System.

Section 6.06. Sale of the System. So long as the Prior Bonds are Outstanding, the Issuer shall not sell, mortgage, lease or otherwise dispose of the System, except as provided by the Prior Ordinances. Additionally, so long as the Series 2007 A

Notes are Outstanding, the System may not be sold, mortgaged, leased or otherwise disposed of, except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to fully pay all the Notes Outstanding, or to defease the pledge created by this Ordinance and the Prior Ordinances. The proceeds from such sale, mortgage, lease or other disposition of the System shall be immediately remitted to the Bond Commission for deposit in the Sinking Funds, and otherwise as prescribed by Section 9.01. Any balance remaining after such defeasance shall be remitted to the Issuer by the Bond Commission unless necessary for the payment of other obligations of the Issuer payable out of the Gross Revenues of the System.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor is not in excess of $50,000, the Issuer shall, by resolution, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof, and the Issuer may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Renewal and Replacement Fund. If the amount to be received from such sale, lease or other disposition of said property shall be in excess of $50,000 but not in excess of $200,000, the Issuer shall first, determine upon consultation with the Consulting Engineers, that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof, and may then, if it be so advised, by resolution duly adopted, approve and authorize such sale, lease or other disposition of such property in accordance with the laws of the State. The proceeds of any such sale shall be deposited in the Renewal and Replacement Fund. Payment of such proceeds into the Renewal and Replacement Fund shall not reduce the amounts required to be paid into said fund by other provisions of this Ordinance.

No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom shall be in excess of $200,000 and insufficient to defease the pledge created by this Ordinance, as provided by Section 9.01, without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of 60% in amount of Notes then Outstanding. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Notes for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 6.07. Issuance of Other Obligations. Other than refunding bonds or refunding notes, the Issuer shall not issue any other obligations payable from Net Revenues until combined waterworks and sewerage system revenue bonds have been issued by the Issuer, the proceeds of which shall be used to refund the Series 2007 A Notes or the Series 2007 A Notes have otherwise been paid in full.

Section 6.08. [Reserved].

Section 6.09. Insurance and Bonds. The Issuer hereby covenants and agrees, that so long as the Notes remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance and bonds and worker's compensation coverage with a reputable insurance carrier or carriers or bonding company or companies covering the following risks and in the following amounts:

A. FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE, on all above-ground insurable portions of the System in an amount equal to the actual cost thereof. In the event of any damage to or destruction of any portion of the System, the Issuer will promptly arrange for the application of the insurance proceeds for the repair or reconstruction of such damages or destroyed portion. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance to protect the interests of the Issuer during design, acquisition and construction of any additions, betterments and improvements to the System in the full insurable value thereof.

B. PUBLIC LIABILITY INSURANCE, with limits of not less than $1,000,000 per occurrence to protect the Issuer from claims for bodily injury and/or death and not less than $500,000 per occurrence from claims for damage to property of others which may arise from the operation of the System, and insurance with the same limits to protect the Issuer from claims arising out of operation or ownership of motor vehicles of or for the System.

C. WORKER'S COMPENSATION COVERAGE FOR ALL EMPLOYEES OF OR FOR THE SYSTEM ELIGIBLE THEREFOR; AND PERFORMANCE AND PAYMENT OR COMPLETION BONDS, such bonds to be in the amounts of not less than 100% of the amount of any construction contract and to be required of each contractor dealing directly with the Issuer and such payment bonds will be filed with the Clerk of the County Commission of the County in which such work is to be performed prior to commencement of construction of any additions, betterments or improvements to the System in compliance with West Virginia Code Section 38-2-39.

D. FLOOD INSURANCE, to extent available at reasonable cost to the Issuer.

E. BUSINESS INTERRUPTION INSURANCE, to the extent available at reasonable cost to the Issuer.

F. FIDELITY BONDS will be provided as to every officer and employee of the Issuer having custody of the Gross Revenues or of any other funds of the System, in an amount at least equal to the total funds in the custody of any such person at any one time.

Section 6.10. Services Rendered to the Issuer. The Issuer will not render or cause to be rendered any free services of any nature by the System; and, in the event the Issuer or any department, agency, instrumentality, officer or employee thereof shall avail themselves of the facilities or services provided by the System or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer and any such department, agency, instrumentality, officer or employee. Such charges shall be paid as they accrue, and the Issuer shall transfer from its general funds sufficient sums to pay such charges for service to any of its departments or properties. The revenues so received shall be deemed to be Gross Revenues derived from the operation of the System and shall be deposited and accounted for in the same manner as other Gross Revenues derived from such operation of the System.

Section 6.11. Enforcement of Collections. The Issuer will diligently enforce and collect all fees, rentals or other charges for the services and facilities of the System, and take all steps, actions and proceedings for the enforcement and collection of such fees, rentals or other charges which shall become delinquent to the full extent permitted or authorized by the Act, the rules and regulations of the Public Service Commission of West Virginia and other laws of the State of West Virginia.

Whenever any fees, rates, rentals or other charges for the services and facilities of the System shall remain unpaid for a period of 30 days after the same shall become due and payable, the property and the owner thereof, as well as the user of the services and facilities, shall be delinquent until such time as all such rates and charges are fully paid 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 changes, if not paid, shall become a lien on the premises served by the System. The Issuer further covenants and agrees that, it will, to the full extent permitted by law and the rules and regulations promulgated by the Public Service Commission of West Virginia, discontinue and shut off the services and facilities of the System to all delinquent users of services and facilities of the System and will not restore such services of the System until all bills for charges for the services and facilities of the System, plus reasonable interest penalty charges for the restoration of service, have been fully paid.

Section 6.12. No Competing Franchise. To the extent legally allowable, the Issuer will not grant or cause, consent to or allow the granting of any franchise or permit to any person, firm, corporation or body, or agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the System.

Section 6.13. Books and Records. The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and any Holder of a Note or Notes shall have the right at all reasonable times to inspect the System, and all parts thereof, and all records, accounts and data of the Issuer relating thereto.

The accounting system for the System shall follow current generally accepted accounting principles, to the extent allowable under and in accordance with the rules and regulations of the Public Service Commission of West Virginia and the Act. Separate control accounting records shall be maintained by the Issuer. Subsidiary records as may be required shall be kept in the manner, on the forms, in the books and along with other bookkeeping records as prescribed by the Issuer. The Issuer shall prescribe and institute the manner by which subsidiary records of the accounting system which may be installed remote from the direct supervision of the Issuer shall be reported to such agent of the Issuer as it shall direct.

The Issuer shall file with the Original Purchaser, within 120 days following the end of each Fiscal Year, and shall mail to any Noteholder requesting the same, an annual report containing the following:

(A) A statement of Gross Revenues, Operating Expenses and Net Revenues derived from the System.

(B) A balance sheet statement showing all deposits in all the funds and accounts provided for in this Ordinance, and the status of all said funds.

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be completely audited by Independent Accountants, shall mail upon request, and make available generally, the report of said Independent Accountants, or a summary thereof, to any Holder or Holders of Notes issued pursuant to this Ordinance and shall file said report with the Original Purchaser.

Section 6.14. Operating Budget. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, or at such earlier date required by the charter of the Issuer, prepare and adopt by resolution a detailed budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by a registered professional engineer, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of 10% of the amount of such budget shall be made except upon the further certificate of such a registered professional engineer that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Original Purchaser and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to the Original Purchaser, and to any Noteholder or anyone acting for and in behalf of such Noteholder who requests the same.

Section 6.15. Tax Covenants. The Issuer hereby further covenants and agrees as follows:

A. PRIVATE BUSINESS USE LIMITATION. The Issuer shall assure that (i) not in excess of 10% of the Net Proceeds of the Series 2007 A Notes are used for Private Business Use if, in addition, the payment of more than 10% of the principal or 10% of the interest due on the Series 2007 A Notes during the term thereof is, under the terms of the Series 2007 A Notes or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for a Private Business Use or in payments in respect of property used or to be used for a Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for a Private Business Use; and (ii) in the event that both (A) in excess of 5% of the Net Proceeds of the Series 2007 A Notes are used for a Private Business Use, and (B) an amount in excess of 5% of the principal or 5% of the interest due on the Series 2007 A Notes during the term thereof is, under the terms of the Series 2007 A Notes or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for said Private Business Use or in payments in respect of property used or to be used for said Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for said Private Business Use, then said excess over said 5% of Net Proceeds of the Series 2007 A Notes used for a Private Business Use shall be used for a Private Business Use related to the governmental use of the System, or if the Series 2007 A Notes are for the purpose of financing more than one project, a portion of the System, and shall not exceed the proceeds used for the governmental use of that portion of the System to which such Private Business Use is related.

B. PRIVATE LOAN LIMITATION. The Issuer shall assure that not in excess of the lesser of 5% of the Net Proceeds of the Series 2007 A Notes or $5,000,000 are used, directly or indirectly, to make or finance a loan (other than loans constituting Nonpurpose Investments) to persons other than state or local government units.

C. FEDERAL GUARANTEE PROHIBITION. The Issuer shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Series 2007 A Notes to be directly or indirectly "federally guaranteed" within the meaning of Section 149(b) of the Code and Regulations promulgated thereunder.

D. INFORMATION RETURN. The Issuer will file all statements, instruments and returns necessary to assure the tax-exempt status of the Series 2007 A Notes and the interest thereon, including without limitation, the information return required under Section 149(e) of the Code.

E. FURTHER ACTIONS. The Issuer will take all actions that may be required of it so that the interest on the Series 2007 A Notes will be and remain excludable from gross income for federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 6.16. Qualified Tax-Exempt Obligations . The Issuer hereby designates the Series 2007 A Notes as "Qualified Tax-Exempt Obligations" for purposes of paragraph (3) of Section 265(b) of the Code, and that not more than $10,000,000 aggregate principal amount of obligations the interest on which is excludable (under Section 103(a) of the Code) from gross income for federal income taxes (excluding, however, obligations described in Section 265(b)(3)(C)(ii) of the Code), including the Notes, have been or shall be issued by the Issuer during the calendar year 2007, all as determined in accordance with the Code. For purposes of this paragraph and for the purposes of applying such Section 265(b)(3) of the Code, the Issuer and all entities which issue obligations on behalf of the Issuer shall be treated as one issuer; all obligations issued by a subordinate entity shall, for purposes of applying this paragraph and Section 265(b)(3) of the Code to each other entity to which such entity is subordinate, be treated as issued by such other entity; and an entity formed (or, to the extent provided by the Secretary of the Treasury, as set forth in the Code, availed of) to avoid the purposes of Section 265(b)(3)(C) or (D) of the Code and all entities benefitting thereby shall be treated as one issuer.

ARTICLE VII

DEFAULTS AND REMEDIES

Section 7.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Series 2007 A Notes:

(A) If default occurs in the due and punctual payment of the principal of or interest on the Series 2007 A Notes; or

(B) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part in this Ordinance or any Supplemental Resolution or in the Series 2007 A 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 Issuer by any Noteholder; or

(C) If the Issuer files a petition seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America.

Section 7.02. Enforcement. Upon the happening and continuance of any Event of Default, any Noteholder may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his rights and, in particular, (i) bring suit for any unpaid principal or interest then due; (ii) by mandamus or other appropriate proceeding enforce all rights of the Noteholders, including the right to require the Issuer to perform its duties under the Act and this Ordinance; (iii) bring suit upon the Notes; (iv) by action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Noteholders; (v) by action or bill in equity enjoin any acts in violation of this Ordinance or the rights of the Noteholders; and (vi) exercise all such rights provided by Section 16-13-21 of the West Virginia Code; provided that, all rights and remedies of the Holders of the Series 2007 A Notes shall be subordinate to the rights of the Holders of the Prior Bonds.

No remedy by the terms of this Ordinance conferred upon or reserved 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 Noteholders 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.

No waiver of any default or Event of Default hereunder by the Noteholders shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereto.

Section 7.03. Appointment of Receiver. If there be any Event of Default existing and continuing, any Noteholder shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System on behalf of the Issuer, with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of the principal of and interest on the Notes, the deposits into the funds and accounts hereby established as herein provided and the payment of Operating Expenses of the System and to apply such rates, rentals, fees, charges or other Revenues in conformity with the provisions of this Ordinance and the Act.

The receiver so appointed shall forthwith, directly or by his agents and attorneys, enter into and upon and take possession of all facilities of said System and shall hold, operate, maintain, manage and control such facilities, and each and every part thereof, and in the name of the Issuer exercise all the rights and powers of the Issuer with respect to said facilities as the Issuer itself might do.

Whenever all that is due upon the Notes issued pursuant to this Ordinance and interest thereon and under any covenants of this Ordinance for reserve, sinking or other funds and accounts and upon any other obligations and interest thereon having a charge, lien or encumbrance upon the Revenues of the System shall have been paid and made good, and all defaults under the provisions of this Ordinance shall have been cured and made good, possession of the System shall be surrendered to the Issuer upon the entry of an order of the court to that effect. Upon any subsequent default, any Noteholder shall have the same right to secure the further appointment of a receiver upon any such subsequent default.

Such receiver, in the performance of the powers hereinabove conferred upon him, shall be under the direction and supervision of the court making such appointment, shall at all times be subject to the orders and decrees of such court and may be removed thereby and a successor receiver appointed in the discretion of such court. Nothing herein contained shall limit or restrict the jurisdiction of such court to enter such other and further orders and decrees as such court may deem necessary or appropriate for the exercise by the receiver of any function not specifically set forth herein.

Any receiver appointed as provided herein shall hold and operate the System in the name of the Issuer and for the joint protection and benefit of the Issuer and the Holders of the Notes issued pursuant to this Ordinance. Such receiver shall have no power to sell,

assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the possession, operation and maintenance of the System, for the sole purpose of the protection of both the Issuer and the Noteholders, and the curing and making good of any default under the provisions of this Ordinance, and the title to and ownership of said System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, mortgage or otherwise dispose of any assets of the System.

Section 7.04. Restoration of Issuer and Noteholder. In case any Noteholder shall have proceeded to enforce any right under this Ordinance by the appointment of a receiver, by entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case the Issuer and such Noteholder shall be restored to their former positions and rights hereunder, and all rights and remedies of such Noteholder shall continue as if no such proceedings had been taken.

ARTICLE VIII

REGISTRAR AND PAYING AGENT

Section 8.01. Appointment of Registrar. The Registrar for the Series 2007 A Notes shall be appointed pursuant to the Supplemental Resolution. The Issuer is hereby authorized and directed to enter into an agreement with the Registrar, the substantial form of which agreement is to be approved by Supplemental Resolution.

Section 8.02. Responsibilities of Registrar. The recitals of fact in the Series 2007 A Notes shall be taken as statements of the Issuer, and the Registrar shall not be responsible for their accuracy. The Registrar shall not be deemed to make any representation as to, and shall not incur any liability on account of, the validity of the execution of any Series 2007 A Notes by the Issuer. Notwithstanding the foregoing, the Registrar shall be responsible for any representation in its Certificate of Authentication and Registration on the Series 2007 A Notes. The Registrar and any successor thereto shall agree to perform all the duties and responsibilities spelled out in this Ordinance and any other duties and responsibilities incident thereto, all as provided by said agreement described in Section 8.01.

Section 8.03. Evidence on Which Registrar May Act. Except as otherwise provided by Section 10.02, the Registrar shall be protected in acting upon any notice, resolution, request, consent, order, certificate, opinion or other document believed by it to be genuine and to have been signed or presented by the proper party or parties. Whenever the Registrar shall deem it necessary or desirable that a fact or matter be proved or established prior to taking or suffering any action, such fact or matter, unless other evidence is specifically prescribed, may be deemed to be conclusively proved and established by a certificate of an Authorized Officer of the Issuer, but in its discretion the Registrar may instead accept other evidence of such fact or matter.

Section 8.04. Compensation and Expenses . The Issuer shall pay to the Registrar from time to time reasonable compensation for all services, including the transfer of registration of Notes, the first exchange of Notes and the exchange of Notes in the event of partial redemption, incurred in the performance of its duties hereunder.

Section 8.05. Certain Permitted Acts. The Registrar may become the owner of or may deal in Notes as fully and with the same rights it would have if it were not Registrar. To the extent permitted by law, the Registrar may act as depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Noteholders or effect or aid in any reorganization growing out of the enforcement of the Series 2007 A Notes or this Ordinance, whether or not any such committee shall represent the Holders of a majority in principal amount of the Series 2007 A Notes Outstanding.

Section 8.06. Resignation of Registrar. The Registrar may at any time resign and be discharged of its duties and obligations under this Ordinance by giving not less than 60 days written notice to the Issuer and publishing in an Authorized Newspaper notice (or mailing such notice to each Noteholder in the event all Notes are fully registered), specifying the date when such resignation shall take effect, within 20 days after the giving of such written notice. A copy of such notice shall also be mailed to each owner of a fully registered Note or a coupon Note registered as to principal (other than to bearer). Such resignation shall take effect upon the day specified in such notice unless a successor shall have been previously appointed by the Issuer or Noteholders, in which event such resignation shall take effect immediately; provided that, in no event shall such resignation take effect until a successor has been appointed and has accepted its duties as Registrar.

Section 8.07. Removal. The Registrar may be removed at any time by the Issuer or by the Holders of a majority in principal amount of the Series 2007 A Notes then Outstanding by an instrument or concurrent instruments in writing signed and duly acknowledged by the Issuer, or by such Noteholders or their attorneys duly authorized in writing and delivered to the Issuer, as the case may be. Copies of each such instrument shall be delivered by the Issuer to the Registrar. Such removal shall take effect upon the date stated in such instrument; provided that, in no event shall such removal take effect until a successor has been appointed and has accepted its duties as Registrar.

Section 8.08. Appointment of Successor. In case at any time the Registrar shall resign or shall be removed or shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or if a receiver, liquidator or conservator of the Registrar or of its property shall be appointed, or if any public officer or court shall take charge or control of the Registrar or of its property or affairs, a successor may be appointed by the Holders of a majority in principal amount of the Series 2007 A 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 the Issuer and such successor Registrar, notification thereof being given to the predecessor Registrar. Pending such appointment, the Issuer shall forthwith appoint a Registrar to fill such vacancy until a successor Registrar shall be appointed by such Noteholders. The Issuer shall publish in an Authorized Newspaper (or mail to each Noteholder in the event all Notes are fully registered) notice of any such appointment within 20 days after the effective date of such appointment. A copy of such notice shall also be mailed to each owner of a fully registered Note. Any successor Registrar appointed by the Issuer shall, immediately and without further act, be superseded by a Registrar appointed by such Noteholders. If in a proper case no appointment of a successor Registrar shall be made within 45 days after the Registrar shall have given to the Issuer written notice of resignation or after the occurrence of any other event requiring such appointment, the Registrar or any Noteholder may apply to any court of competent jurisdiction to appoint a successor. Any Registrar appointed under the provisions of this section shall be a bank, trust company or national banking association authorized to perform the duties imposed upon it by this Ordinance.

Section 8.09. Transfer of Rights and Property to Successor. Any predecessor Registrar or Paying Agent shall pay over, assign and deliver any monies, books and records held by it to its successor.

Section 8.10. Merger or Consolidation. Any company into which the Registrar may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party, or any company to which the Registrar or any public officer or court may sell or transfer all or substantially all of its corporate trust business, shall be the successor to such Registrar without the execution or filing of any paper or the performance of any further act; provided, however, that such company shall be a bank, trust company or national banking association meeting the requirements set forth in Section 8.08.

Section 8.11. Adoption of Authentication. In case any of the Series 2007 A 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, in case any Notes shall have been prepared but not authenticated, any successor Registrar may authenticate such Notes in the name of the predecessor Registrar or in its own name.

Section 8.12. Paying Agent. The Registrar may also serve as the Paying Agent. The Registrar's acceptance of the duties and responsibilities of the Registrar expressed in Section 8.02 shall also include the trusts and the duties of Paying Agent if so appointed. Any alternate Paying Agent must be a bank, trust company or national banking association authorized to perform the duties imposed upon it by this Ordinance. Such alternate Paying Agent shall signify its acceptance of the duties and obligations imposed upon it pursuant hereto by executing and delivering to the Issuer a written acceptance thereof. Any successor Paying Agent shall take such actions as may be necessary to ensure that the Notes shall be and remain DTC-eligible.

Each Paying Agent shall be entitled to payment and reimbursement for reasonable fees for its services rendered hereunder and all advances, counsel fees and other expenses reasonably and necessarily made or incurred by such Paying Agent in connection with such services solely from monies available therefor.

Any bank, trust company or national banking association with or into which any Paying Agent may be merged or consolidated, or to which the assets and business of such Paying Agent may be sold, shall be deemed the successor of such Paying Agent for the purposes of this Ordinance. If the position of Paying Agent shall become vacant for any reason, the Issuer shall, within 30 days thereafter, appoint a bank, trust company or national banking association located in the same City as such Paying Agent to fill such vacancy; provided, however, that, if the Issuer shall fail to appoint such Paying Agent within said period, the Bond Commission, a court of competent jurisdiction or a majority of the Noteholders may make such appointment.

The Paying Agents shall enjoy the same protective provisions in the performance of their duties hereunder as are specified in this Article VIII with respect to the Registrar, insofar as such provisions may be applicable.

Notice of the appointment of successor or additional Paying Agents or fiscal agents shall be given in the same manner as provided by Section 8.08 hereof with respect to the appointment of a successor Registrar.

All monies received by the Paying Agents shall, until used or applied as provided in this Ordinance, be held in trust for the purposes for which they were received.

ARTICLE IX

DEFEASANCE; DISCHARGE OF PLEDGE OF ORDINANCE

Section 9.01. Defeasance; Discharge of Pledge of Ordinance. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all Series 2007 A Notes 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 this Ordinance and the monies and securities pledged hereunder, and all covenants, agreements and other obligations of the Issuer on behalf of the Holders of the Series 2007 A Notes made hereunder, shall thereupon cease, terminate and become void and be discharged and satisfied, except as may be necessary to assure the exclusion of interest on the Series 2007 A Notes from gross income for federal income tax purposes.

Notes for the payment of which either monies in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide monies which, together with the monies, if any, deposited with the Paying Agent at the same or earlier time, shall be sufficient, to pay as and when due the respective principal of and interest on 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 Bond Commission or an escrow trustee either monies in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide monies which, together with the monies, if any, deposited with the Bond Commission or said escrow trustee at the same or earlier time shall be sufficient, to pay when due the principal of, any redemption premium on and interest due and to become due on said Notes on and prior to the maturity date thereof, or if the Issuer irrevocably determines to redeem any of said Notes prior to the maturity thereof, on and prior to said redemption date. Neither securities nor monies deposited with the Bond Commission or an escrow trustee pursuant to this section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and interest on said Notes; provided, that any cash received from such principal, redemption premium, if any, and interest payments on such securities deposited with the Bond Commission or said escrow trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal of and redemption premium, if any, and interest to become due on said Notes on and prior to such maturity or redemption dates thereof, and interest earned from such reinvestment shall be paid over to the Issuer as received by the Bond Commission or said escrow trustee, free and clear of any trust, lien or pledge. For the purpose of this section, securities shall mean and include only Government Obligations, as such term is limited by the provisions in Section 1.01 hereof or such additional securities as shall be set forth in the Supplemental Resolution.

ARTICLE X

MISCELLANEOUS

Section 10.01. Amendment of Ordinance. Prior to issuance of the Series 2007 A Notes, this Ordinance may be amended or supplemented in any way by the Supplemental Resolution. Following issuance of the Series 2007 A Notes, this Ordinance and any Supplemental Resolution may be amended or modified without the consent of any Noteholder or other person, solely for the purpose of maintaining the tax-exempt status of the Series 2007 A Notes. Otherwise, no materially adverse amendment or modification to this Ordinance, or of any Supplemental Resolution, may be made without the written consent of the Holders of 60% in aggregate principal amount of the Notes then Outstanding and affected thereby, which must be filed with the City Clerk of the Issuer before any such modification or amendment may be made. No such modification or amendment shall extend the maturity of or reduce the interest rate on, or otherwise alter the terms of payment of the principal of or interest on, any Note without the express written consent of the Holder of such Note, nor reduce the percentage of Notes required for consent to any such modification or amendment.

Section 10.02. Evidence of Signatures of Noteholders and Ownership of Notes. Any request, consent, revocation of consent or other instrument which this Ordinance may require or permit to be signed and executed by Noteholders may be in one or more instruments 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 Ordinance if made in the following manner, or in any other manner satisfactory to the Issuer or the Registrar, as the case may be, which may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

A. The fact and date of the execution by any 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, a trust company or a financial firm or corporation satisfactory to the Issuer or the Registrar, as the case may be, that the person signing such instrument acknowledged to such bank, trust company, firm or corporation the execution thereof.

B. The authority of a person or persons to execute any such instrument on behalf of a corporate 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 fully registered Notes held by a person executing any instrument as a Noteholder, the date of his holding such Notes and the numbers and other identification thereof, shall be confirmed by the Note Register.

Any request, consent or other instrument executed by the Holder of any Note shall bind all future Holders and owners of such Note in respect of anything done or suffered to be done hereunder by the Issuer or the Registrar in accordance therewith.

Section 10.03. Preservation and Inspection of Documents . To the extent allowable under law, all reports, certificates, statements and other documents received by the Registrar under the provisions of this Ordinance shall be retained in its possession and shall be available at all reasonable times for the inspection of the Issuer or any Noteholder, and their agents and their representatives, but any such reports, certificates, statements or other documents may, at the election of the Registrar, be destroyed or otherwise disposed of at any time after such date as the pledge created by this Ordinance shall be discharged as provided in Section 9.01.

Section 10.04. Cancellation of Notes. All Notes purchased or paid shall, if surrendered to the Issuer, be canceled and delivered to the Registrar, or, if surrendered to the Registrar, be canceled by it. No such Notes shall be deemed Outstanding under this Ordinance and no Notes shall be issued in lieu thereof. All such Notes shall be canceled and upon order of the Issuer shall be destroyed, and a certificate evidencing such destruction shall be delivered to the Issuer.

Section 10.05. Failure to Present Notes. Anything in this Ordinance to the contrary notwithstanding, any monies held by the Bond Commission or a Paying Agent in trust for the payment and discharge of any of the Notes which remain unclaimed for 1 year after the date on which such Notes have become due and payable, whether by maturity or upon call for redemption, shall at the written request of the Issuer be paid by the Bond Commission or said Paying Agent to the Issuer as its absolute property and free from trust, and the Bond Commission or said Paying Agent shall thereupon be released and discharged with respect thereto, and the Holders of such Notes shall look only to the Issuer for the payment of such Notes; provided, however, that, before making any such payment to the Issuer, the Registrar, if so advised by the Bond Commission, or said Paying Agent shall send to the Holder, at the address listed on the Note Register, by certified mail, a notice that such monies remain unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the date of such notice is mailed, the balance of such monies then unclaimed will be returned to the Issuer. If any of said Notes is a coupon Note, the Registrar or said Paying Agent shall also publish such notice, not less than 30 days prior to the date such monies will be returned to the Issuer, in an Authorized Newspaper.

Section 10.06. Notices, Demands and Requests. Unless otherwise expressly provided, all notices, demands and requests to be given or made hereunder to or by the Issuer, the Registrar, the Paying Agent, the Depository Bank or the Original 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 or in the Supplemental Resolution:

ISSUER

City of Charles Town
P.O. Box 14
Charles Town, West Virginia 25414
Attention: City Manager

PAYING AGENT

West Virginia Municipal Bond Commission
8 Capitol Street, Suite 500, Terminal Building
Charleston, West Virginia 25301
Attention: Acting Director

REGISTRAR

United Bank, Inc.
500 Virginia Street, East
Charleston, West Virginia 25301
Attention: Trust Department

ORIGINAL PURCHASER

Crews & Associates, Inc.
Post Office Box 2764
Charleston, West Virginia 25330-2764

Any party listed above may change such address listed for it at any time upon written notice of change sent by United States mail, postage prepaid, to the other parties.

Section 10.07. No Personal Liability. No member of the Council or officer or employee of the Issuer shall be individually or personally liable for the payment of the principal of or the interest on any Note, but nothing herein contained shall relieve any such member, official or employee from the performance of any official duty provided by law or this Ordinance.

Section 10.08. Law Applicable. The laws of the State shall govern the construction of this Ordinance and of all Notes issued hereunder.

Section 10.09. Parties Interested Herein . Nothing in this Ordinance expressed or implied is intended or shall be construed to confer upon, or give to, any person or corporation, other than the Issuer, the Registrar, the Paying Agent, the Holders of the Notes and the Original Purchaser, any right, remedy or claim under or by reason of this Ordinance. All the covenants, stipulations, promises and agreements contained in this Ordinance by and on behalf of the Issuer shall be for the sole and exclusive benefit of the Issuer, the Registrar, the Paying Agent, the Holders of the Notes and the Original Purchaser.

Section 10.10. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Ordinance shall be held invalid, such invalidity shall not affect any of the remaining provisions of this Ordinance.

Section 10.11. Table of Contents and Headings. The Table of Contents and headings of the articles, sections and subsections hereof are for convenience only and shall neither control nor affect in any way the meaning or construction of any of the provisions hereof.

Section 10.12. Conflicting Provisions Repealed . All ordinances, orders, resolutions or parts thereof in conflict with the provisions of this Ordinance, are, to the extent of such conflict, hereby repealed; provided that, in the event of any conflict between this Ordinance and the Prior Ordinances, the Prior Ordinances shall control (unless less restrictive), so long as the Prior Bonds are Outstanding.

Section 10.13. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the adoption of this 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, City Clerk and members of the 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 10.14. Effective Date. This Ordinance shall take effect immediately following public hearing and final reading hereon.

Section 10.15. Statutory Notice and Public Hearing. Upon adoption hereof, an abstract of this Ordinance determined by the Council to contain sufficient information as to give notice of the contents hereof shall be published once a week for 2 successive weeks within a period of fourteen consecutive days, with at least 6 full days intervening between each publication, in the *Spirit of Jefferson Advocate*, a qualified newspaper published and of general circulation in the City of Charles Town, together with a notice stating that this

Ordinance has been adopted and that the Issuer contemplates the issuance of the Notes, and that any person interested may appear before the Council upon a date certain, not less than ten days subsequent to the date of the first publication of such abstract of this Ordinance and notice, and present protests, and that a certified copy of this Ordinance is on file with the Council for review by interested persons during office hours of the Council. At such hearing, all objections and suggestions shall be heard and the Council shall take such action as it shall deem proper in the premises.

Passed on First Reading: February 5, 2007

Passed on Second Reading: February 20, 2007

Passed on Third Reading
Following Public Hearing: March 19, 2007

Mayor

City Manager

CERTIFICATION

Certified a true, correct and complete copy of an Ordinance duly enacted by the Council of the CITY OF CHARLES TOWN on March 19, 2007.

Dated this 11th day of April, 2007.

[SEAL]

City Clerk

EXHIBIT A - FORM OF SERIES 2007 A NOTE

Unless this Note is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to Issuer or its agent for registration of transfer, exchange, or payment, and any Note issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

No. AR-_____ $_____

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF CHARLES TOWN
(WEST VIRGINIA)
COMBINED WATERWORKS AND SEWERAGE SYSTEM
BOND ANTICIPATION NOTES, SERIES 2007 A

INTEREST RATE	MATURITY DATE	NOTE DATE	CUSP NO.

REGISTERED OWNER: _____

PRINCIPAL AMOUNT: _____

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF CHARLES TOWN, West Virginia, a municipal corporation organized and existing under the laws of the State of West Virginia (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above and solely from such special funds also to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Note Date specified above, or, if and to the extent that the Issuer shall default in the payment of interest on any Interest Payment Date, then this Note shall bear interest from the most

recent Interest Payment Date to which interest has been paid or duly provided for, and in which case any Note surrendered for transfer or exchange shall be dated as of the Interest Payment Date to which interest has been paid in full, at the Interest Rate per annum specified above, semiannually, on _____ 1 and _____ 1, in each year, beginning _____ 1, 2007 (each an "Interest Payment Date"), until maturity or until the date fixed for redemption if this Note is called for prior redemption and payment on such date is provided for. Capitalized terms used and not defined herein shall have the same meanings set forth in the hereinafter described Ordinance.

Interest accruing on this Note on and prior to the Maturity Date hereof shall be payable by check or draft mailed by the West Virginia Municipal Bond Commission, Charleston, West Virginia, as paying agent (in such capacity, the "Paying Agent"), to the Registered Owner hereof as of the applicable Record Date (each _____ 15 and _____ 15) or, in the event of a default in the payment of Notes, that special record date to be fixed by the hereinafter named Registrar by notice given to the Registered Owners not less than 10 days prior to said special record date at the address of such Registered Owner as it appears on the registration books of the City maintained by United Bank, Inc. Charleston, West Virginia, as registrar (in such capacity, the "Registrar"), or, at the option of any Registered Owner of at least $500,000 in aggregate principal amount of Notes, by wire transfer in immediately available funds to a domestic bank account specified in writing by the Registered Owner to the Paying Agent at least 5 days prior to such Record Date. Principal and premium, if any, shall be paid when due upon presentation and surrender of this Note for payment at the principal corporate trust office of the Paying Agent, in Charleston, West Virginia.

This Note is one of an issue of a series of Notes, in the aggregate principal amount of $_____ designated "City of Charles Town (West Virginia) Combined Waterworks and Sewerage System Bond Anticipation Notes, Series 2007 A Notes" (the "Notes"), of like tenor and effect, except as to number, denomination, date of maturity and interest rate, dated March, 2007, the proceeds of which are to be used to (i) temporarily finance the costs of design, acquisition and construction of certain additions, betterments and improvements to the combined waterworks and sewerage system of the Issuer; (ii) capitalize interest on the Notes; and (iii) pay costs of issuance hereof and related costs. The Notes are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 8, Article 20 of the West Virginia Code of 1931, as amended (collectively, the "Act"), and an ordinance duly enacted by the council of the Issuer on March 5, 2007, as supplemented by a supplemental parameters resolution duly adopted by the council on March 5, 2007 (collectively, the "Ordinance"), and is subject to all the terms and conditions of the Ordinance. Reference is hereby made to the Ordinance, as the same may be amended and supplemented from time to time, for a description of the rights, limitations of rights, obligations, duties and immunities of the Issuer, the Registrar, the Paying Agent and the Registered Owners of the Notes. Executed counterparts or certified copies of the Ordinance are on file at the office of the City Clerk in the City of Charles Town, West Virginia.

The Notes of this issue are subject to optional redemption prior to their stated maturity dates, as provided in the Ordinance and as set forth below:

> Optional Redemption. The Notes maturing on or after _____, _____ are subject to redemption prior to maturity at the option of the Issuer on and after _____, _____, in whole or in part at any time, in such order of maturity as shall be designated to the Registrar by the Issuer and by lot within a maturity, at the following redemption prices (expressed as percentages of the principal amount of Notes to be redeemed), plus interest accrued thereon to the date fixed for redemption:

Period During Which Redeemed (Dates Inclusive)	Redemption Price

If less than all the Notes are to be redeemed, the Notes to be redeemed shall be identified by reference to the Series designation, date of issue, CUSIP numbers and Maturity Dates.

Notice of any redemption of this Note, unless waived, shall be given by the Registrar on behalf of the Issuer by mailing an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Note or Notes to be redeemed at the address shown on the Note Register or at such other address as is furnished in writing by such Registered Owner to the Registrar. Notice of redemption having been given as aforesaid, the Notes or portions of Notes so to be redeemed shall, on the Redemption Date, become due and payable at the redemption price therein specified, and from and after such date (unless the Issuer shall default in the payment of the redemption price) such Notes or portions of Notes shall cease to bear interest.

Failure to receive such notice or any defect therein or in the mailing thereof shall not affect the validity of proceedings for the redemption of this Note.

THIS NOTE HAS NO LIEN ON THE GROSS REVENUES OR NET REVENUES OF THE SYSTEM.

The Notes and the interest thereon are payable only from and are secured by a first lien on the proceeds of combined waterworks and sewerage system revenue bonds or other obligations of the Issuer to be issued subsequent to the issuance of the Notes to permanently finance the costs of design, acquisition and construction of the Project and Surplus Revenues. The monies from this source shall be deposited into the Series 2007 A Note Payment Fund established under the Ordinance for the prompt payment of the principal

of and interest on this Note. This Note does not constitute an indebtedness of the Issuer within any constitutional or statutory provision or limitation, nor shall the Issuer be obligated to pay the same or the interest hereon except as set forth in the Ordinance. The Issuer has entered into certain covenants with the Registered Owners of the Notes, for the terms of which reference is made to the Ordinance. Remedies provided the Registered Owners of the Notes are exclusively as provided in the Ordinance, to which reference is here made for a detailed description thereof.

All monies received from the sale of the Notes except for accrued interest thereon shall be applied solely to pay all costs of the Project, to capitalize interest on the Notes, and to pay all costs of issuance of the Notes, and there shall be, and hereby is, created and granted a lien upon such monies, until so applied, in favor of the Registered Owners of the Notes.

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 have existed, have happened and have been performed in due time, form and manner as required by law, and that the amount of this Note, together with all other obligations of said Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia.

This Note, under the provisions of the Act is and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but may be transferred only upon the surrender hereof at the office of the Registrar and otherwise as provided by the Ordinance.

This Note is, under the Act, exempt from all taxation by the State of West Virginia or any county, municipality or county commission, political subdivision or agency thereof.

This Note shall not be entitled to any benefit under the Ordinance, or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon shall have been signed by the Registrar.

All provisions of the Ordinance, and the 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, CITY OF CHARLES TOWN (WEST VIRGINIA) has caused this Note to be signed by its Mayor and City Manager, and its corporate seal to be imprinted hereon and attested by its City Clerk, and has caused this Note to be dated as of the Note Date specified above.

[SEAL]

(Manual or Facsimile Signature)
Mayor

(Manual or Facsimile Signature)
City Manager

ATTEST:

(Manual or Facsimile Signature)
City Clerk

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Note is one of the fully registered Notes described in the within-mentioned Ordinance and has been duly registered in the name of the Registered Owner on the date set forth below. Attached hereto is the complete text of the opinion of Steptoe & Johnson PLLC, Bond counsel, signed originals of which are on file with the Registrar, delivered and dated on the date of the original delivery of and payment for the Notes.

Dated: _____.

_____,
as Registrar

By: _____
Its: Authorized Officer

ASSIGNMENT

Social Security or Other Identifying Number of Assignee _____

_____

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____

_____

_____

the within Note and does hereby irrevocably constitute and appoint_____

_____

_____

to transfer the said Note on the books kept for registration thereof with full power of substitution in the premises.

Dated: _____, _____.

_____

SIGNATURE GUARANTEED:

_____
(Bank, Trust Company or Firm)

_____
(Authorized Officer)

NOTICE: The Assignor's signature to this Assignment must correspond with the name as it appears upon the face of the within Note in every particular, without alteration or any change whatever.

02/12/07
144220.00015

CITY OF CHARLES TOWN
(WEST VIRGINIA)

COMBINED WATERWORKS AND SEWERAGE SYSTEM
BOND ANTICIPATION NOTES, SERIES 2007 A

SUPPLEMENTAL PARAMETERS RESOLUTION

RESOLUTION OF THE COUNCIL OF THE CITY OF CHARLES TOWN AUTHORIZING AND APPROVING CERTAIN PARAMETERS RELATING TO THE ISSUANCE OF THE COMBINED WATERWORKS AND SEWERAGE SYSTEM BOND ANTICIPATION NOTES, SERIES 2007 A, AND TERMS OF SUCH NOTES; AUTHORIZING CERTAIN DOCUMENTS RELATING TO THE NOTES; AND MAKING OTHER PROVISIONS AS TO THE NOTES

WHEREAS, the City of Charles Town (the "Issuer"), in the County of Jefferson, State of West Virginia, is a municipal corporation of said State, the governing body of which is this Council;

WHEREAS, this Council duly enacted on March 19, 2007, an ordinance (the "Ordinance") entitled:

AN ORDINANCE AUTHORIZING THE DESIGN, ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING SEWERAGE PORTION OF THE COMBINED WATERWORKS AND SEWERAGE SYSTEM OF THE CITY OF CHARLES TOWN AND THE TEMPORARY FINANCING OF THE DESIGN, ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS, BETTERMENTS AND IMPROVEMENTS AND COSTS IN CONNECTION THEREWITH, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE BY THE CITY OF NOT MORE THAN $1,500,000 IN AGGREGATE PRINCIPAL AMOUNT OF COMBINED WATERWORKS AND SEWERAGE SYSTEM BOND ANTICIPATION NOTES, SERIES 2007 A; AUTHORIZING AND RESERVING THE ABILITY OF THE CITY AND/OR BOARD TO REIMBURSE ITSELF FOR

EXPENDITURES RELATED TO THE NOTES AND/OR THE PROJECT FROM REVENUES, CAPACITY IMPROVEMENT FEES, CAPACITY ASSURANCE FEES, OR PROCEEDS OF FUTURE NOTES; PROVIDING FOR THE RIGHTS AND REMEDIES OF, AND THE SECURITY FOR, THE REGISTERED OWNERS OF SUCH NOTES; AUTHORIZING THE EXECUTION AND DELIVERY OF A NOTE PURCHASE AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS RELATING TO THE NOTES; AND ENACTING OTHER PROVISIONS WITH RESPECT TO SUCH NOTES.

WHEREAS, such Ordinance provided for the issuance of the Notes, for the purposes of temporarily (i) paying costs of design, acquisition and construction of improvements and betterments to the sewerage portion of the combined waterworks and sewerage facilities of the Issuer; (ii) paying capitalized interest on the Series 2007 A Notes; and (iii) paying costs of issuance and related costs, all in accordance with the Act;

WHEREAS, the Ordinance further provided that the exact principal amount of the Notes to be sold and the dates, maturities, interest rates, redemption provisions, price and other terms of the Notes should be established, a Registrar, Paying Agent and Depository Bank be designated, that a Registrar Agreement be approved, that additional covenants and provisions relating to the Notes be provided herein, and that other matters pertaining to the Notes be provided for by a supplemental resolution of this Council;

WHEREAS, the Notes are proposed to be purchased by Crews & Associates, Inc. (the "Original Purchaser"), pursuant to a Note Purchase Agreement for the Notes between the Original Purchaser and the Issuer (the "Note Purchase Agreement");

WHEREAS, the Council wishes to delegate to the Mayor the authority to approve, within the parameters set forth herein and in the Ordinance, the pricing and other final terms of the Series 2007 A Notes (the "Note Documents"), without the requirement of further official action by this Council; and

WHEREAS, capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Ordinance; and

WHEREAS, this Council deems it essential and desirable that this Resolution be adopted and that the Note Purchase Agreement, the Continuing Disclosure Certificate, and the Registrar Agreement hereinafter provided for be entered into by the Issuer, that the Official Statement relating to the Notes, hereinafter described, be approved, that certain parameters for the prices, the maturity dates and amounts, and the interest rates of the Notes, be fixed herein, all in accordance with said Ordinance;

NOW, THEREFORE, THE COUNCIL OF THE CITY OF CHARLESTOWN HEREBY RESOLVES:

Section 1. Pursuant to the Ordinance and the Act, this Supplemental Resolution is adopted and there are hereby authorized and ordered to be issued the Series 2007 A Notes. The Series 2007 A Notes shall be sold to the Original Purchaser, in the original aggregate principal amount of not to exceed $1,500,000; shall be issued in fully registered form without coupons, in the denominations of $5,000 or integral multiples thereof for any period of maturity; shall be numbered from AR-1 consecutively upward in order of maturity; shall be dated such date, upon original issuance; shall bear interest at rates not to exceed 9.0% per annum, payable semiannually; shall mature in such principal amounts on such dates (with final maturity no later than April 1, 2046); shall be subject to such redemption provisions, all as shall subsequently be approved by the Mayor; and shall be substantially in the form set forth in the Ordinance and as approved by the Mayor in the Certificate of Determinations attached hereto as EXHIBIT A. The Series 2007 A Notes shall be signed by and on behalf of the Issuer by its Mayor, City Manager and be countersigned by its City Clerk, which signatures may be either manual or facsimile signatures, and the seal of the Issuer or a facsimile thereof shall be affixed to or imprinted thereon, provided that the authentication of the Series 2007 A Notes shall be manually signed by the Registrar.

Section 2. The Mayor shall have the authority to approve the pricing and other final terms of the Series 2007 A Notes, including the determination of when and whether to issue the Series 2007 A Notes and to execute the Note Purchase Agreement without further Council action or approval.

Section 3. The Note Purchase Agreement by and between the Original Purchaser and the Issuer, substantially in the form submitted to this meeting, and the execution and delivery (in multiple counterparts) by the Mayor thereof shall be and the same are hereby authorized, approved, and directed. The Mayor shall execute and deliver the Note Purchase Agreement with such changes, insertions and omissions as may be approved by the Mayor. The execution of the Note Purchase Agreement by the Mayor shall be conclusive evidence of any approval required by this Section, and authorization of any action required by the Note Purchase Agreement relating to the issuance and sale of the Series 2007 A Notes, including the payment of all necessary fees and expenses in connection therewith.

Section 4. The Continuing Disclosure Certificate delivered by the Issuer, to be dated as of the date of delivery of the Series 2007 A Notes, substantially in the form submitted to this meeting, shall be and the same is hereby approved. The Mayor shall execute and deliver the Continuing Disclosure Certificate with such changes, insertions and omissions as may be approved by the Mayor. The execution of the Continuing Disclosure Certificate shall be conclusive evidence of any approval required by this Section.

Section 5. The Registrar Agreement by and between the Issuer and the Registrar designated herein, to be dated as of the date of delivery of the Series 2007 A Notes, substantially in the form submitted to this meeting, shall be and the same is hereby approved. The Mayor shall execute and deliver the Registrar Agreement with such changes, insertions and omissions as may be approved by the

Mayor. The execution of the Registrar Agreement by the Mayor shall be conclusive evidence of any approval required by this Section.

Section 6. The distribution by the Original Purchaser of a Preliminary Official Statement (which is a "deemed final" official statement in accordance with SEC Rule 15c2-12), substantially in the form submitted to this meeting is hereby ratified and approved. The certificate of the Issuer relating to compliance with SEC Rule 15c2-12 and the execution and delivery thereof by the Mayor is hereby approved. The Official Statement to be substantially in the form of the Preliminary Official Statement, (with such changes, insertions and omissions as may be necessary or advisable in the opinion of the Mayor) and the distribution of counterparts or copies thereof by the Underwriter are hereby approved. The Mayor shall execute and deliver the Official Statement with such changes, insertions and omissions as may be approved. The execution of the Official Statement by the Mayor shall be conclusive evidence of any approval required by this Section.

Section 7. The Issuer does hereby appoint and designate the West Virginia Municipal Bond Commission for the purpose of serving in the capacity of Paying Agent for the Notes.

Section 8. The Issuer does hereby appoint and designate United Bank, Inc., Charleston, West Virginia, for the purpose of serving in the capacity of Registrar for the Notes.

Section 9. The Issuer does hereby appoint and designate United Bank, Inc., Charles Town, West Virginia, as Depository Bank for the Notes.

Section 10. The firm of Crews & Associates, Inc., Charleston, West Virginia is hereby engaged for the purpose of serving as Underwriter with respect to the Series 2007 A Notes.

Section 11. The firm of Steptoe & Johnson PLLC, Charleston, West Virginia, is hereby engaged for the purpose of serving as Bond Counsel with respect to the Series 2007 A Notes.

Section 12. The notice addresses for the Registrar, Paying Agent, Depository Bank and Original Purchaser shall be as follows:

REGISTRAR

United Bank, Inc.
500 Virginia Street, East
Charleston, West Virginia 25301
Attention: Corporate Trust Department

DEPOSITORY BANK

United Bank, Inc.
106 W. Washington Street
Charles Town, West Virginia 25414
Attention: Trust Department

PAYING AGENT

West Virginia Municipal Bond Commission
Suite 500
8 Capitol Street
Charleston, West Virginia 25301
Attention: Executive Director

ORIGINAL PURCHASER

Crews & Associates, Inc.
300 Summers Street, Suite 930
Charleston, West Virginia 25301
Attention: Vice President

Section 13. Proceeds of the Series 2007 A Notes shall be applied as set forth in the Ordinance. The proceeds of the Series 2007 A Notes representing accrued interest and capitalized interest shall be deposited in the Series 2007 A Notes Sinking Fund held by the Commission.

Section 14. The Council hereby covenants and agrees that it will not permit at any time or times any of the proceeds of the Series 2007 A Notes or any other funds of the Council to be used directly or indirectly to acquire any securities or obligations, the acquisition of which would cause any of the Series 2007 A Notes to be an "arbitrage bond" as defined in Section 148 of the Code, and the regulations promulgated pursuant thereto. The Mayor of the Issuer is authorized and directed to execute and deliver such further instruments or agreements as shall be required to provide further assurances of the Issuer's compliance with this covenant.

Section 15. Under the provisions of the Act, and as provided in the Ordinance and the Series 2007 A Notes, the principal of the Series 2007 A Notes and the interest thereon do not constitute indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, but shall be payable solely from the Gross Revenues derived from the operation of the System of the Issuer and the Series 2007 A Notes Reserve Account established by the Ordinance, and neither the credit nor the taxing power of the Issuer is pledged for, and no tax shall ever be levied for, payment of the Series 2007 A Notes and the interest thereon.

Section 16. The Mayor, the City Manager, the City Clerk and all other appropriate officers and employees of the Issuer are hereby authorized and directed to execute and deliver such other documents and certificates required or desirable in connection with the issuance of the Series 2007 A Notes to the end that the Series 2007 A Notes may be delivered at the earliest practicable date to the Original Purchaser.

Section 17. The Mayor, the City Manager, the City Clerk, and all other appropriate officers and employees of the Issuer are hereby authorized, empowered and directed to do any and all things proper and necessary to cause the Series 2007 A Notes to be duly and properly issued by the Issuer and delivered to the Original Purchaser as herein authorized and to otherwise facilitate the transaction contemplated by this Resolution, and no further authority shall be necessary to authorize any such officers or employees to give such further assurance and do such further acts as may be legally required.

Section 18. This Resolution shall take effect immediately upon its adoption.

Adopted this 19th day of March, 2007.

[SEAL]

Mayor

City Manager

ATTEST:

City Clerk

APPROVED AND CORRECT AS TO FORM:

City Attorney

CH880626.1

CERTIFICATION

Certified a true, correct and complete copy of a Supplemental Parameters Resolution duly adopted by the City Council of the CITY OF CHARLES TOWN at a regular meeting of the City Council held at 7:00 p.m., on March 19, 2007, pursuant to proper notice, at which meeting a quorum was present and acting throughout.

Dated this 11th day of April, 2007.

[SEAL]

City Clerk

03/14/07
144220.00014

CH880626.1

EXHIBIT A
FORM OF CERTIFICATE OF DETERMINATIONS

CITY OF CHARLES TOWN
(WEST VIRGINIA)
COMBINED WATERWORKS AND SEWERAGE SYSTEM
BOND ANTICIPATION NOTES, SERIES 2007 A

CERTIFICATE OF DETERMINATIONS

The undersigned, Peggy A. Smith, Mayor of the City of Charles Town (the "Issuer"), in accordance with the Supplemental Parameters Resolution adopted by the Council of the Issuer on March 19, 2007 (the "Supplemental Parameters Resolution"), with respect to the Issuer's Combined Waterworks and Sewerage System Bond Anticipation Notes, Series 2007 A (the "Series 2007 A Notes"), hereby finds and determines as follows:

1. The Series 2007 A Notes shall be dated the date of closing thereon (estimated to be April 5, 2007) and shall bear interest on April 1 and October 1 of each year commencing October 1, 2007.

2. The Series 2007 A Notes shall be issued in the aggregate principal amount of $_____, at a true interest cost of _____%. Such interest rates do not exceed 9%, being the maximum interest rate authorized by the Supplemental Parameters Resolution.

3. The Series 2007 A Notes shall mature in the amounts and on the dates and shall be subject to mandatory sinking fund redemption in the amounts and on the dates set forth on Schedule 1 attached hereto and incorporated herein.

4. The Series 2007 A Notes shall bear interest at the rates and produce the yields set forth on Schedule 1 attached hereto and incorporated herein.

5. The Series 2007 A Notes shall be subject to extraordinary, optional and mandatory redemption as set forth on Schedule 2 attached hereto and incorporated herein.

6. The Series 2007 A Notes shall be sold to Crews & Associates, Inc. (the "Underwriter"), pursuant to the terms of the Note Purchase Agreement by and between the Underwriter and the Issuer, at an aggregate purchase price of $_____ (representing par value less an Underwriter's

discount of $_____ and a net original issue premium of $_____), plus accrued interest from April 1, 2007 to April 5, 2007 in the amount of $_____.

7. The forms of the Note Purchase Agreement, the Continuing Disclosure Agreement, the Registrar Agreement and Official Statement attached hereto are hereby approved.

The undersigned hereby certifies that the foregoing terms and conditions of the Series 2007 A Notes are within the parameters prescribed by the Supplemental Parameters Resolution, and the Series 2007 A Notes may be issued with such terms and conditions as authorized by the Supplemental Parameters Resolution.

WITNESS my signature this _____ day of April, 2007.

CITY OF CHARLES TOWN

By: _____
Its: Mayor

Schedule 1

Maturity Schedule

SERIES 2007 A NOTE TERMS

Note No.	Maturity Date (April 1)	Principal Amount	Interest Rate	Price or Yield

Schedule 2

REDEMPTION PROVISIONS:

Extraordinary Redemption

If any of the following events shall have occurred, the Series 2007 A Notes shall also be subject to redemption as follows:

(1) If there should occur any damage to or destruction of the System or any condemnation of title to or the use of the System, the applicable Series 2007 A Notes shall be subject to redemption at any time at the redemption price of 100% of the principal amount thereof plus accrued interest to the Redemption Date from any condemnation awards or insurance proceeds which are not used to repair, rebuild or rearrange the System.

(2) The Series 2007 A Notes are subject to redemption at the option and direction of the Issuer, prior to maturity, in whole or in part on any principal payment date, in inverse order of maturity of the Series 2007 A Notes, in principal amounts of not less than $50,000, and multiples of $5,000 in excess of $50,000, from amounts deposited with the Paying Agent by the Issuer from funds of the Issuer available therefor (other than from proceeds of refunding bonds) at a redemption price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption.

Optional Redemption

The Series 2007 A Notes maturing on and after April 1, 200_, are subject to redemption at the option of the Issuer, prior to maturity, on or after April 1, 200_, in whole or in part at any time from amounts deposited with the Bond Commission by the Issuer or from other funds available therefore at a redemption price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption.

If fewer than all of the Series 2007 A Notes shall be called for optional redemption, the particular maturities of the Series 2007 A Notes to be redeemed shall be selected by the Issuer in such manner as it shall determine. So long as the Series 2007 A Notes are maintained under a book-entry system, the selection of individual ownership interests in the Series 2007 A Notes to be credited with any partial redemption shall be made as described in the Ordinance and Official Statement.

Mandatory Redemption

The Series 2007 A Notes maturing April 1, 20__, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2007 A Notes Sinking Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the mandatory redemption date, on April 1, 20__, and on each April 1 thereafter to and including April 1, 20__, in annual principal amounts as follows:

Year (Maturity)	Amount

The principal amount of Series 2007 A Notes maturing April 1, 20__, delivered to or purchased by the Paying Agent shall reduce pro tanto the principal amount of Series 2007 A Notes to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

CITY OF CHARLES TOWN (WEST VIRGINIA)
COMBINED WATERWORKS AND SEWERAGE SYSTEM
BOND ANTICIPATION NOTES, SERIES 2007 A

CERTIFICATE OF DETERMINATIONS OF THE
MAYOR OF THE CITY OF CHARLES TOWN

The undersigned, Peggy A. Smith, Mayor of the City of Charles Town (the "Issuer"), in accordance with the Supplemental Parameters Resolution adopted by the Council of the Issuer on March 19, 2007 (the "Supplemental Parameters Resolution"), with respect to the Issuer's Combined Waterworks and Sewerage System Bond Anticipation Notes, Series 2007 A (the "Series 2007 A Note"), hereby finds and determines as follows:

1. The Series 2007 A Note shall be dated the date of closing thereon (estimated to be April 11, 2007) and shall bear interest on April 1 and October 1 of each year commencing October 1, 2007.

2. The Series 2007 A Note shall be issued in the aggregate principal amount of $1,070,000, at a true interest cost of 4.4779347%. Such interest rates do not exceed 9%, being the maximum interest rate authorized by the Supplemental Parameters Resolution.

3. The Series 2007 A Note shall mature in the amounts and on the dates and shall be subject to mandatory sinking fund redemption in the amounts and on the dates set forth on Schedule 1 attached hereto and incorporated herein.

4. The Series 2007 A Note shall bear interest at the rates and produce the yields set forth on Schedule 1 attached hereto and incorporated herein.

5. The Series 2007 A Note shall be subject to extraordinary and optional redemption as set forth on Schedule 2 attached hereto and incorporated herein.

6. The Series 2007 A Note shall be sold to Crews & Associates, Inc. (the "Underwriter"), pursuant to the terms of the Note Purchase Agreement by and between the Underwriter and the Issuer, at an aggregate purchase price of $1,059,300 (representing par value less an Underwriter's discount of $10,700.

7. The forms of the Note Purchase Agreement, the Continuing Disclosure Agreement, the Registrar Agreement and Official Statement attached hereto are hereby approved.

The undersigned hereby certifies that the foregoing terms and conditions of the Series 2007 A Notes are within the parameters prescribed by the Supplemental Parameters Resolution, and the Series 2007 A Notes may be issued with such terms and conditions as authorized by the Supplemental Parameters Resolution.

WITNESS my signature this 11th day of April, 2007.

CITY OF CHARLES TOWN

By: _____
Its: Mayor

SCHEDULE I

Maturity Schedule

SERIES 2007 A NOTE TERMS

Note No.	Maturity	Amount	Yield	Interest
AR-1	2011	$1,070,000	4.20%	100%

SCHEDULE II

Extraordinary Redemption

If there should occur any damage to or destruction of the System or any condemnation of title to or the use of the System, the Series 2007 A Note shall be subject to redemption at any time at the redemption price of 100% of the principal amount thereof plus accrued interest to the Redemption Date from any condemnation awards or insurance proceeds which are not used to repair, rebuild or rearrange the System.

Optional Redemption

The Series 2007 A Note is subject to redemption at the option of the City, prior to maturity, on any interest payment date, in whole or in part at any time from amounts deposited with the Bond Commission by the City or from other funds available therefore at a redemption price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption.

CITY OF CHARLES TOWN
(WEST VIRGINIA)

COMBINED WATERWORKS AND SEWERAGE SYSTEM
REFUNDING REVENUE BONDS, SERIES 2009 A

BOND ORDINANCE

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CITY OF CHARLES TOWN
(WEST VIRGINIA)

AN ORDINANCE AUTHORIZING THE REFUNDING OF THE ISSUER'S OUTSTANDING COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS, SERIES 1998 AND THE FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED, AND PAYING COSTS OF ISSUANCE AND RELATED COSTS, THROUGH THE ISSUANCE OF COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS, SERIES 2009 A OF THE CITY IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT MORE THAN $8,000,000; PROVIDING FOR THE RIGHTS AND REMEDIES OF, AND THE SECURITY FOR, THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING THE EXECUTION AND DELIVERY OF A TAX AND NON-ARBITRAGE CERTIFICATE, AN OFFICIAL STATEMENT, A BOND PURCHASE AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

WHEREAS, the City of Charles Town (the "Issuer" or the "City") presently owns and operates, through the City of Charles Town Utility Board (the "Board"), a combined municipal waterworks and sewerage system (the "System") and has heretofore financed the acquisition and construction of the System and certain additions, betterments and improvements thereto through the issuance of several series of bonds or refunding bonds, of which there are presently outstanding the Prior Bonds, as hereinafter defined;

WHEREAS, all of the Prior Bonds were issued pursuant to ordinances of the Issuer previously enacted (such ordinances, as so amended and supplemented, collectively herein called the "Prior Ordinances");

WHEREAS, under the provisions of Chapter 8, Article 20 of the Code of West Virginia, 1931, as amended (the "Act"), the Issuer is authorized to issue refunding revenue bonds for the purpose of refunding, paying or discharging all or any part of its outstanding revenue bonds, including interest thereon;

WHEREAS, the Issuer has determined and hereby determines that present value debt service savings would result from the Issuer's current refunding of its outstanding Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 1998, dated May 15, 1998, issued in the original aggregate principal amount of $10,355,000 (the "Series 1998 Bonds");

WHEREAS, the Issuer has determined that it is in the best interests of the inhabitants of the City of Charles Town and other users of the System to currently refund its outstanding Series 1998 Bonds;

WHEREAS, the Issuer has determined that the aforementioned refunding of the Series 1998 Bonds should be financed with the proceeds from the issuance of the City's Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2009 A, in the original aggregate principal amount of not more than $8,000,000 (the "Series 2009 A Bonds"), such Series 2009 A Bonds to be secured by and payable from the Gross Revenues (as hereinafter defined) of the System; and

WHEREAS, the Issuer has determined and hereby determines that it is in the best interests of the residents of the City that its Series 2009 A Bonds be sold to the Original Purchaser (as hereinafter defined) thereof pursuant to the terms and provisions of a bond purchase agreement (the "Bond Purchase Agreement") between the Issuer and the Original Purchaser.

NOW, THEREFORE, THE COUNCIL OF THE CITY OF CHARLES TOWN HEREBY ORDAINS:

ARTICLE I

DEFINITIONS; STATUTORY AUTHORITY; FINDINGS

Section 1.01. Definitions. All capitalized terms used in this Ordinance and not otherwise defined in the recitals hereto shall have the meanings specified below, unless the context expressly requires otherwise:

"Act" means Chapter 8, Article 20 of the Code of West Virginia, 1931, as amended and in effect on the date of delivery of the Series 2009 A Bonds.

"Authorized Newspaper" means a financial journal or newspaper of general circulation in the City of New York, New York, printed in the English language and customarily published on each business day of the Registrar, whether or not published on Saturdays, Sundays or legal holidays, and so long as so published, shall include The Bond Buyer.

"Authorized Officer" means the Mayor or City Manager of the Issuer or any other officer of the Issuer specifically designated by resolution of the Council of the Issuer.

"Board" means the City of Charles Town Utility Board created by ordinance of the Issuer, or any successor thereto.

"Bond Commission" or "Commission" means the West Virginia Municipal Bond Commission or any other agency of the State of West Virginia which succeeds to the functions of the Bond Commission.

"Bond Counsel" shall mean any law firm having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds, appointed by the Issuer or the Board, and shall initially mean Steptoe & Johnson PLLC, Charleston, West Virginia.

"Bondholder," "Holder," "Holder of the Bonds," "Owner of the Bonds," "Registered Owner," or any similar term means any person who shall be the registered owner of any outstanding Bond.

"Bond Insurer" means any entity which shall insure all or any portion of the payment of principal of and interest on any of the Prior Bonds.

"Bond Register" means the books of the Issuer maintained by the Registrar for the registration and transfer of Bonds.

"Bond Year" means the 12 month period beginning on the anniversary of the Closing Date in each year and ending on the day prior to the anniversary date of the Closing Date in the following year, except that the first Bond Year shall begin on the Closing Date.

"Bonds" means, collectively, the Series 2009 A Bonds, the Prior Bonds and any additional parity Bonds hereafter issued within the terms, restrictions and conditions contained herein.

"Business Day" means any day other than a Saturday, Sunday or a day on which national banking associations or West Virginia banking corporations are authorized by law to remain closed.

"Certificate of Authentication and Registration" means the Certificate of Authentication and Registration on the Series 2009 A Bonds, substantially in the form set forth in EXHIBIT A - FORM OF SERIES 2009 A BOND, attached hereto.

"City" or "Issuer" means the City of Charles Town, a municipal corporation and political subdivision of the State of West Virginia, in Jefferson County thereof, and, unless the context clearly indicates otherwise, includes the Governing Body and the Board of the Issuer and any other commission, board or department established by the Issuer to operate and maintain the System.

"City Manager" means the City Manager of the Issuer.

"City Clerk" or "Clerk" means the City Clerk of the Issuer.

"Closing Date" means the date upon which there is an exchange of the Series 2009 A Bonds for the proceeds representing the original purchase price thereof.

"Code" shall mean the Internal Revenue Code of 1986, as amended and supplemented from time to time, and Regulations thereunder.

"Connection Fees" means the fees, if any, paid by customers of the System in order to connect thereto.

"Consulting Engineers" means any qualified engineer or engineers or firm or firms of engineers that shall at any time now or hereafter be retained by the Issuer as Consulting Engineers for the System, or portion thereof.

"Costs" or "Costs of the Project" or similar terms means all those costs now or hereafter permitted by the Act to be financed with bonds issued pursuant hereto, including, without limitation, those costs described in Section 1.03E.

"Council" means the City Council of the Issuer or any other governing body of the Issuer that succeeds to the functions of the Council as presently constituted.

"Debt Service," with reference to a specified period, means the amount of principal, including any sinking fund payments, and interest payable with respect to the Bonds during such period.

"Depository Bank" means the bank or banks to be designated as such in the Supplemental Resolution, and any other bank or national banking association located in the State of West Virginia, eligible under the laws of the State of West Virginia to receive deposits of state and municipal funds and insured by the FDIC that may hereafter be appointed by the Issuer as Depository Bank.

"DTC" means The Depository Trust Company, New York, New York or its successor.

"DTC-eligible" means, with respect to the Series 2009 A Bonds, meeting the qualifications prescribed by DTC.

"Event of Default" means any occurrence or event specified in Section 7.01.

"FDIC" means the Federal Deposit Insurance Corporation or any successor to the functions of the FDIC.

"Fiscal Year" means each 12-month period beginning on July 1 and ending on the succeeding June 30.

"Governing Body" means the City Council of the Issuer or any other governing body of the Issuer that succeeds to the functions of the City Council, as it may now or hereafter be constituted.

"Government Obligations" means certificates or interest-bearing notes or obligations of the United States, or those for which the full faith and credit of the United States are pledged for the payment of principal and interest.

"Gross Revenues" means the aggregate gross operating and non-operating revenues of the System, determined in accordance with generally accepted accounting principles, after deduction of prompt payment discounts, if any, and reasonable provision for uncollectible accounts, and includes any proceeds from the sale or other disposition of capital assets, but does not include any increase in the value of capital assets (including Qualified Investments).

"Independent Accountants" means the West Virginia State Tax Department or any certified public accountant or firm of certified public accountants that shall at any time hereafter be retained by the Issuer to prepare an independent annual or special audit of the accounts of the System or for any purpose except keeping the accounts of said System in the normal operations of its business and affairs.

"Investment Property" means any security (as said term is defined in Section 165(g)(2)(A) or (B) of the Code), obligation, annuity contract, investment-type property or residential rental property for family units which is not located within the jurisdiction of the Issuer and which is not acquired to implement a court ordered or approved housing desegregation plan, excluding, however, obligations the interest on which is excluded from gross

income, under Section 103 of the Code, for federal income tax purposes other than specified private activity bonds as defined in Section 57(a)(5)(C) of the Code.

"Maximum Annual Debt Service" means, at the time of computation, the greatest amount of Debt Service required to be paid on the Bonds for the then current or any succeeding Fiscal Year, assuming that the principal of any Term Bonds is deemed due on the earlier of their stated maturity date or the date on which they are required to be redeemed pursuant to mandatory sinking fund redemption.

"Mayor" means the Mayor of the Issuer.

"Net Proceeds" means the face amount of the Series 2009 A Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds deposited in the Series 2009 A Bonds Reserve Account. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from investment of proceeds of the Series 2009 A Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

"Net Revenues" means the balance of Gross Revenues remaining after deduction of Operating Expenses, as hereinafter defined.

"Nonpurpose Investment" means any Investment Property which is acquired with the gross proceeds of the Series 2009 A Bonds and is not acquired in order to carry out the governmental purpose of the Series 2009 A Bonds.

"Operating Expenses," unless qualified, means the current expenses, paid or accrued, of repair, operation and maintenance of the System, and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses (other than those capitalized as part of the costs of any project relating to the acquisition or construction of additions, betterments or improvements for the System), supplies, labor, wages, the cost of materials and supplies used for current operations, fees and expenses of fiscal agents and of the Depository Bank, Registrar and Paying Agent or Paying Agents, payments to pension or retirement funds, taxes and such other reasonable operating costs and expenses as should normally and regularly be included under generally accepted accounting principles.

"Ordinance" regardless of whether preceded by the article "the" or "this," means this Ordinance, as it may hereafter from time to time be amended or supplemented, by ordinance or by resolution.

"Original Purchaser" means the investment banking firm or firms, bank or banks or such other entity or entities as shall purchase the Series 2009 A Bonds directly from the Issuer, as determined by a resolution supplemental hereto.

"Outstanding," when used with reference to Bonds and as of any particular date, describes all Bonds theretofore and thereupon being issued and delivered except (a) any Bond or Prior Bond canceled by the registrar for such Bond or Prior Bond at or prior to said date; (b) any

Bond or Prior Bond for the payment of which moneys, equal to its principal amount, with interest to the date of maturity, shall be held in trust under this Ordinance and set aside for such payment (whether upon or prior to maturity); (c) any Bond deemed to have been paid as provided by Section 9.01; and (d) with respect to determining the number or percentage of Bondholders or Bonds respectively, for the purpose of consents, notices and the like, any Bond registered to the Issuer. Notwithstanding the foregoing, in the event that a Bond Insurer has paid principal of and/or interest on any Bond, such Bond shall be deemed to be Outstanding until such time as such Bond Insurer has been reimbursed in full.

"Paying Agent" means the Bond Commission and any other paying agent for the Bonds which may be appointed by a resolution supplemental hereto, all in accordance with Section 8.12 hereof.

"Prior Bonds" means, collectively, the Series 1987 B Bonds, the Series 1988 B-1 Bonds, the Series 1988 B-2 Bonds, the Series 1989 B Bonds, the Series 1998 Design Bonds, the Series 1998 Refunding Bonds, the Series 2000 A Bonds, the Series 2002 A Bonds, the Series 2002 B Bonds, the Series 2002 C Bonds, the Series 2003 A Bonds, the Series 2005 A Bonds, the Series 2006 A Bonds, and the Series 2006 B Bonds as more fully defined in Section 1.03H hereof.

"Prior Ordinances" means, collectively, the ordinances of the Issuer, authorizing the issuance of the Prior Bonds.

"Private Business Use" means use directly or indirectly in a trade or business carried on by a natural person or in any activity carried on by a person other than a natural person, excluding, however, use by a state or local governmental unit and use as a member of the general public.

"Purchase Price," for the purpose of computation of the Yield of the Series 2009 A Bonds, has the same meaning as the term "issue price" in Sections 1273(b) and 1274 of the Code, and, in general, means the initial offering price of the Series 2009 A Bonds to the public (not including bond houses and brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of the Bonds of each maturity is sold or, if the Series 2009 A Bonds are privately placed, the price paid by the first buyer of the Series 2009 A Bonds or the acquisition cost of the first buyer. "Purchase Price," for purposes of computing Yield of Nonpurpose Investments, means the fair market value of the Nonpurpose Investments on the date of use of Gross Proceeds of the Series 2009 A Bonds for acquisition thereof, or if later, on the date that Investment Property constituting a Nonpurpose Investment becomes a Nonpurpose Investment of the Series 2009 A Bonds.

"Qualified Investments" means and includes the investments set forth in the Supplemental Resolution and designated as such.

"Rebate Fund" means the Rebate Fund described in Section 4.01 hereof.

"Record Date" means the day of the month which shall be so stated in the Series 2009 A Bonds, regardless of whether such day is a Saturday, Sunday or legal holiday.

"Redemption Date" means the date fixed for redemption of Bonds subject to redemption in any notice of redemption published or mailed in accordance herewith.

"Redemption Price" means the price at which the Bonds may be called for redemption and includes the principal amount of the Bonds to be redeemed, plus the premium, if any, required to be paid to effect such redemption.

"Registered Owner," "Bondholder," "Holder," "Owner" or any similar term means any person who shall be the registered owner of any outstanding Bond.

"Registrar" means the bank to be designated in the Supplemental Resolution as the registrar for the Series 2009 A Bonds, and any successor thereto appointed in accordance with Section 8.08 hereof.

"Regulations" means temporary and permanent regulations promulgated under the Code, and includes applicable regulations promulgated under the Internal Revenue Code of 1954.

"Renewal and Replacement Fund" means the Renewal and Replacement Fund created by the Prior Ordinances and continued by Section 4.02 hereof.

"Reserve Accounts" means, collectively, the respective reserve accounts created for the Series 2009 A Bonds and the Prior Bonds.

"Reserve Account Requirement" means, collectively, the respective amount required to be on deposit in the respective Reserve Accounts for the Series 2009 A Bonds and the Prior Bonds.

"Revenue Fund" means the Revenue Fund established by the Prior Ordinances and continued hereby.

"Series 2007 A Notes" means the Issuer's Combined Waterworks and Sewerage System Bond Anticipation Notes, Series 2007 A, dated April 11, 2007, issued in the original aggregate principal amount of $1,070,000.

"Series 2009 A Bonds" means the Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2009 A, of the Issuer, originally authorized to be issued pursuant to this Ordinance and the Supplemental Resolution.

"Series 2009 A Bonds Costs of Issuance Fund" means the Costs of Issuance Fund created by Section 4.01 hereof.

"Series 2009 A Bonds Redemption Account" means the Series 2009 A Bonds Redemption Account established in the Series 2009 A Bonds Sinking Fund pursuant to Section 4.02 hereof.

"Series 2009 A Bonds Reserve Account" means the Series 2009 A Bonds Reserve Account established in the Series 2009 A Bonds Sinking Fund pursuant to Section 4.02 hereof.

"Series 2009 A Bonds Reserve Account Requirement" means an amount equal to the lesser of (i) 10% of the original principal amount of the Series 2009 A Bonds, (ii) Maximum Annual Debt Service at the time of original issuance of the Series 2009 A Bonds, or (iii) 125% of average annual Debt Service at the time of original issuance of the Series 2009 A Bonds.

"Series 2009 A Bonds Sinking Fund" means the Series 2009 A Bonds Sinking Fund established by Section 4.02 hereof.

"Sinking Funds" means, collectively, the respective sinking funds created for the Series 2009 A Bonds and the Prior Bonds.

"State" means the State of West Virginia.

"Supplemental Resolution" means any ordinance or resolution amendatory hereof or supplemental hereto and, when preceded by the article "the," refers specifically to the Supplemental Resolution to be adopted by the Issuer following enactment of this Ordinance, setting forth the final amounts, maturities, interest rates and other terms of the Series 2009 A Bonds and authorizing the sale of the Series 2009 A Bonds to the Original Purchaser; provided, that any provision intended to be included in the Supplemental Resolution and not so included may be contained in any other Supplemental Resolution.

"Surplus Revenues" means the Gross Revenues not required by the Ordinance to be set aside and held for the payment of or security for the Bonds or any other obligations of the Issuer, including, without limitation, the funds and accounts established for the Prior Bonds or the Series 2009 A Bonds.

"System" means the complete existing combined municipal waterworks and sewerage system of the Issuer, consisting of a water treatment and distribution system, including a water filtration and treatment plant, reservoirs, water tanks, distribution lines and booster stations, and a sewage treatment and collection system, including a sewage treatment plant, collection and transportation lines and lift stations, now owned by the Issuer or any integral part thereof, and all other facilities necessary, appropriate, useful, convenient or incidental in connection with or to the waterworks and sewage systems, and shall include any additions, betterments and improvements thereto hereafter acquired or constructed for said waterworks or sewage systems from any sources whatsoever, both within and without the Issuer.

"Term Bonds" means Series 2009 A Bonds subject to mandatory sinking fund redemption, as described by Section 3.06 hereof.

Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations and vice versa; and words importing the masculine gender shall include the feminine and neuter genders and vice versa.

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.

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.

Articles, sections and subsections mentioned by number only are the respective articles, sections and subsections of this Ordinance so numbered.

Section 1.02. Authority for this Ordinance. This Ordinance is enacted pursuant to the provisions of the Act and other applicable provisions of law.

Section 1.03. Findings. The Council hereby finds and determines as follows:

A. The Issuer is a municipal corporation and political subdivision of the State of West Virginia, in Jefferson County of said State.

B. The Issuer now owns and operates, through the Board, a municipal combined water and sewerage System, the construction, extension and improvement of which it has financed or refinanced pursuant to the issuance of the Prior Bonds.

C. The Issuer has determined that present value debt service savings will result from the current refunding of its Outstanding Series 1998 Refunding Bonds, and that it is in the best interest of the residents of the Issuer and other users of the System to currently refund such Series 1998 Refunding Bonds.

D. It is deemed necessary for the Issuer to issue its Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2009 A, in the original aggregate principal amount of not more than $8,000,000, in order to repay in full the remaining principal balance of and all accrued interest on the Issuer 's Series 1998 Refunding Bonds. The proceeds of the Series 2009 A Bonds may also be applied to funding the Series 2009 A Bonds Reserve Account and the payment of underwriter's discount; legal expenses; expenses for estimates of costs and revenues; administrative expense; commitment fees; premiums for municipal bond insurance, reserve account insurance or reserve account surety bonds; letter of credit fees; discount; initial fees for the services of registrar's, paying agents, depositories or trustees or other costs in connection with the sale of the Series 2009 A Bonds and such other expenses as may be necessary or incidental to the financing herein authorized; and the performance of the things herein required or permitted, in connection with any thereof, provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Series

2009 A Bonds or the repayment of indebtedness incurred by the Issuer for such purposes shall also be permitted.

E. It is in the best interest of the Issuer that the Series 2009 A Bonds be sold to the Original Purchaser pursuant to the terms and provisions of a Bond Purchase Agreement to be entered into by and between the Issuer and the Original Purchaser, as shall be approved by the Supplemental Resolution of the Issuer.

F. There are outstanding obligations of the Issuer which will rank on a parity with the Series 2009 A Bonds as to liens, pledge, source of and security for payment, as follows:

(1) Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 B, dated November 18, 1987, issued in the original aggregate principal amount of $413,629 (the "Series 1987 B Bonds");

(2) Combined Waterworks and Sewerage System Revenue Bonds, Series 1988 B-1, dated May 4, 1988, issued in the original aggregate principal amount of $295,916 (the "Series 1988 B-1 Bonds");

(3) Combined Waterworks and Sewerage System Revenue Bonds, Series 1988 B-2, dated May 20, 1988, issued in the original aggregate principal amount of $558,000 (the "Series 1988 B-2 Bonds");

(4) Combined Waterworks and Sewerage System Revenue Bonds, Series 1989 B, dated April 13, 1989, issued in the original aggregate principal amount of $117,480 (the "Series 1989 B Bonds");

(5) Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 1998, dated May 15, 1998, issued in the original aggregate principal amount of $10,355,000 (the "Series 1998 Refunding Bonds");

(6) Combined Waterworks and Sewerage System Design Revenue Bonds, Series 1998 (West Virginia SRF Program), dated September 29, 1998, issued in the original aggregate principal amount of $437,601 (the "Series 1998 Design Bonds");

(7) Combined Waterworks and Sewerage System Revenue Bonds, Series 2000 A (West Virginia SRF Program), dated June 22, 2000, issued in the original aggregate principal amount of $3,163,781 (the "Series 2000 A Bonds");

(8) Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 A (West Virginia Water Development Authority), dated August 22, 2002, issued in the original aggregate principal amount of $1,100,000 (the "Series 2002 A Bonds");

(9) Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 B (West Virginia Infrastructure Fund), dated August 22, 2002, issued in the original aggregate principal amount of $3,600,000 (the "Series 2002 B Bonds");

(10) Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 C (Insured), dated December 1, 2002, issued in the original aggregate principal amount of $4,135,000 (the "Series 2002 C Bonds");

(11) Combined Waterworks and Sewerage System Revenue Bonds, Series 2003 A (AMT - Uninsured), dated January 1, 2003, issued in the original aggregate principal amount of $1,000,000 (the "Series 2003 A Bonds");

(12) Combined Waterworks and Sewerage System Revenue Bonds, Series 2005 A (Taxable), dated June 15, 2005, issued in the original aggregate principal amount of $2,355,000 (the "Series 2005 A Bonds");

(13) Combined Waterworks and Sewerage System Revenue Bonds, Series 2006 A (Taxable), dated January 19, 2006, issued in the original aggregate principal amount of $1,830,000 (the "Series 2006 A Bonds"); and

(14) Combined Waterworks and Sewerage System Revenue Bonds, Series 2006 B (Tax-Exempt), dated July 27, 2006, issued in the original aggregate principal amount of $2,000,000 (the "Series 2006 B Bonds");

The Issuer also has outstanding its Combined Waterworks and Sewerage System Bond Anticipation Notes, Series 2007 A, dated April 11, 2007, issued in the original aggregate principal amount of $1,070,000 (the "Series 2007 A Notes"). The Series 2007 A Notes are secured solely by the Surplus Revenues of the System and the proceeds of a subsequent series of bonds to be issued by the Issuer for the purpose of permanently financing the costs of the project temporarily financed by the proceeds of such Series 2007 A Notes. The proceeds of the Series 2007 A Notes are not secured by the Gross Revenues or Net Revenues of the System. The Series 2009 A Bonds and the Prior Bonds shall be senior and prior with respect to lien on and source of and security for payment to the Series 2007 A Notes.

The Series 1987 B Bonds, the Series 1988 B-1 Bonds, the Series 1988 B-2 Bonds, the Series 1989 B Bonds, the Series 1998 Refunding Bonds, the Series 1998 Design Bonds, the Series 2000 A Bonds, the Series 2002 A Bonds, the Series 2002 B Bonds, the Series 2002 C Bonds, the Series 2003 A Bonds, the Series 2005 A Bonds, the Series 2006 A Bonds, and the Series 2006 B Bonds are hereinafter collectively called the "Prior Bonds." The ordinances which authorized the issuance of the Prior Bonds are herein collectively referred to as the "Prior Ordinances."

The Series 2009 A Bonds shall be issued on a parity with one another and with the Prior Bonds, all of which shall have a first lien position with respect to pledge and source of and security for payment and in all other respects. The Issuer has met the coverage requirements for

issuance of parity bonds of the Prior Bonds and the Prior Ordinances and has substantially complied with all other parity requirements, except to the extent that noncompliance with any such other parity requirements is not of a material nature.

Prior to the issuance of the Series 2009 A Bonds, the Issuer will obtain (i) the certificate of an Independent Certified Public Accountant stating that the coverage and parity tests of the Prior Bonds are met; and (ii) the written consent of the Registered Owners of the Prior Bonds to the issuance of the Series 2009 A Bonds on a parity with such Prior Bonds if required by the Prior Ordinances.

Other than the Prior Bonds and the Series 2007 A Notes, there are no other outstanding bonds or obligations of the Issuer which are secured by revenues or assets of the System.

G. The Issuer derives revenues from the System which are pledged for payment of the Prior Bonds and the Series 2007 A Notes. Except for such pledge thereof to secure and pay the Prior Bonds and the Series 2007 A Notes, said revenues are not pledged or encumbered in any manner. The Issuer intends to issue the Series 2009 A Bonds and to pledge for payment thereof, the Gross Revenues of the System. Upon issuance of the Series 2009 A Bonds, the Series 2009 A Bonds will be secured by a first lien on the Gross Revenues of the System, on a parity with the Prior Bonds, and senior as to liens, pledge, source of and security for payment to the Series 2007 A Notes.

H. 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 repair, maintenance and operation of the System, the payment of interest on the Series 2009 A Bonds, the Series 2007 A Notes and the Prior Bonds, and to create sinking funds, as hereinafter provided, to pay the principal on the Series 2009 A Bonds and the Prior Bonds as and when it becomes due and reasonable reserves therefore, to provide an adequate renewal and replacement fund, as hereinafter provided, and to make all other payments provided for in this Ordinance.

I. It is in the best interests of the Issuer, and the residents thereof, that the Issuer issue the Series 2009 A Bonds, and secure the Series 2009 A Bonds by a pledge and assignment of the Gross Revenues derived from the operation of the System, the monies in the Series 2009 A Bonds Reserve Account, unexpended proceeds of the Series 2009 A Bonds and as further set forth herein.

J. The Series 2009 A Bonds and the Certificate of Authentication and Registration to be endorsed thereon are to be in substantially the forms set forth in EXHIBIT A - SERIES 2009 A BOND FORM, attached hereto and incorporated herein by reference, with necessary and appropriate variations, omissions and insertions as permitted or required by this Ordinance or a Supplemental Resolution or as deemed necessary by the Registrar or the Issuer.

K. All things necessary to make the Series 2009 A Bonds, when authenticated by the Registrar and issued as in this Ordinance provided, the valid, binding and legal special obligations of the Issuer according to the import thereof, and to validly pledge and assign those

funds pledged hereby to the payment of the principal of and interest on the Series 2009 A Bonds will be timely done and duly performed.

L. The enactment of this Ordinance, and the execution and issuance of the Series 2009 A Bonds, subject to the terms thereof, will not result in any breach of, or constitute a default under, any instrument to which the Issuer is a party or by which it may be bound or affected.

M. The Issuer has complied with all requirements of West Virginia law relating to the operation of the System, the issuance of the Series 2009 A Bonds and the refunding of the Series 1998 Refunding Bonds, 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 West Virginia Public Service Commission by final order, the time for rehearing and appeal of which will either have expired prior to the date of issuance of the Series 2009 A Bonds or such final order will not be subject to appeal or rehearing.

Section 1.04. Ordinance Constitutes Contract. In consideration of the acceptance of the Series 2009 A Bonds by those who shall own or hold the same from time to time, this Ordinance shall be deemed to be and shall constitute a contract between the Issuer and such Registered Owners and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the legal Registered Owners of any and all of such Series 2009 A Bonds, all of which shall be of equal rank and without preference, priority or distinction between any one Series 2009 A Bond and any other Series 2009 A Bond, by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

ARTICLE II

AUTHORIZATION OF REFUNDING

Section 2.01. Authorization of Refunding. All Series 1998 Refunding Bonds Outstanding as of the date of issuance of the Series 2009 A Bonds and all unpaid interest accrued thereon, if any, are hereby ordered to be refunded and paid in full and the pledge of Gross Revenues in favor of the Registered Owners of the Series 1998 Refunding Bonds imposed by the Prior Ordinance authorizing the issuance of the Series 1998 Refunding Bonds, the monies in the funds and accounts created by the Prior Ordinances pledged to payment of the Series 1998 Refunding Bonds, and any other funds pledged by the Prior Ordinances to payment of the Series 1998 Refunding Bonds are hereby ordered terminated, discharged and released upon such payment to the Registered Owners of the Series 1998 Refunding Bonds. Contemporaneously with the payment in full of the Series 1998 Refunding Bonds, the amounts on deposit in the sinking fund, and all other funds and accounts created and maintained on behalf of the Series 1998 Refunding Bonds, shall be released from the lien created by the Prior Ordinance authorizing the issuance of the Series 1998 Refunding Bonds.

ARTICLE III

THE BONDS

Section 3.01. Form and Payment of Bonds. No Series 2009 A Bond shall be issued pursuant to this Ordinance except as provided in this Article III. Any Series 2009 A Bonds issued pursuant to this Ordinance may be issued only as fully registered Series 2009 A Bonds without coupons, in the denomination of $5,000 or any integral multiple thereof for any year of maturity (or such other denominations as may be set forth in a Supplemental Resolution). All Series 2009 A Bonds shall be dated as of the date provided in a Supplemental Resolution applicable to such series. All Series 2009 A Bonds shall bear interest from the interest payment date next preceding the date of authentication or, if authenticated after the Record Date but prior to the applicable interest payment date or on such interest payment date, from such interest payment date or, if no interest on such Series 2009 A Bonds has been paid, from the date thereof; provided however, that, if, as shown by the records of the Registrar, interest on such Series 2009 A Bonds shall be in default, Series 2009 A Bonds issued in exchange for Series 2009 A Bonds surrendered for transfer or exchange shall bear interest from the date to which interest has been paid in full on the initial Series 2009 A Bonds surrendered.

The principal of and the premium, if any, on the Series 2009 A Bonds shall be payable in any coin or currency which, on the respective date of such payment, is legal tender for the payment of public and private debts under the laws of the United States of America upon surrender at the principal office of the Paying Agent. Interest on the Series 2009 A Bonds shall be paid by check or draft made payable and mailed to the Registered Owner thereof at his address as it appears in the Bond Register at the close of business on the Record Date, or, if requested, in the case of a Registered Owner of $1,000,000 or more of the Series 2009 A Bonds, by wire transfer to a domestic bank account specified in writing at least 5 days prior to such interest payment date by such Registered Owner.

In the event any Series 2009 A Bond is redeemed in part, such bond shall be surrendered to and canceled by the Registrar, and the Issuer shall execute, and the Registrar shall authenticate and deliver to the Registered Owner thereof, another Series 2009 A Bond in the principal amount of said Series 2009 A Bond then Outstanding.

Section 3.02. Execution of Bonds. The Series 2009 A Bonds shall be executed in the name of the Issuer by the Mayor and City Manager, by their manual or facsimile signatures, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the Clerk by his or her manual or facsimile signature; provided, that, all such signatures and the seal may be by facsimile. In case any one or more of the officers who shall have signed or sealed any of the Series 2009 A Bonds shall cease to be such officer of the Issuer before the Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Series 2009 A Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.03. Authentication and Registration. No Series 2009 A 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 and Registration on such Bond, substantially in the form set forth in EXHIBIT A - FORM OF SERIES 2009 A BOND attached hereto and incorporated herein by reference with respect to such respective Series 2009 A Bond, shall have been duly manually executed by the Registrar. Any such manually executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Series 2009 A Bond has been authenticated, registered and delivered under this Ordinance. The Certificate of Authentication and Registration on any Series 2009 A Bond shall be deemed to have been executed by the Registrar if signed by an authorized officer of the Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Series 2009 A Bonds issued hereunder.

Section 3.04. Negotiability and Registration. Subject to the requirements for transfer set forth below, the Series 2009 A Bonds shall be, and have all of the qualities and incidents of, negotiable instruments under the Uniform Commercial Code of the State, and each successive Registered Owner, in accepting any of said Series 2009 A Bonds, shall be conclusively deemed to have agreed that such Series 2009 A Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State, and each successive Holder shall further be conclusively deemed to have agreed that said Series 2009 A Bonds shall be incontestable in the hands of a bona fide holder for value.

So long as any of the Series 2009 A Bonds remain Outstanding, the Registrar shall keep and maintain books for the registration and transfer of the Series 2009 A Bonds. The Series 2009 A Bonds shall be transferable only by transfer of registration upon the Bond Register by the registered owner thereof in person or by his attorney or legal representative duly authorized in writing, upon surrender thereof, together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or such duly authorized attorney or legal representative. Upon transfer of a Series 2009 A Bond, there shall be issued at the option of the Holder or the transferee another Bond or Bonds of the aggregate principal amount equal to the unpaid amount of the transferred Bond and of the same series, interest rate and maturity of said transferred Bond.

Upon surrender thereof at the office of the Registrar with a written instrument of transfer satisfactory to the Registrar and duly executed by the registered owner or his attorney or legal representative duly authorized in writing, Series 2009 A Bonds may at the option of the Holder thereof be exchanged for an equal aggregate principal amount of Bonds of the same series, maturity and interest rate, in any authorized denominations.

In all cases in which the privilege of transferring or exchanging a Series 2009 A Bond is exercised, Series 2009 A Bonds shall be delivered in accordance with the provisions of this Ordinance. All Series 2009 A Bonds surrendered in any such transfer or exchange shall forthwith be canceled by the Registrar. Transfers of Series 2009 A Bonds, the initial exchange of Series 2009 A Bonds and exchanges of such Bonds in the event of partial redemption of fully registered Bonds shall be made by the Registrar without charge to the Holder or the transferee thereof, except as provided below. For other exchanges of Series 2009 A Bonds, the Registrar

may impose a service charge. For every such transfer or exchange of such Bonds, the Registrar may make a charge sufficient to reimburse its office for any tax or other governmental charge required to be paid with respect to such transfer or exchange, and such tax or governmental charge, and such service charge for exchange other than the initial exchange or in the event of partial redemption, shall be paid by the person requesting such transfer or exchange as a condition precedent to the exercise of the privilege of making such transfer or exchange. The Registrar shall not be obliged to make any such transfer or exchange of Series 2009 A Bonds that have been called for redemption.

Section 3.05. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Series 2009 A Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may execute, in its discretion, and the Registrar shall authenticate, register and deliver any new Bond of like series, maturity and principal amount as the Bond so mutilated, destroyed, stolen or lost, in exchange and upon surrender and cancellation of, such mutilated Bond, or in lieu of and substitution for the Bond so destroyed, stolen or lost, and upon the Registered Owner furnishing the Issuer and the Registrar proof of his ownership thereof and that said Bond has been destroyed, stolen or lost and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer or the Registrar may prescribe and paying such expenses as the Issuer or the Registrar may incur. The name of the Registered Owner listed in the Bond Register shall constitute proof of ownership. All Bonds so surrendered shall be submitted to and canceled by the Registrar, and evidence of such cancellation shall be given to the Issuer. If such Bond shall have matured or be about to mature, instead of issuing a substitute Bond the Issuer, by and through the Registrar, may pay the same, upon being indemnified as aforesaid, and, if such Bond be lost, stolen or destroyed, without surrender thereof.

Any such duplicate Bonds issued pursuant to this section shall constitute original, additional contractual obligations on the part of the Issuer, whether or not the lost, stolen or destroyed Bonds be at any time found by any one, and such duplicate Bonds shall be entitled to equal and proportionate benefits and rights as to lien and source of and security for payment from the revenues pledged herein with all other Bonds issued hereunder.

Section 3.06. Term Bonds. In the event Term Bonds are issued as part of the Series 2009 A Bonds issued pursuant to this Ordinance, the following provisions shall apply:

A. The amounts to be deposited, apportioned and set apart by the Issuer from the Revenue Fund and into the Series 2009 A Bonds Redemption Account in accordance with Subsection 4.03(A)(2) shall include (after credit as provided below) on the first of each month, beginning on the first day of that month which is 13 months prior to the first mandatory redemption date of said Term Bonds, a sum equal to 1/12th of the amount required to redeem the principal amount of such Term Bonds which are to be redeemed as of the next ensuing mandatory redemption date, which amounts and dates, if any, with respect to a series of Bonds shall be set forth in the Supplemental Resolution relating thereto.

B. At its option, to be exercised on or before the 60th day next preceding any such mandatory redemption date, the Issuer may (a) deliver to the Registrar for cancellation such Term Bonds in any aggregate principal amount desired or (b) receive a credit in respect of its

mandatory redemption obligation for any such Term Bonds which prior to said date have been redeemed (otherwise than pursuant to this section) and canceled by the Registrar and not theretofore applied as a credit against any such mandatory redemption obligation. Each Term Bond so delivered or previously redeemed shall be credited by the Registrar at 100% of the principal amount thereof against the obligation of the Issuer on such mandatory redemption date, and Term Bonds delivered in excess of such mandatory redemption obligation shall be credited against future mandatory redemption obligations in the order directed by the Issuer, and the principal amount of such Term Bonds to be redeemed pursuant to mandatory sinking fund redemption shall be accordingly reduced.

C. The Issuer shall on or before the 60th day next preceding each mandatory redemption date furnish the Registrar and the Bond Commission with its certificate indicating whether and to what extent the provisions of (a) and (b) of the preceding paragraph are to be utilized with respect to such mandatory redemption payment and stating, in the case of the credit provided for in (b) of the preceding paragraph, that such credit has not theretofore been applied against any mandatory redemption obligation.

D. After said 60th day but prior to the date on which the Registrar selects the Term Bonds to be redeemed, the Bond Commission may use the moneys in the Series 2009 A Bonds Redemption Account to purchase Term Bonds at a price less than the par value thereof and accrued interest thereon. The Bond Commission shall advise the Issuer and the Registrar of any Term Bonds so purchased, and they shall be credited by the Registrar at 100% of the principal amount thereof against the obligation of the Issuer on such mandatory redemption date, and any excess shall be credited against future mandatory redemption obligations in the order directed by the Issuer, and the principal amount of such Term Bonds to be redeemed pursuant to mandatory sinking fund redemption shall be accordingly reduced.

E. The Registrar shall call for redemption, in the manner provided herein, an aggregate principal amount of such Term Bonds, at the principal amount thereof plus interest accrued to the redemption date (interest to be paid from the Sinking Fund), as will exhaust as nearly as practicable such Series 2009 A Bonds Redemption Account payment designated to be made in accordance with paragraph (A) of this section. Such redemption shall be by random selection made on the 45th day preceding the mandatory redemption date, in such manner as may be determined by the Registrar. For purposes of this section, "Term Bonds" shall include any portion of a fully registered Term Bond, in integrals of $5,000.

Section 3.07. Notice of Redemption. Unless waived by any Registered Owner of the Bonds to be redeemed, official notice of any redemption shall be given by the Registrar on behalf of the Issuer by mailing a copy of an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the applicable Bond Insurer, if any, the Original Purchaser, and the Registered Owner of the Series 2009 A Bond or Bonds, as applicable, to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such registered owner to the Bond Registrar.

All official notices of redemption shall be dated and shall state:

(1) The Redemption Date,

(2) The Redemption Price,

(3) If less than all outstanding Series 2009 A Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed,

(4) That on the Redemption Date the Redemption Price and interest accrued will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date,

(5) The place where such Bonds are to be surrendered for payment of the Redemption Price, which place of payment shall be the principal office of the Registrar, and

(6) Such other information, if any, as shall be required for DTC-eligible Bonds.

Prior to any redemption date, the Issuer shall deposit with the Registrar an amount of money sufficient to pay the redemption price of all the Series 2009 A Bonds or portions of such Bonds which are to be redeemed on that date.

Official notice of redemption having been given as aforesaid, the Series 2009 A Bonds or portions of such Bonds so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Issuer shall default in the payment of the redemption price) such Series 2009 A Bonds or portions of such Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Registrar at the Redemption Price. Installments of interest due on or prior to the Redemption Date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Bond, there shall be prepared for the registered owner a new Bond or Bonds of the same maturity in the amount of the unpaid principal. All Bonds which have been redeemed shall be canceled and destroyed by the Bond Registrar and shall not be reissued.

Failure to receive such notice or any defect therein or in the mailing thereof shall not affect the validity of proceedings for the redemption of Series 2009 A Bonds, and failure to mail such notice shall not affect the validity of proceedings for the redemption of any portion of Bonds for which there was no such failure.

Section 3.08. Persons Treated as Owners. The Issuer, the Registrar and any agent of the Issuer or the Registrar may treat the person in whose name any Bond is registered as the owner of such Bond for the purpose of receiving payment of the principal of, and interest on, such Bond and (except as provided in Section 6.18) for all other purposes, whether or not such Bond is overdue.

Section 3.09. Temporary Bonds. Until Bonds of any series in definitive form are ready for delivery, the Issuer may execute and the Registrar shall authenticate, register, if

applicable, and deliver, subject to the same provisions, limitations and conditions set forth in this Article III, one or more printed, lithographed or typewritten Bonds in temporary form, substantially in the form of the definitive Bonds of such series, with appropriate omissions, variations and insertions, and in authorized denominations. Until exchanged for Bonds in definitive form, such Bonds in temporary form shall be entitled to the lien and benefit created under this Ordinance. Upon the presentation and surrender of any Bond in temporary form, the Issuer shall, without unreasonable delay, prepare, execute and deliver to the Registrar, and the Registrar shall authenticate, register, if applicable, and deliver, in exchange therefore, a Bond or Bonds in definitive form. Such exchange shall be made by the Registrar without making any charge therefore to the Holder of such Bond in temporary form.

Section 3.10. Authorization of Bonds. For the purposes of paying in full the entire outstanding principal of and all accrued interest on the Series 1998 Refunding Bonds, funding the Series 2009 A Bonds Reserve Account and paying costs of issuance of the Series 2009 A Bonds and related costs, there shall be issued the Series 2009 A Bonds of the Issuer, in an aggregate principal amount of not more than $8,000,000. The Series 2009 A Bonds shall be designated the "City of Charles Town (West Virginia) Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2009 A" and shall be issued in fully registered form, in denominations of $5,000 or any integral multiple thereof for any year of maturity (or such other denominations as may be set forth in the Supplemental Resolution), not exceeding the aggregate principal amount of Series 2009 A Bonds maturing in the year of maturity for which the denomination is to be specified. The Series 2009 A Bonds shall be numbered from AR-1 consecutively upward. The Series 2009 A Bonds shall be dated; shall be in such aggregate principal amount; shall bear interest at such rate or rates, not exceeding the then legally permissible rate, payable semiannually on such dates; shall mature on such dates and in such amounts; shall be subject to such mandatory and optional redemption provisions; and shall have such other terms, all as the Issuer shall prescribe herein and in the Supplemental Resolution.

Section 3.11. Book Entry System for Series 2009 A Bonds. The Series 2009 A Bonds (if purchased by the Original Purchaser) shall initially be issued in the form of one fully-registered bond for the aggregate principal amount of the Series 2009 A Bonds of each maturity, and shall be registered in the name of Cede & Co., as nominee of DTC. Notwithstanding anything herein to the contrary contained, so long as the Series 2009 A Bonds are so issued and registered, DTC (or its nominee) shall be treated as the sole Registered Owner for all purposes hereunder. Each Bond shall bear a legend substantially to the following effect "Except as otherwise provided in the Ordinance, this global bond may be transferred, in whole but not in part, only to another nominee of DTC (as defined in the Ordinance) or to a successor of DTC or to a nominee of a successor of DTC. Unless this certificate is presented by an authorized representative of DTC, to the Issuer or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the Registered Owner hereof, Cede & Co., has an interest herein."

With respect to Series 2009 A Bonds registered in the records of the Registrar in the name of Cede & Co., as nominee of DTC, the Issuer and the Paying Agent shall have no responsibility or obligation to any other participant in DTC or to any Person on behalf of whom such a participant in DTC holds a beneficial interest in the Series 2009 A Bonds. Without limiting the immediately preceding sentence, the Issuer and the Paying Agent shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any other participant in DTC with respect to any beneficial ownership interest in any Bond, (ii) the delivery to any other participant in DTC or any other Person, other than a Registered Owner, as shown in the records of the Registrar, of any notice with respect to any Series 2009 A Bonds, including without limitation any notice of redemption, tender, purchase or any event which would or could give rise to a tender or purchase right or option with respect to any Bond, (iii) the payment to any other participant in DTC or any other Person, other than a Registered Owner, as shown in the records of the Registrar, of any amount with respect to principal of, premium, if any, or interest on, any Bond, or (iv) any consent given by DTC as Registered Owner. Notwithstanding any other provision of this Ordinance to the contrary, the Issuer and the Paying Agent shall be entitled to treat and consider the Person in whose name each Bond is registered in the records of the Registrar as the absolute owner of such Bond for the purpose of payment of principal, premium, if any, and interest with respect to such Bond, for the purpose of giving notices of redemption, sale, purchase or any event which would or could give rise to a sale or purchase right or option with respect to any Bond for the purpose of making payment of any purchase price of such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Issuer and Paying Agent shall pay all principal of, premium, if any, and interest on the Series 2009 A Bonds and the purchase price of any Bond only to or upon the order of the respective Registered Owners, as shown in the records of the Registrar as provided in this Ordinance, or their respective attorneys or legal representatives duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Issuer's obligations with respect to payment of principal of, premium, if any, and interest on the Series 2009 A Bonds to the extent of the sum or sums so paid. No Person other than a Registered Owner, as shown in the records of the Registrar, shall receive a Bond certificate evidencing the obligation of the Issuer to make payments of principal, premium, if any, and interest pursuant to this Ordinance.

The Registered Owners have no right to a depository for the Series 2009 A Bonds. The Issuer may remove DTC or any successor thereto for any reason at any time. In such event or in the event DTC shall notify the Issuer that DTC is discontinuing its book-entry system for the Series 2009 A Bonds, the Issuer shall (i) appoint a successor securities depository, qualified to act as such under Section 17(a) of the Securities Exchange Act, notify DTC of the appointment of such successor securities depository and transfer one or more separate Bond certificates to such successor securities depository or (ii) notify DTC of the availability through the DTC of Bond certificates and transfer one or more separate Bond certificates to other participants or beneficial owners as DTC may direct. In such event, the Series 2009 A Bonds shall no longer be restricted to being registered in the records of the Registrar in the name of Cede & Co., as nominee, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names other participants in DTC receiving Series 2009 A Bonds shall designate, in accordance with the provisions of this Ordinance. The

provisions of this Section applicable to DTC shall apply, mutatis mutandis, to any successor depository performing the same functions hereunder as DTC.

The Issuer represents hereby that it has executed a Letter of Representations, the terms of which are applicable to the issuance of the Series 2009 A Bonds hereunder. Such Letter of Representations is for the purpose of effectuating the Book-Entry Only System only and shall not be deemed to amend, supersede or supplement the terms of this Ordinance which are intended to be complete without reference to the Letter of Representations. In the event of any conflict between the terms of the Letter of Representations and the terms of this Ordinance, the terms of this Ordinance shall control. DTC may exercise the rights of a Registered Owner hereunder only in accordance with the terms hereof applicable to the exercise of such rights.

Section 3.12. Delivery of Series 2009 A Bonds. The Issuer shall execute and deliver the Series 2009 A Bonds to the Registrar, and the Registrar shall authenticate, register and deliver the Series 2009 A Bonds to the Original Purchaser upon receipt of the documents set forth below:

(1) If not registered in the name of DTC or its nominee, a list of the names in which the Series 2009 A Bonds are to be registered upon original issuance, together with such taxpayer identification and other information as the Registrar may reasonably require;

(2) A request and authorization to the Registrar on behalf of the Issuer, signed by an Authorized Officer, to authenticate and deliver the Series 2009 A Bonds to DTC for the benefit of the Original Purchaser;

(3) Copies of this Ordinance and the Supplemental Resolution certified by the Clerk;

(4) The unqualified approving opinion of Bond Counsel regarding the Series 2009 A Bonds; and

(5) A copy of such other documents and certificates as the Original Purchaser may reasonably require.

Section 3.13. Form of Series 2009 A Bonds. The definitive Series 2009 A Bonds shall be in substantially the form set forth in EXHIBIT A - SERIES 2009 A BOND FORM attached hereto and incorporated herein by reference, with such necessary and appropriate omissions, insertions and variations as are approved by those officers executing such Series 2009 A Bonds on behalf of the Issuer and execution thereof by such officers shall constitute conclusive evidence of such approval, and the definitive Series 2009 A Bonds shall have the form of the opinion of Steptoe & Johnson PLLC, as Bond Counsel, attached thereto or printed on the reverse thereof.

Section 3.14. Disposition of Proceeds of Series 2009 A Bonds. Upon the issuance and delivery of the Series 2009 A Bonds, the Issuer shall forthwith deposit the proceeds thereof as follows:

1. All interest accrued on Series 2009 A Bonds from the date thereof to the date of delivery thereof shall be deposited in the Series 2009 A Bonds Sinking Fund and applied to payment of interest on the Series 2009 A Bonds at the first interest payment date.

2. An amount of the proceeds of the Series 2009 A Bonds equal to the amount, if any, set forth in the Supplemental Resolution shall be remitted to the Bond Commission for deposit in the Series 2009 A Bonds Reserve Account.

3. An amount of the proceeds of the Series 2009 A Bonds equal to the entire outstanding principal of and all accrued interest on the Series 1998 Refunding Bonds as set forth in the Supplemental Resolution shall be remitted to the Bond Commission to pay the Series 1998 Refunding Bonds in full.

4. An amount of Series 2009 A Bond proceeds which, together with other monies or securities deposited therein, shall be equal to the Costs of Issuance of the Series 2009 A Bonds shall be deposited with the Depository Bank in the Costs of Issuance Fund and shall be drawn out, used and applied by the Issuer solely to pay costs of issuance of the Series 2009 A Bonds at the written direction of the Issuer. Monies not to be applied immediately to pay such costs of issuance may be invested in accordance with this Ordinance, subject however, to applicable yield restrictions as may be in effect under the Code. If for any reason such proceeds, or any part thereof, are not necessary for, or are not applied to such purpose within 120 days following the Closing Date for the Series 2009 A Bonds, such unapplied proceeds shall be transferred by the Issuer to the Series 2009 A Bonds Sinking Fund established in Section 4.02 hereof and applied to the next ensuing payment of interest on the Series 2009 A Bonds. All such proceeds shall constitute a trust fund for such purposes, and there hereby is created a lien upon such monies until so applied in favor of the Holders of the Series 2009 A Bonds from which such proceeds are derived.

ARTICLE IV

SYSTEM REVENUES; FUNDS AND ACCOUNTS

Section 4.01. Establishment of Funds and Accounts with Depository Bank. Pursuant to this Article IV, the following special funds are created with (or continued if previously established by the Prior Ordinances), and shall be held by, the Depository Bank, segregated from all other funds and accounts of the Depository Bank or the Issuer and from each other and used solely for the purposes provided herein:

(1) Revenue Fund (established by the Prior Ordinances);

(2) Renewal and Replacement Fund (established by the Prior Ordinances);

(3) Series 2009 A Bonds Costs of Issuance Fund; and

(4) Rebate Fund.

Section 4.02. Establishment of Funds and Accounts with Bond Commission. Pursuant to this Article IV, the following special funds and accounts are hereby established with and shall be held by the Bond Commission, separate and apart from all other funds or accounts of the Bond Commission or the Issuer and from each other and used solely for the purposes provided herein:

(1) Series 2009 A Bonds Sinking Fund;

(a) Within the Series 2009 A Bonds Sinking Fund:

(i) Series 2009 A Bonds Reserve Account; and

(ii) Series 2009 A Bonds Redemption Account.

Section 4.03. System Revenues and Application Thereof. So long as any of the Series 2009 A Bonds shall be Outstanding and unpaid, the Issuer covenants as follows:

A. The entire Gross Revenues derived from the operation of the System and all parts thereof shall be deposited by the Issuer in the Revenue Fund. The Revenue Fund shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner herein provided. All Revenues at any time remaining on deposit in the Revenue Fund shall be disposed of only in the following manner and order of priority:

(1) The Issuer shall first, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Bond Commission (i) for deposit in the Sinking Funds of the Prior

Bonds the amounts required by the Prior Ordinances to pay the interest on the Prior Bonds, if any; and (ii) commencing 7 months prior to the first interest payment date of the Series 2009 A Bonds, for deposit in the Series 2009 A Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on the Series 2009 A Bonds on the next ensuing semiannual interest payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 2009 A Bonds Sinking Fund and the next ensuing semiannual interest payment date is more or less than 7 months, then such monthly payments shall be decreased or increased proportionately to provide, 1 month prior to the next ensuing semiannual interest payment date, the required amount of interest coming due on such date; provided further that, the initial amount required to be transferred from the Revenue Fund and deposited in the Series 2009 A Bonds Sinking Fund shall be reduced by the amount of accrued interest on the Series 2009 A Bonds deposited therein, and subsequent amounts required to be transferred from the Revenue Fund and deposited in the Series 2009 A Bonds Sinking Fund shall be reduced by the amount of any earnings credited to the Series 2009 A Bonds Sinking Fund.

(2) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Bond Commission (i) for deposit in the Sinking Funds of the Prior Bonds the amounts required by the Prior Ordinances to pay the principal of the Prior Bonds; and (ii) commencing 13 months prior to the first principal payment date or mandatory Redemption Date of the Series 2009 A Bonds, for deposit in the Series 2009 A Bonds Sinking Fund and in the Series 2009 A Bonds Redemption Account therein in the case of the Term Bonds which are to be redeemed, a sum equal to 1/12th of the amount (or 1/6th of the amount if the Series 2009 A Bonds mature semiannually rather than annually) of principal which will mature or be redeemed and become due on the Series 2009 A Bonds on the next ensuing principal payment date or mandatory Redemption Date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 2009 A Bonds Sinking Fund and the next ensuing principal payment date or mandatory Redemption Date is more or less than 13 months (or 7 months if the Series 2009 A Bonds mature semiannually rather than annually), then such monthly payments shall be decreased or increased proportionately to provide, 1 month prior to the next ensuing principal payment date or mandatory Redemption Date, the required amount of principal coming due on such date, and provided further, that the amount of such deposits shall be reduced

by the amount of any earnings credited to the Series 2009 A Bonds Sinking Fund and not previously credited pursuant to the preceding paragraph.

Moneys in the Series 2009 A Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest on the Series 2009 A Bonds, whether by maturity or redemption prior to maturity. Moneys on deposit in the Series 2009 A Bonds Reserve Account shall be used only for the purpose of paying principal of and interest on the Series 2009 A Bonds when the funds on deposit in the Series 2009 A Bonds Sinking Funk are insufficient therefore, and for no other purpose. Pending such use, such moneys shall be invested in accordance with Article V.

The Issuer shall not be required to make any further payments into the Series 2009 A Bonds Sinking Fund when the aggregate amount of funds therein, including the Series 2009 A Bonds Reserve Account therein, is at least equal to the aggregate principal amount of Series 2009 A Bonds then Outstanding, plus the amount of interest due or thereafter to become due on such Bonds then Outstanding.

As and when additional Bonds ranking on a parity with the Series 2009 A Bonds are issued, provision shall be made for additional deposits into the respective Sinking Funds sufficient to pay the interest on such additional parity Bonds and accomplish retirement thereof at maturity and to accumulate a balance in the respective reserve account in an amount equal to the requirement thereof.

The payments into the Series 2009 A Bonds Sinking Fund shall be made on the first day of each month, except that, when the first day of any month shall be a Saturday, Sunday or legal holiday, then such payments shall be made on the next succeeding Business Day, and all such payments shall be remitted to the Bond Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Ordinance.

(3) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Bond Commission (i) for deposit in the Reserve Accounts of the Prior Bonds the amounts required by the Prior Ordinances; and (ii) commencing 13 months prior to the first date of payment of principal of the Series 2009 A Bonds, if not fully funded upon issuance of the Series 2009 A Bonds, for deposit in the Series 2009 A Bonds Reserve Account, an amount equal to 1/120th of the Series 2009 A Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2009 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 2009 A Bonds Reserve Requirement, and thereafter the Issuer shall deposit in the Series 2009 A Bonds Reserve Account, an amount sufficient to remedy any decrease in value of the Series 2009 A Bonds Reserve Account below the Series 2009 A

Bonds Reserve Requirement or any withdrawal from the Series 2009 A Bonds Reserve Account, beginning with the first full calendar month following the date on which (a) the valuation of investments in the Series 2009 A Bonds Reserve Account results in a determination that the amount of moneys and the value of the Qualified Investments deposited to the credit of the Series 2009 A Bonds Reserve Account is less than the Series 2009 A Bonds Reserve Requirement, or (b) any amount is withdrawn from the Series 2009 A Bonds Reserve Account for deposit into the Series 2009 A Bonds Sinking Fund. To the extent Gross Revenues and any other legally available funds are available therefore, the amount so deposited shall be used to restore the amount of moneys on deposit in the Series 2009 A Bonds Reserve Account to an amount equal to the Series 2009 A Bonds Reserve Requirement to the full extent that such Gross Revenues are available; provided however, that if the shortfall in the Series 2009 A Bonds Reserve Account is due to a decrease in value of investments therein, such shortfall shall be replenished by not less than 6 equal monthly payments, and if such shortfall is due to a withdrawal from the Series 2009 A Bonds Reserve Account, such shortfall shall be replenished by not less than 12 equal monthly payments, and provided further, that no payments shall be required to be made into the Series 2009 A Bonds Reserve Account whenever and as long as the amount on deposit therein shall be equal to the Series 2009 A Bonds Reserve Requirement.

Amounts in the Series 2009 A Bonds Reserve Account shall be used only for the purpose of making payments of principal of and interest on the Series 2009 A Bonds when due, when amounts in the Series 2009 A Bonds Sinking Fund are insufficient therefore and for no other purpose.

(4) The Issuer shall next, each month, pay from the Revenue Fund the current Operating Expenses of the System.

(5) The Issuer shall next, on the first day of each month, transfer from the monies remaining in the Revenue Fund and remit to the Depository Bank for deposit in the Renewal and Replacement Fund (as previously set forth in the Prior Ordinances and not in addition thereto), a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any Reserve Account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII hereof. Subject to the restrictions contained in the Prior Ordinances, so long as the Prior Bonds are outstanding, withdrawals and disbursements may be made from the

Renewal and Replacement Fund for replacements, emergency repairs, or improvements or extensions to the System; provided, that any deficiency in any Reserve Account, except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof, shall be promptly eliminated with monies from the Renewal and Replacement Fund.

(6) If on any monthly payment date the revenues of the System are insufficient to make the required deposits in any of the funds and accounts as hereinabove provided, the deficiency shall be made up on the next ensuing payment dates by payments in addition to the payments which are otherwise required to be made into the funds on such ensuing payment dates.

(7) The Issuer may next, each month, after making the above required transfers of moneys from the Revenue Fund, apply any remaining revenues ("Surplus Revenues") to payment of debt service on the Series 2007 A Notes or any other subordinate bonds, notes, certificates or other obligations of the System. Any Surplus Revenues then remaining in the Revenue Fund may be used for any lawful purpose of the System.

B. The Bond Commission is hereby designated as the fiscal agent for the administration of the Sinking Funds created or continued hereunder, and all amounts required for said Sinking Funds shall be remitted to the Bond Commission from said Revenue Fund and from the proceeds of the sale of the Bonds, by the Issuer at the times and as otherwise provided herein. All remittances made by the Issuer to the Bond Commission shall clearly identify the fund or account into which each amount is to be deposited. Notwithstanding the foregoing, however, the Bond Commission shall deposit all remittances in the fund or account in the priority established by this Ordinance.

C. If on any monthly payment date the Gross Revenues are insufficient to place the required amount in any of the funds and accounts as hereinabove provided, the deficiency shall be made up in the subsequent payments in addition to the payments which would otherwise be required to be made into the funds and accounts on the subsequent payment dates; provided, however, that the priority of curing deficiencies in the funds and accounts herein shall be in the same order as payments are to be made pursuant to this Section 4.03 and the Gross Revenues shall be applied to such deficiencies before being applied to any other payments hereunder.

D. Principal and interest payments, and any payments made for the purpose of funding the Reserve Accounts, shall be made on a parity basis and pro-rata, with respect to the Prior Bonds, the Series 2009 A Bonds and any parity Bonds hereinafter issued, in accordance with the respective principal amounts of each such series of Bonds then Outstanding, if less than the full amount required hereby.

ARTICLE V

INVESTMENTS; NON-ARBITRAGE REBATES AND CONTINUING DISCLOSURE CERTIFICATE

Section 5.01. Investments. The Issuer shall invest and reinvest, and shall instruct the Bond Commission and the Depository Bank to invest and reinvest, any moneys held as a part of the funds and accounts created by this Ordinance in Qualified Investments to the fullest extent possible under applicable laws, this Ordinance, the need for such moneys for the purposes set forth herein and the specific restrictions and provisions set forth in this section.

Except as provided below, any investment shall be held in and at all times deemed a part of the fund or account in which such moneys were originally held, and the interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. The Issuer shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in any fund or account is insufficient to make the payments required from such fund or account, regardless of the loss on such liquidation. The Issuer may make any and all investments permitted by this section through the bond department of the Depository Bank. The Depository Bank shall not be responsible for any losses from such investments, other than for its own negligence or willful misconduct.

The following specific provisions shall apply with respect to any investments made under this section:

(A) Qualified Investments acquired for the Renewal and Replacement Fund or any Reserve Account shall mature or be subject to retirement at the option of the holder within not more than 3 years from the date of such investment.

(B) The Issuer shall, or shall cause the Bond Commission to, semiannually transfer from each Reserve Account to the corresponding Sinking Fund any earnings on the moneys deposited therein and any other funds in excess of the applicable Reserve Account Requirement; provided, however, that there shall at all times remain on deposit in each Reserve Account an amount at least equal to the applicable Reserve Account Requirement.

(C) In computing the amount in any fund or account, Qualified Investments shall be valued at the lower of the cost or the market price, exclusive of accrued interest. Valuation of all funds and accounts shall occur annually, except in the event of a withdrawal from a Reserve Account, whereupon it shall be valued immediately after such withdrawal. If amounts on deposit in a Reserve Account shall, at any time, be less than the applicable Reserve Requirement, the applicable Bond Insurer, if any, shall be notified immediately of such deficiency, and such deficiency shall be made up from the first available Gross Revenues after required deposits to the applicable Sinking Fund and otherwise in accordance with Section 4.03(3).

(D) All amounts representing accrued interest shall be held by the Bond Commission, pledged solely to the payment of interest on the Bonds and invested only in

Government Obligations maturing at such times and in such amounts as are necessary to match the interest payments to which they are pledged.

(E) Notwithstanding the foregoing, all moneys deposited in any Sinking Fund may be invested by the Bond Commission in the West Virginia "consolidated fund" managed by the West Virginia Board of Treasury Investments pursuant to Chapter 12, Article 6C of the Code of West Virginia, 1931, as amended.

Section 5.02. Arbitrage. The Issuer covenants that (i) it will restrict the use of the proceeds of the Series 2009 A Bonds in such manner and to such extent as may be necessary, so that such Series 2009 A Bonds will not constitute "arbitrage bonds" under Section 148 of the Code and Regulations prescribed thereunder, and (ii) it will take all actions that may be required of it (including, without implied limitation, the timely filing of a Federal information return with respect to such Bonds) so that the interest on the Series 2009 A Bonds will be and remain excluded from gross income for Federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 5.03. Tax Certificate, Rebates, and Rebate Fund. The Issuer shall deliver a certificate of arbitrage, a tax certificate or other similar certificate to be prepared by nationally recognized bond counsel or tax counsel relating to payment of arbitrage rebate and other tax matters as a condition to issuance of any series of Bonds. In addition, the Issuer covenants to comply with all Regulations from time to time in effect and applicable to the Series 2009 A Bonds as may be necessary in order to fully comply with Section 148(f) of the Code, and covenants to take such actions, and refrain from taking such actions, as may be necessary to fully comply with such Section 148(f) of the Code and such Regulations, regardless of whether such actions may be contrary to any of the provisions of this Ordinance.

The Issuer shall calculate, annually, the rebatable arbitrage, determined in accordance with Section 148(f) of the Code. Upon completion of each such annual calculation, the Issuer or the Board shall deposit, or cause to be deposited, in the Rebate Fund such sums as are necessary to cause the aggregate amount on deposit in the Rebate Fund to equal the sum determined to be subject to rebate to the United States, which, notwithstanding anything herein to the contrary, shall be paid from investment earnings on the underlying fund or account established hereunder and on which such rebatable arbitrage was earned or from other lawfully available sources. Notwithstanding anything herein to the contrary, the Rebate Fund shall be held free and clear of any lien or pledge hereunder and used only for payment of rebatable arbitrage to the United States. The Issuer shall pay, or cause to be paid, to the United States, from the Rebate Fund, the rebatable arbitrage in accordance with Section 148(f) of the Code and such Regulations. In the event that there are any amounts remaining in the Rebate Fund following all such payments required by the preceding sentence, the Depository Bank shall pay said amounts to the Issuer to be used for any lawful purpose of the System. The Issuer shall remit payments to the United States in the time and at the address prescribed by the Regulations as the same may be in time to time in effect with such reports and statements as may be prescribed by such Regulations. In the event that, for any reason, amounts in the Rebate Fund are insufficient to make the payments to the United States which are required, the Issuer shall assure that such payments are made by the Issuer to the United States, on a timely basis, from

any funds lawfully available therefore. The Issuer at its expense, may provide for the employment of independent attorneys, accountants or consultants compensated on such reasonable basis as the Issuer may deem appropriate in order to assure compliance with this Section 5.03. The Issuer shall keep and retain, or cause to be kept and retained, records of the determinations made pursuant to this Section 5.03 in accordance with the requirements of Section 148(f) of the Code and such Regulations. In the event the Issuer fails to make such rebates as required, the Issuer shall pay any and all penalties and other amounts, from lawfully available sources, and obtain a waiver from the Internal Revenue Service, if necessary, in order to maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Section 5.04. Continuing Disclosure Certificate. The Issuer shall deliver a continuing disclosure certificate in form acceptable to the Original Purchaser sufficient to ensure compliance with SEC Rule 15c2-12, as it may be amended from time to time.

ARTICLE VI

ADDITIONAL COVENANTS OF THE ISSUER

Section 6.01. Covenants Binding and Irrevocable. All the covenants, agreements and provisions of this Ordinance shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Series 2009 A Bonds, as prescribed by Article VII. In addition to the other covenants, agreements and provisions of this Ordinance, the Issuer hereby covenants and agrees with the Holders of the Series 2009 A Bonds as hereinafter provided in this Article VI. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of the Series 2009 A Bonds or the interest thereon, are Outstanding and unpaid.

Section 6.02. Bonds Not to be Indebtedness of the Issuer. The Series 2009 A Bonds shall not be or constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness but shall be payable solely from the Gross Revenues of the System, the moneys in the Series 2009 A Bonds Sinking Fund and the Series 2009 A Bonds Reserve Account therein and the unexpended proceeds of the Series 2009 A Bonds, all as herein provided. No Holder or Holders of the Series 2009 A Bonds issued hereunder shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Series 2009 A Bonds or the interest thereon.

Section 6.03. Series 2009 A Bonds Secured by Parity Pledge of Gross Revenues; Lien Position with Respect to Prior Bonds. The payment of the debt service of all of the Series 2009 A Bonds issued hereunder shall be secured forthwith equally and ratably with each other by a first lien on the Gross Revenues derived from the operation of the System, on a parity with the lien on the Gross Revenues in favor of the Holders of the Prior Bonds, which lien and pledge are senior and prior to the lien in favor of Holders of the Series 2007 A Notes. The payment of the debt service on the Series 2009 A Bonds shall also be secured by the moneys in the Series 2009 A Bonds Sinking Fund, including the Series 2009 A Bonds Reserve Account therein. The Gross Revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Prior Bonds and the Series 2009 A Bonds herein authorized, and to make the payments into the Series 2009 A Bonds Sinking Fund, all moneys and securities in the Series 2009 A Bonds Sinking Fund, including the Series 2009 A Bonds Reserve Account therein, and all other payments provided for in this Ordinance, are hereby irrevocably pledged in the manner provided in this Ordinance to the payment of the principal of and interest on the Prior Bonds and the Series 2009 A Bonds herein authorized as the same become due and for the other purposes provided in this Ordinance.

Section 6.04. Rates. Prior to the issuance of the Series 2009 A Bonds, rates or charges for the use of the services and facilities of the System will be fixed and established, all in the manner and form required by law, and a copy of such rates and charges so fixed and established shall at all times be kept on file in the office of the Clerk of the Issuer, which copy will be open to inspection by all interested parties. The schedule or schedules of rates and charges shall at all times be adequate to produce Gross Revenues from the System sufficient to pay Operating Expenses and to make the prescribed payments into the funds and accounts

created hereunder. Such schedule or schedules of rates and charges shall be revised from time to time, whenever necessary, so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule or schedules of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System, (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% of the Maximum Annual Debt Service on the Series 2009 A Bonds, and all obligations issued on a parity with the Series 2009 A Bonds, including the Prior Bonds. All such rates and charges, if not paid when due, shall constitute a lien upon the premises served by the System.

The Issuer hereby covenants to commence enactment of such ordinance or ordinances as shall be required to increase the rates and charges for the services and facilities of the System within 30 days following a determination of the Independent Accountant that less than the above-required coverage exists or in the event that the annual audit report shows less than the above-required coverage, such increase to provide rates and charges sufficient to produce such required coverage.

Section 6.05. Operation and Maintenance. The Issuer will maintain the System in good condition and will operate the same as a revenue-producing enterprise in an efficient and economical manner, making such expenditures for equipment and for renewal, repair and replacement as may be proper for the economical operation and maintenance thereof from the Revenues of said System in the manner provided in this Ordinance. The Issuer will obtain all permits required by state and federal laws for the acquisition and construction of the Project and all orders and approvals from the Public Service Commission of West Virginia necessary for the acquisition and construction of the Project and the operation of the System.

Section 6.06. Sale of the System. So long as the Prior Bonds and the Series 2007 A Notes are outstanding, the Issuer shall not sell, mortgage, lease or otherwise dispose of or encumber the System except as provided in the Prior Ordinances. Additionally, so long as the Series 2009 A Bonds are Outstanding, the System may be sold, mortgaged, leased or otherwise disposed of only as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to fully pay all the Bonds and Series 2007 A Notes Outstanding, or to defease the pledge created by this Ordinance and the Prior Ordinances. The proceeds from such sale, mortgage, lease or other disposition of the System shall be immediately remitted to the Bond Commission for deposit in the respective Sinking Funds, and otherwise as prescribed by Section 9.01. Any balance remaining after such defeasance shall be remitted to the Issuer by the Bond Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

The foregoing provision notwithstanding, the Board 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 is not in excess of $50,000, the Issuer shall, in writing, determine that such property comprising a part of the System is no longer necessary,

useful or profitable in the operation thereof, and the Issuer may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Revenue Fund. If the amount to be received from such sale, lease or other disposition of said property shall be in excess of $50,000 but not in excess of $200,000, the Issuer shall first, in writing, determine with the written approval of the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof, and the Issuer may then, if it be so advised, by resolution duly adopted, approve and concur in such finding and authorize such sale, lease or other disposition of such property in accordance with the laws of the State. The proceeds derived from any such sale, lease or other disposition of such property, in excess of $50,000 and not in excess of $200,000, shall be deposited by the Issuer into the Renewal and Replacement Fund. Such payments of such proceeds into 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 Issuer if the proceeds to be derived therefrom shall be in excess of $200,000 and insufficient to defease the pledge created by this Ordinance, as provided by Section 9.01, without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of 60% in amount of Bonds then Outstanding. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 6.07. Issuance of Other Obligations Payable out of Revenues and General Covenant Against Encumbrances. The Issuer shall not issue any other obligations whatsoever, except additional parity Bonds provided for in Section 6.08 hereof, payable from the Revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from the Gross Revenues with the Series 2009 A Bonds; and all obligations hereafter issued by the Issuer payable from the revenues of the System, except such additional 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 Bonds.

The Issuer shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or, except with respect to such additional parity Bonds, being on a parity with the lien of the Series 2009 A Bonds, and the interest thereon, upon any of the income and revenues of the System pledged for payment of the Series 2009 A Bonds and the interest thereon in this Ordinance or upon the System or any part thereof.

Section 6.08. Additional Parity Bonds. So long as the Prior Bonds are Outstanding, the limitations and requirements on the issuance of parity obligations set forth in the Prior Ordinances shall be applicable. In addition, 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 such additional parity Bonds shall be issued except for the purpose of financing the costs of the design, acquisition or construction of extensions, additions, betterments or improvements to the System, refunding all or a portion of one or more series of Bonds issued pursuant hereto, or refunding the Prior Bonds or the Series 2007 A Notes, to pay claims which may exist against the revenues or facilities of the System, or all of such purposes.

No such additional parity Bonds shall be issued at any time, however, unless and until there has been procured and filed with the Clerk of the Issuer a written statement by an Independent Accountant, reciting the conclusion that the Net Revenues actually derived from the System during any 12 consecutive months in the 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 3 succeeding years after the completion of the improvements to be financed by such Parity Bonds, if any, shall not be less than 115% of the Maximum Annual Debt Service on the following:

(1) The Prior Bonds then Outstanding;

(2) The Series 2009 A Bonds then Outstanding;

(3) Any additional parity Bonds theretofore issued pursuant to the provisions contained in this Ordinance then Outstanding; and

(4) The additional parity Bonds then proposed to be issued.

Notwithstanding the foregoing, the Issuer shall be permitted to issue bonds which refund any Outstanding Series 2009 A Bonds, any additional parity Bonds hereafter issued or any Prior Bonds if, prior to the issuance of such refunding bonds, the Issuer shall have filed with the Clerk: (i) a verification report of the Independent Accountants concluding that present value debt service savings shall be realized by the Issuer as a result of such refunding, after taking into account all costs of issuance of such refunding bonds, and (ii) a certificate of the Independent Accountants reciting the conclusion that the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the issuance of such refunding bonds shall not be less than 115% of the Maximum Annual Debt Service on the following:

(1) The Prior Bonds Outstanding after such refunding;

(2) The Series 2009 A Bonds Outstanding after such refunding;

(3) Any additional parity Bonds theretofore issued pursuant to the provisions contained in this Ordinance which shall be Outstanding following such refunding; and

(4) The additional parity refunding Bonds then proposed to be issued.

The "estimated average increased annual Net Revenues to be received in each of the 3 succeeding years" as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from the improvements to

be financed by such parity Bonds any increase in rates enacted by the Issuer, the time for appeal of which shall have expired (without successful appeal) prior to the date of delivery of such additional parity Bonds, and shall not exceed the amount to be stated in the aforementioned certificate of Independent Accountants, which shall be filed in the office of the Clerk of the Issuer prior to the issuance of such additional parity Bonds.

The Net Revenues actually derived from the System during the 12-consecutive month period hereinabove referred to may be adjusted by adding to such Net Revenues such additional Net Revenues which would have been received, in the opinion of the Independent Accountants, as stated in a certificate, on account of increased rates, rentals, fees and charges for the System enacted by the Issuer, the time for appeal of which shall have expired (without successful appeal) prior to issuance of such Parity Bonds.

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 Gross Revenues of the System on a parity with the Series 2009 A 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 Series 2009 A Bonds, the Prior Bonds and the Holders of any additional parity Bonds theretofore or 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 Gross Revenues of the System, and their source of and security for payment from said Gross Revenues, without preference of any Bond over any other. The Issuer shall comply fully with all the increased payments into the various funds and accounts created in this 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.

The term "additional parity Bonds," as used in this section, shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien on the Revenues of the System of which is subject to the prior and superior lien of the Bonds on such Revenues. Any such subordinate bonds, notes, certificates or other obligations shall be payable from Surplus Revenues, on a parity with the Series 2007 A Notes. The Issuer shall not issue any obligations whatsoever payable from the Revenues of the System, or any part thereof, which rank prior to or equally, as to lien and source of and security for payment from such Revenues, with the Series 2009 A Bonds, except in the manner and under the conditions provided in this section.

No additional parity Bonds, as in this section defined, shall be issued at any time, however, unless all of the payments into the respective funds and accounts provided for in this Ordinance on account of the Bonds then Outstanding, if any (excluding the Renewal and Replacement Fund), 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.

Section 6.09. Insurance and Bonds. The Issuer hereby covenants and agrees, that so long as the Series 2009 A Bonds remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance and bonds and worker's compensation coverage with a

reputable insurance carrier or carriers or bonding company or companies covering the following risks and in the following amounts:

A. FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE, on all above-ground insurable portions of the System in an amount equal to the greater of the fair appraised value or the original cost thereof. In the time of war the Issuer will also carry and maintain insurance to the extent available against 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 and destroyed properties or for the other purposes provided herein for the Renewal and Replacement Fund.

B. PUBLIC LIABILITY INSURANCE, with limits of not less than $1,000,000 per occurrence to protect the Issuer from claims for bodily injury and/or death and not less than $500,000 per occurrence from claims for damage to property of others which may arise from the operation of the System, and insurance with the same limits to protect the Issuer from claims arising out of operation or ownership of motor vehicles of or for the System.

C. WORKER'S COMPENSATION COVERAGE FOR ALL EMPLOYEES OF OR FOR THE SYSTEM ELIGIBLE THEREFOR; AND PERFORMANCE AND PAYMENT OR COMPLETION BONDS, such bonds to be in the amounts of not less than 100% of the amount of any construction contract and to be required of each contractor dealing directly with the Issuer and such payment bonds will be filed with the Clerk of the County Commission of the County in which such work is to be performed prior to commencement of construction of any additions, extensions or improvements for the System in compliance with West Virginia Code, Section 38-2-39.

D. FLOOD INSURANCE, to extent available at reasonable cost to the Issuer.

E. BUSINESS INTERRUPTION INSURANCE, to the extent available at reasonable cost to the Issuer.

F. FIDELITY BONDS will be provided as to every officer and employee of the Issuer or the Board having custody of the revenues or of any other funds of the System, in an amount at least equal to the total funds in the custody of any such person at any one time.

Section 6.10. Mandatory Connections. The mandatory use of the sewerage portion of the System is essential and necessary for the protection and preservation of the public health, comfort, safety, convenience and welfare of the inhabitants and residents of, and the economy of, the Issuer, and in order to assure the rendering harmless of sewage and waterborne waste matter produced or arising within the territory served by the sewerage portion of the System. Accordingly, every owner, tenant or occupant of any house, dwelling or building located near 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 sewerage portion of 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 and every such owner, tenant or

occupant shall, after a 30 day notice of the availability of sewerage services of the System, pay the rates and charges established therefore.

Any such house, dwelling or building from which emanates sewage or waterborne waste matter and which is not so connected with the sewerage portion of the System is hereby declared and found to be a hazard to the health, safety, comfort and welfare of the residents of the Issuer and a public nuisance which shall be abated to the extent permitted by law and as promptly as possible by proceedings in a court of competent jurisdiction.

Section 6.11. No Free Services. The Board will not render or cause to be rendered any free services of any nature by its System; and, in the event the Board, the Issuer or any department, agency, instrumentality, officer or employee thereof shall avail himself of the facilities or services provided by the System or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer and any such department, agency, instrumentality, officer or employee. Such charges shall be paid as they accrue, and the Issuer shall transfer from its general funds sufficient sums to pay such charges for service to any of its departments or properties. The revenues so received shall be deemed to be revenues derived from the operation of the System and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 6.12. Enforcement of Collections. The Issuer or the Board will diligently enforce and collect all fees, rentals or other charges for the services and facilities of the System, and take all steps, actions and proceedings for the enforcement and collection of such fees, rentals or other charges which shall become delinquent to the full extent permitted or authorized by the Act, the rules and regulations of the Public Service Commission of West Virginia and other laws of the State of West Virginia.

Whenever any fees, rates, rentals or other charges for the services and facilities of the System shall remain unpaid for a period of 20 days after the same shall become due and payable, the user of the services and facilities shall be delinquent until such time as all such rates and charges are fully paid 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 Issuer and the Board further covenants and agree that they 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 to all delinquent users of services and facilities of the System and will not restore such services of the System until all billing for charges for the services and facilities of the System, including penalties and reconnect fees, have been fully paid, or a payment agreement in compliance with the West Virginia Public Service Commission regulations has been entered.

Section 6.13. No Competing Franchise. To the extent legally allowable, neither the Issuer nor the Board will grant or cause, consent to or allow the granting of any franchise or permit to any person, firm, corporation or body, or agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the System.

Section 6.14. Books and Records. The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and any Holder of a Bond or Bonds shall have the right at all reasonable times to inspect the System, and all parts thereof, and all records, accounts and data of the Issuer relating thereto.

The accounting system for the System shall follow current generally accepted accounting principles, to the extent allowable under and in accordance with the rules and regulations of the Public Service Commission of West Virginia and the Act. Separate control accounting records shall be maintained by the Issuer. Subsidiary records as may be required shall be kept in the manner, on the forms, in the books and along with other bookkeeping records as prescribed by the Issuer. The Issuer shall prescribe and institute the manner by which subsidiary records of the accounting system which may be installed remote from the direct supervision of the Issuer shall be reported to such agent of the Issuer as it shall direct.

The Issuer shall file with the Original Purchaser and any Bond Insurer, and shall mail to any Holder of Bonds requesting the same, an annual report within 120 days following the end of each Fiscal Year containing a balance sheet, statement of revenues, expenses, and changes in retained earnings, and statement of cash flows, as prescribed by generally accepted accounting principles.

The Issuer shall also file with the Original Purchaser and any Bond Insurer, and mail to any Holder of Bonds requesting the same, a monthly unaudited report within 30 days following the end of each month containing the following:

(A) A statement of Gross Revenues, Operating Expenses, and Net Revenues derived from the System.

(B) A statement of account balances in the Sinking Fund accounts provided for in this Ordinance and status of said funds.

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be completely audited by Independent Accountants, shall mail upon request, and make available generally, the report of said Independent Accountants, or a summary thereof, to any Holder or Holders of Bonds issued pursuant to this Ordinance and shall file said report with the Original Purchaser.

Section 6.15. Operating Budget. The Issuer shall annually, at least 30 days preceding the beginning of each Fiscal Year, or at such earlier date required by its charter or the charter of the Board, prepare and adopt by resolution a detailed budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year. The Issuer shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Original Purchaser and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to the Original Purchaser and to any Holder of Bonds or anyone acting for and in behalf of such Holder who requests the same.

Section 6.16. Tax Covenants. The Issuer hereby further covenants and agrees as follows:

A. PRIVATE BUSINESS USE LIMITATION. The Issuer shall assure that (i) not in excess of 10% of the Net Proceeds of the Series 2009 A Bonds are used for Private Business Use if, in addition, the payment of more than 10% of the principal or 10% of the interest due on such Series 2009 A Bonds during the term thereof is, under the terms of such Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for a Private Business Use or in payments in respect of property used or to be used for a Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for a Private Business Use; and (ii) in the event that both (A) in excess of 5% of the Net Proceeds of the Series 2009 A Bonds are used for a Private Business Use, and (B) an amount in excess of 5% of the principal or 5% of the interest due on the Series 2009 A Bonds during the terms thereof is, under the terms of such Series 2009 A Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for said Private Business Use or in payments in respect of property used or to be used for said Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for said Private Business Use, then said excess over said 5% of Net Proceeds of the Series 2009 A Bonds used for a Private Business Use shall be used for a Private Business Use related to the governmental use of the System, or if the Series 2009 A Bonds are for the purpose of financing more than one project, a portion of the System, and shall not exceed the proceeds used for the governmental use of that portion of the System to which such Private Business Use is related.

B. PRIVATE LOAN LIMITATION. The Issuer shall assure that not in excess of the lesser of 5% of the Net Proceeds of the Series 2009 A Bonds or $5,000,000 are used, directly or indirectly, to make or finance a loan to persons other than state or local government units.

C. FEDERAL GUARANTEE PROHIBITION. The Issuer shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Series 2009 A Bonds to be directly or indirectly "federally guaranteed" within the meaning of Section 149(b) of the Code and Regulations promulgated thereunder.

D. INFORMATION RETURN. The Issuer will file all statements, instruments and returns necessary to assure the tax-exempt status of the Series 2009 A Bonds and the interest thereon, including without limitation, the information return required under Section 149(e) of the Code.

E. FURTHER ACTIONS. The Issuer will take all actions that may be required of it so that the interest on the Series 2009 A Bonds will be and remain excludable from gross income for federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 6.17. Statutory Mortgage Lien. For the further protection of the Holders of the Series 2009 A Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding,

shall take effect immediately upon the issuance of the Series 2009 A Bonds and shall be on a parity with one another and with the statutory mortgage lien in favor of the Holders of the Prior Bonds, and senior and prior to any statutory mortgage lien in favor of the Holders of the Series 2007 A Notes.

Section 6.18. Designation of Series 2009 A Bonds as "Qualified Tax-Exempt Obligations". The Issuer hereby designates the Series 2009 A Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3)(B) of the Code and covenants that the Series 2009 A Bonds do not constitute private activity bonds as defined in Section 141 of the Code, and that not more than $30,000,000 aggregate principal amount of obligations the interest on which is excludable (under Section 103(a) of the Code) from gross income for federal income tax purposes (excluding, however, obligations issued to currently refund any obligation of the Issuer to the extent the amount of the refunding obligation does not exceed the amount of the refunded obligation and private activity bonds, as defined in Section 141 of the Code, other than qualified 501(c)(3) bonds as defined in Section 145 of the Code), including the Series 2009 A Bonds, have been or shall be issued by the Issuer, including all subordinate entities of the Issuer, during the calendar year 2009, all as determined in accordance with the Code.

ARTICLE VII

DEFAULTS AND REMEDIES

Section 7.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Series 2009 A Bonds:

(A) If default by the Issuer occurs in the due and punctual payment of the principal of or interest on any Bond;

(B) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part in this Ordinance or any Supplemental Resolution or in the Bonds contained, and such default shall have continued for a period of 30 days after written notice specifying such default and requiring the same to be remedied shall have been given to the Issuer by any Registered Owner of any Bond;

(C) If the Issuer files a petition seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America; or

(D) If the Issuer defaults on the Prior Bonds, the Series 2007 A Notes or the Prior Ordinances.

Section 7.02. Enforcement. Upon the happening and continuance of any Event of Default, any Registered Owner of any Bond may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his rights and, in particular:

(A) Bring suit for any unpaid principal or interest then due;

(B) By mandamus or other appropriate proceeding enforce all rights of the Registered Owners, including the right to require the Issuer to perform its duties under the Act and this Ordinance;

(C) Bring suit upon the Bonds or Series 2007 A Notes;

(D) By action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Registered Owners of the Bonds and the Series 2007 A Notes; and

(E) By action or bill in equity enjoin any acts in violation of this Ordinance or the rights of the Registered Owners of the Bonds and the Series 2007 A Notes.

No remedy by the terms of this Ordinance conferred upon or reserved to the Registered Owners 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 Registered Owners 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.

No waiver of any default or Event of Default hereunder by the Registered Owners shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereto.

Section 7.03. Appointment of Receiver. If there be any Event of Default existing and continuing, any Registered Owner shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System on behalf of the Issuer, with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of the principal of and interest on the Bonds, the deposits into the funds and accounts hereby established as herein provided and the payment of Operating Expenses of the System and to apply such rates, rentals, fees, charges or other Revenues in conformity with the provisions of this Ordinance and the Act.

The receiver so appointed shall forthwith, directly or by his agents and attorneys, enter into and upon and take possession of all facilities of said System and shall hold, operate, maintain, manage and control such facilities, and each and every part thereof, and in the name of the Issuer exercise all the rights and powers of the Issuer with respect to said facilities as the Issuer itself might do.

Whenever all that is due upon the Series 2009 A Bonds issued pursuant to this Ordinance and interest thereon and under any covenants of this Ordinance for reserve, sinking or other funds and accounts and upon any other obligations and interest thereon having a charge, lien or encumbrance upon the Revenues of the System shall have been paid and made good, and all defaults under the provisions of this Ordinance shall have been cured and made good, possession of the System shall be surrendered to the Issuer upon the entry of an order of the court to that effect. Upon any subsequent default, any Registered Owner shall have the same right to secure the further appointment of a receiver upon any such subsequent default.

Such receiver, in the performance of the powers hereinabove conferred upon him, shall be under the direction and supervision of the court making such appointment, shall at all times be subject to the orders and decrees of such court and may be removed thereby and a successor receiver appointed in the discretion of such court. Nothing herein contained shall limit or restrict the jurisdiction of such court to enter such other and further orders and decrees as such court may deem necessary or appropriate for the exercise by the receiver of any function not specifically set forth herein.

Any receiver appointed as provided herein shall hold and operate the System in the name of the Issuer and for the joint protection and benefit of the Issuer and the Registered Owners of the Bonds issued pursuant to this Ordinance. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the possession,

operation and maintenance of the System, for the sole purpose of the protection of both the Issuer and the Registered Owners of the Bonds, and the curing and making good of any default under the provisions of this Ordinance, and the title to and ownership of said System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, mortgage or otherwise dispose of any assets of the System.

Section 7.04. Restoration of Issuer and Registered Owners. In case any Registered Owner shall have proceeded to enforce any right under this Ordinance by the appointment of a receiver, by entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case the Issuer and such Registered Owners shall be restored to their former positions and rights hereunder, and all rights and remedies of such Registered Owners shall continue as if no such proceedings had been taken.

ARTICLE VIII

REGISTRAR, PAYING AGENT AND DEPOSITORY BANK

Section 8.01. Appointment of Registrar, Paying Agent and Depository Bank. The Registrar, Paying Agent and Depository Bank (collectively, the "Fiduciaries") for the Series 2009 A Bonds shall be appointed pursuant to the Supplemental Resolution. The Issuer is hereby authorized and directed to enter into an agreement with the Fiduciaries, the substantial form of which agreement is to be approved by Supplemental Resolution.

Section 8.02. Responsibilities of Fiduciaries. The recitals of fact in the Series 2009 A Bonds shall be taken as statements of the Issuer, and the Fiduciaries shall not be responsible for their accuracy. The Fiduciaries shall not be deemed to make any representation as to, and shall not incur any liability on account of, the validity of the execution of any Series 2009 A Bonds by the Issuer. Notwithstanding the foregoing, the Registrar shall be responsible for any representation in its Certificate of Authentication on the Series 2009 A Bonds. The Fiduciaries and any successor thereto shall agree to perform all the duties and responsibilities spelled out in this Ordinance and any other duties and responsibilities incident thereto, all as provided by said agreement described in Section 8.01.

Section 8.03. Evidence on Which Fiduciaries May Act. Except as otherwise provided by Section 10.02, the Fiduciaries shall be protected in acting upon any notice, resolution, request, consent, order, certificate, opinion or other document believed by them to be genuine and to have been signed or presented by the proper party or parties. Whenever any 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 of the Issuer, but in its discretion such Fiduciary may instead accept other evidence of such fact or matter.

Section 8.04. Compensation and Expenses. The Issuer shall pay to the Fiduciaries from time to time reasonable compensation for all services, including the transfer of registration of Series 2009 A Bonds, the first exchange of Series 2009 A Bonds and the exchange of Series 2009 A Bonds in the event of partial redemption, incurred in the performance of their duties hereunder.

Section 8.05. Certain Permitted Acts. The Registrar may become the owner of or may deal in Series 2009 A Bonds as fully and with the same rights it would have if it were not Registrar. To the extent permitted by law, the Registrar may act as depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Registered Owners or effect or aid in any reorganization growing out of the enforcement of the Series 2009 A Bonds or this Ordinance, whether or not any such committee shall represent the Registered Owners of a majority in principal amount of the Series 2009 A Bonds Outstanding.

Section 8.06. Resignation of Registrar. The Registrar may at any time resign and be discharged of its duties and obligations under this Ordinance by giving not less than 60 days' written notice to the Issuer and publishing in an Authorized Newspaper notice (or mailing such notice to each Registered Owner in the event all Series 2009 A Bonds are fully registered), specifying the date when such resignation shall take effect, within 20 days after the giving of such written notice. A copy of such notice shall also be mailed to each owner of a fully registered Bond or a coupon Bond registered as to principal (other than to bearer). Such resignation shall take effect upon the day specified in such notice unless a successor shall have been previously appointed by the Issuer or bondholders, in which event such resignation shall take effect immediately.

Section 8.07. Removal. The Registrar may be removed at any time by the Issuer or by the Registered Owners of a majority in principal amount of the Series 2009 A Bonds then Outstanding by an instrument or concurrent instruments in writing signed and duly acknowledged by the Issuer or by such Registered Owners or their attorneys duly authorized in writing and delivered to the Issuer, as the case may be. Copies of each such instrument shall be delivered by the Issuer to the Registrar.

Section 8.08. Appointment of Successor. In case at any time the Registrar shall resign or shall be removed or shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or if a receiver, liquidator or conservator of the Registrar or of its property shall be appointed, or if any public officer or court shall take charge or control of the Registrar or of its property or affairs, a successor may be appointed by the Registered Owners of a majority in principal amount of the Series 2009 A Bonds then Outstanding by an instrument or concurrent instruments in writing signed by such Registered Owners or their attorneys duly authorized in writing and delivered to the Issuer and such successor Registrar, notification thereof being given to the predecessor Registrar. Pending such appointment, the Issuer shall forthwith appoint a Registrar to fill such vacancy until a successor Registrar shall be appointed by such Registered Owners. The Issuer shall publish in an Authorized Newspaper (or mail to each Registered Owner in the event all Series 2009 A Bonds are fully registered) notice of any such appointment within 20 days after the effective date of such appointment. A copy of such notice shall also be mailed to each owner of a fully registered Bond or a coupon Bond registered as to principal (other than to bearer). Any successor Registrar appointed by the Issuer shall, immediately and without further act, be superseded by a Registrar appointed by such Registered Owners. If in a proper case no appointment of a successor Registrar shall be made within 45 days after the Registrar shall have given to the Issuer written notice of resignation or after the occurrence of any other event requiring such appointment, the Registrar or any Registered Owner may apply to any court of competent jurisdiction to appoint a successor. Any Registrar appointed under the provisions of this section shall be a bank, trust company or national banking association authorized to perform the duties imposed upon it by this Ordinance.

Section 8.09. Transfer of Rights and Property to Successor. Any predecessor Registrar or Paying Agent shall pay over, assign and deliver any moneys, books and records held by it and relating to the Series 2009 A Bonds to its successor.

Section 8.10. Merger or Consolidation. Any company into which the Registrar may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party, or any company to which the Registrar or any public officer or court may sell or transfer all or substantially all of its corporate trust business, shall be the successor to such Registrar without the execution or filing of any paper or the performance of any further act; provided, however, that such company shall be a bank, trust company or national banking association meeting the requirements set forth in Section 8.08.

Section 8.11. Adoption of Authentication. In case any of the Series 2009 A Bonds shall have been authenticated but not delivered, any successor Registrar may adopt a Certificate of Authentication and Registration executed by any predecessor Registrar and deliver such Series 2009 A Bonds so authenticated, and, in case any Series 2009 A Bonds shall have been prepared but not authenticated, any successor Registrar may authenticate such Series 2009 A Bonds in the name of the predecessor Registrar or in its own name.

Section 8.12. Paying Agent and Depository Bank. The Registrar shall also serve as the Paying Agent and Depository Bank. The Registrar's acceptance of the duties and responsibilities of the Registrar expressed in Section 8.02 shall also include the trusts and the duties of Paying Agent and Depository Bank. Any alternate Paying Agent must be a bank, trust company or national banking association authorized to perform the duties imposed upon it by this Ordinance. Such alternate Paying Agent shall signify its acceptance of the duties and obligations imposed upon it pursuant hereto by executing and delivering to the Issuer a written acceptance thereof. Any successor Paying Agent shall take such actions as may be necessary to ensure that the Series 2009 A Bonds shall be and remain DTC-eligible.

Each Paying Agent shall be entitled to payment and reimbursement for reasonable fees for its services rendered hereunder and all advances, counsel fees and other expenses reasonably and necessarily made or incurred by such Paying Agent in connection with such services solely from moneys available therefore.

Any bank, trust company or national banking association with or into which any Paying Agent may be merged or consolidated, or to which the assets and business of such Paying Agent may be sold, shall be deemed the successor of such Paying Agent for the purposes of this Ordinance. If the position of Paying Agent shall become vacant for any reason, the Issuer shall, within 30 days thereafter, appoint a bank, trust company or national banking association located in the same city as such Paying Agent to fill such vacancy; provided, however, that, if the Issuer shall fail to appoint such Paying Agent within said period, the Bond Commission, a court of competent jurisdiction or a majority of the Registered Owners may make such appointment.

The Paying Agents shall enjoy the same protective provisions in the performance of their duties hereunder as are specified in this Article VIII with respect to the Registrar, insofar as such provisions may be applicable.

Notice of the appointment of successor or additional Paying Agents or fiscal agents shall be given in the same manner as provided by Section 8.08 hereof with respect to the appointment of a successor Registrar.

All moneys received by the Paying Agents shall, until used or applied as provided in this Ordinance, be held in trust for the purposes for which they were received.

ARTICLE IX

DEFEASANCE; DISCHARGE OF PLEDGE OF ORDINANCE

Section 9.01. Defeasance; Discharge of Pledge of Ordinance. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Registered Owners of all Series 2009 A Bonds the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Ordinance, then this Ordinance and the pledges of the Gross Revenues and other moneys and securities pledged hereunder, and all covenants, agreements and other obligations of the Issuer on behalf of the Registered Owners of the Series 2009 A Bonds made hereunder, shall thereupon cease, terminate and become void and be discharged and satisfied.

Bonds for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Paying Agent at the same or earlier time, shall be sufficient, to pay as and when due the respective principal of and interest on such Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Series 2009 A Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited with the Bond Commission or an escrow trustee either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Bond Commission or said escrow trustee at the same or earlier time shall be sufficient, to pay when due the principal of, any redemption premium on and interest due and to become due on said Series 2009 A Bonds on and prior to the maturity date thereof, or if the Issuer irrevocably determines to redeem any of said Series 2009 A Bonds prior to the maturity thereof, on and prior to said redemption date. Neither securities nor moneys deposited with the Bond Commission or an escrow trustee pursuant to this section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and interest on said Series 2009 A Bonds; provided, that any cash received from such principal, redemption premium, if any, and interest payments on such securities deposited with the Bond Commission or said escrow trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal of and redemption premium, if any, and interest to become due on said Bonds on and prior to such maturity or redemption dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer as received by the Bond Commission or said escrow trustee, free and clear of any trust, lien or pledge. For the purpose of this section, securities shall mean and include only Government Obligations.

ARTICLE X

MISCELLANEOUS

Section 10.01. Amendment of Ordinance. This Ordinance and any Supplemental Resolution may be amended or modified without the consent of any Registered Owner or other person, solely for the purpose of maintaining the tax-exempt status of the Series 2009 A Bonds, provided that, in the event any of the Series 2009 A Bonds are insured, no such amendment or modification which adversely affects the security for such Series 2009 A Bonds or the rights of the applicable Bond Insurer for such Series 2009 A Bonds may be effected without the written consent of such Bond Insurer. Otherwise, no materially adverse amendment or modification to this Ordinance, or of any Supplemental Resolution, may be made without the written consent of the Registered Owners of 60% in aggregate principal amount of the Series 2009 A Bonds then Outstanding and affected thereby and the Bond Insurer, which must be filed with the Clerk of the Issuer before any such modification or amendment may be made. No such modification or amendment shall extend the maturity of or reduce the interest rate on, or otherwise alter the terms of payment of the principal of or interest on, any Series 2009 A Bond without the express written consent of the Registered Owner of such Bond, nor reduce the percentage of Series 2009 A Bonds required for consent to any such modification or amendment.

Section 10.02. Evidence of Signatures of Registered Owners and Ownership of Series 2009 A Bonds. Any request, consent, revocation of consent or other instrument which this Ordinance may require or permit to be signed and executed by Registered Owners may be in one or more instruments of similar tenor, and shall be signed or executed by such Registered Owners 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 Ordinance if made in the following manner, or in any other manner satisfactory to the Issuer or the Registrar, as the case may be, which may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

A. The fact and date of the execution by any Registered Owner or his attorney of any such instrument may be proved (i) by the certificate of a notary public or other officer authorized to take acknowledgments of deeds to be recorded in the jurisdiction in which he purports to act that the person signing such instrument acknowledged to him the execution thereof, or by the affidavit of a witness of such execution, duly sworn to before such a notary public or other officer or (ii) by the certificate, which need not be acknowledged or verified, of an officer of a bank, a trust company or a financial firm or corporation satisfactory to the Issuer or the Registrar, as the case may be, that the person signing such instrument acknowledged to such bank, trust company, firm or corporation the execution thereof.

B. The authority of a person or persons to execute any such instrument on behalf of a corporate Holder may be established without further proof if such instrument is signed by a person purporting to be the president or treasurer or a vice-president or an assistant treasurer of such corporation with a corporate seal affixed, and is attested by a person purporting to be its secretary or assistant secretary.

C. The amount of fully registered Series 2009 A Bonds held by a person executing any instrument as a Registered Owner, the date of his holding such Series 2009 A Bonds and the numbers and other identification thereof, shall be confirmed by the Bond Register.

Any request, consent or other instrument executed by the Registered Owner of any Bond shall bind all future Registered Owners of such Bond in respect of anything done or suffered to be done hereunder by the Issuer or the Registrar in accordance therewith.

Section 10.03. Preservation and Inspection of Documents. To the extent allowable under law, all reports, certificates, statements and other documents received by the Registrar under the provisions of this Ordinance shall be retained in its possession and shall be available at all reasonable times for the inspection of the Issuer or any Registered Owner, and their agents and their representatives, but any such reports, certificates, statements or other documents may, at the election of the Registrar, be destroyed or otherwise disposed of at any time after such date as the pledge created by this Ordinance shall be discharged as provided in Section 9.01.

Section 10.04. Cancellation of Series 2009 A Bonds. All Series 2009 A Bonds purchased or paid shall, if surrendered to the Issuer, be canceled and delivered to the Registrar, or, if surrendered to the Registrar, be canceled by it. No such Series 2009 A Bonds shall be deemed Outstanding under this Ordinance and no Series 2009 A Bonds shall be issued in lieu thereof. All such Series 2009 A Bonds shall be canceled and upon order of the Issuer shall be destroyed, and a certificate evidencing such destruction shall be delivered to the Issuer.

Section 10.05. Failure to Present Series 2009 A Bonds. Anything in this Ordinance to the contrary notwithstanding, any moneys held by the Bond Commission or a Paying Agent in trust for the payment and discharge of any of the Series 2009 A Bonds which remain unclaimed for 1 year after the date on which such Series 2009 A Bonds have become due and payable, whether by maturity or upon call for redemption, shall at the written request of the Issuer be paid by the Bond Commission or said Paying Agent to the Issuer as its absolute property and free from trust, and the Bond Commission or said Paying Agent shall thereupon be released and discharged with respect thereto, and the Registered Owners of such Series 2009 A Bonds shall look only to the Issuer for the payment of such Series 2009 A Bonds; provided, however, that, before making any such payment to the Issuer, the Registrar, if so advised by the Bond Commission, or said Paying Agent shall send to the Registered Owner, at the address listed on the Bond Register, by certified mail, a notice that such moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the date of such notice is mailed, the balance of such moneys then unclaimed will be returned to the Issuer. If any of said Series 2009 A Bonds is a coupon Bond the Registrar or said Paying Agent shall also publish such notice, not less than 30 days prior to the date such moneys will be returned to the Issuer, in an Authorized Newspaper.

Section 10.06. Notices, Demands and Requests. Unless otherwise expressly provided, all notices, demands and requests to be given or made hereunder to or by the Issuer, the Registrar, the Depository Bank, or the Original 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:

CITY:

City of Charles Town
P. O. Box 14
Charles Town, West Virginia 25414
Attention: City Manager

REGISTRAR AND PAYING AGENT:

[Name and address
to be set forth in the
Supplemental Resolution]

DEPOSITORY BANK:

[Name and address
to be set forth in the
Supplemental Resolution]

ORIGINAL PURCHASERS:

Crews & Associates, Inc.
300 Summers Street
Suite 930
Charleston, West Virginia 25301

Any party listed above may change such address listed for it at any time upon written notice of change sent by United States mail, postage prepaid, to the other parties.

Section 10.07. No Personal Liability. No member of the Council or officer or employee of the Issuer shall be individually or personally liable for the payment of the principal of or the interest on any Series 2009 A Bond, but nothing herein contained shall relieve any such member, official or employee from the performance of any official duty provided by law or this Ordinance.

Section 10.08. Law Applicable. The laws of the State shall govern the construction of this Ordinance and of all Series 2009 A Bonds issued hereunder.

Section 10.09. Parties Interested Herein. Nothing in this Ordinance expressed or implied is intended or shall be construed to confer upon, or give to, any person or corporation, other than the Issuer, the Registrar, the Paying Agent, the Registered Owners of the Series 2009 A Bonds and the Original Purchaser, any right, remedy or claim under or by reason of this Ordinance. All the covenants, stipulations, promises and agreements contained in this Ordinance

by and on behalf of the Issuer shall be for the sole and exclusive benefit of the Issuer, the Registrar, the Paying Agent, the Registered Owners of the Series 2009 A Bonds and the Original Purchaser.

Section 10.10. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Ordinance shall be held invalid, such invalidity shall not affect any of the remaining provisions of this Ordinance.

Section 10.11. Table of Contents and Headings. The Table of Contents and headings of the articles, sections and subsections hereof are for convenience only and shall neither control nor affect in any way the meaning or construction of any of the provisions hereof.

Section 10.12. Conflicting Provisions Repealed. All ordinances, orders, resolutions or parts thereof in conflict with the provisions of this Ordinance are, to the extent of such conflict, hereby repealed, provided however, that the Prior Ordinances shall remain in full force and effect so long as any of the Prior Bonds are Outstanding.

Section 10.13. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the adoption of this 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, City Manager, City Clerk and members of the 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 10.14. Procedure on Enactment of Ordinance; Public Hearing. Upon adoption of this Ordinance, the Clerk is hereby authorized and directed to have an abstract of this Ordinance, which abstract has been determined by the Council to contain sufficient information to give notice of the contents of such Ordinance, published once each week for 2 successive weeks, with not less than six full days between each publication, the first such publication to be not less than 10 days before the date stated below for the public hearing, in the *Spirit of Jefferson Advocate*, a newspaper published and having a general circulation in the City of Charles Town, together with a notice to all persons concerned, stating that this Ordinance has been adopted and that the Issuer contemplates the issuance of the Bonds described in this Ordinance and that any person interested may appear before the Council of the Issuer at the public hearing to be had at a public meeting of the Council on July 6, 2009, at 7:00 p.m., and present protests, and that a certified copy of this Ordinance is on file with the Clerk for review by interested parties during the office hours of the Clerk. At such hearing all protests and suggestions shall be heard by the Council and it shall then take such action as it shall deem proper in the premises.

First Reading: May 18, 2009

Second Reading: June 15, 2009

Passed on Final Reading
Following Public
Hearing: July 6, 2009

Section 10.15. Effective Date. This Ordinance shall take effect immediately upon enactment.

[Remainder of Page Intentionally Left Blank]

Enacted this 6th day of July, 2009.

[SEAL]

Mayor

ATTEST:

City Clerk

CERTIFICATION

Certified a true, correct and complete copy of an Ordinance duly enacted by the Council of the CITY OF CHARLES TOWN at a regular meeting of the Council held at 7:30 p.m., on July 6, 2009, pursuant to proper notice, at which meeting a quorum was present and acting throughout, and which Ordinance was enacted following a public hearing thereon, notice of which public hearing was published once a week for two successive weeks in a newspaper published and having a general circulation in the City of Charles Town, the first publication having been not less than 10 days prior to such public hearing.

Dated this 1st day of December, 2009.

[SEAL]

City Clerk

EXHIBIT A - SERIES 2009 A BOND FORM

Except as otherwise provided in the Ordinance, this global bond may be transferred, in whole but not in part, only to another nominee of DTC (as defined in the Ordinance) or to a successor of DTC or to a nominee of a successor of DTC. Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to Issuer or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

No. AR-_____

$_____

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF CHARLES TOWN (WEST VIRGINIA)
COMBINED WATERWORKS AND SEWERAGE SYSTEM
REFUNDING REVENUE BOND, SERIES 2009 A

INTEREST RATE	MATURITY DATE	BOND DATE	CUSIP NO.

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF CHARLES TOWN, a municipal corporation organized and existing under the laws of the State of West Virginia (the "City"), for value received, hereby promises to pay, solely from the special funds provided therefore, as hereinafter set forth, to the Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above and solely from such special funds also to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, or, if and to the extent that the City shall default in the payment of interest on any Interest Payment Date,

then this Bond shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, and in which case any Bond surrendered for transfer or exchange shall be dated as of the Interest Payment Date to which interest has been paid in full, at the Interest Rate per annum specified above, semiannually, on _____ 1 and _____ 1, in each year, beginning _____ 1, 20____ (each an "Interest Payment Date"), until maturity or until the date fixed for redemption if this Bond is called for prior redemption and payment on such date is provided for. Capitalized terms used and not defined herein shall have the meanings ascribed thereto in the hereinafter described Ordinance.

Interest accruing on this Bond on and prior to the Maturity Date hereof shall be payable by check or draft mailed by _____, _____, West Virginia, as paying agent (in such capacity, the "Paying Agent"), to the Registered Owner hereof as of the applicable Record Date (each _____ 15 and _____ 15) or, in the event of a default in the payment of Bonds, that special record date to be fixed by the hereinafter named Registrar by notice given to the Registered Owners not less than 10 days prior to said special record date at the address of such Registered Owner as it appears on the registration books of the City maintained by _____, _____, West Virginia, as registrar (in such capacity, the "Registrar"), or, at the option of any Registered Owner of at least $1,000,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to a domestic bank account specified in writing by the Registered Owner to the Paying Agent at least 5 days prior to such Record Date. Principal and premium, if any, shall be paid when due upon presentation and surrender of this Bond for payment at the principal office of the Paying Agent, in _____, West Virginia.

This Bond is one of an issue of a series of bonds, in the aggregate principal amount of $_____ designated "City of Charles Town (West Virginia) Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2009 A" (the "Bonds"), of like tenor and effect, except as to number, denomination, date of maturity and interest rate, dated _____, 2009, the proceeds of which are to be used (i) to finance the costs of currently refunding the Issuer's Series 1998 Refunding Bonds, (ii) to fund the Series 2009 A Bonds Reserve Account, and (iii) to pay certain costs of issuance of the Series 2009 A Bonds and related costs. The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 8, Article 20 of the Code of West Virginia, 1931, as amended (the "Act"), and an ordinance duly enacted by the Council of the Issuer on _____, 2009, and supplemented by supplemental resolutions adopted by said Council on _____, 2009, and _____, 2009 (hereinafter collectively referred to as the "Ordinance"), and is subject to all the terms and conditions of said Ordinance. 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. Reference is hereby made to the Ordinance, as the same may be amended and supplemented from time to time, for a description of the rights, limitations of rights, obligations, duties and immunities of the Issuer, the Registrar, the Paying Agent, the Registered Owners of the Bonds and the Registered Owners of any subsequently issued additional bonds. Executed

counterparts or certified copies of the Ordinance are on file at the office of the City Clerk in the City of Charles Town, West Virginia.

The Bonds of this issue are subject to redemption prior to their stated maturity dates, as provided in the Ordinance and as set forth in the following lettered paragraphs:

(A) Optional Redemption. The Bonds maturing on or after _____, _____ are subject to redemption prior to maturity at the option of the Issuer on and after _____, _____, in whole or in part at any time, in such order of maturity as shall be designated to the Registrar by the Issuer and by lot within a maturity, at the following redemption prices (expressed as percentages of the principal amount of Bonds to be redeemed), plus interest accrued thereon to the date fixed for redemption:

Period During Which Redeemed (Dates Inclusive)	Redemption Price
_____ to _____	$_____
_____ to _____	$_____
_____ to _____	$_____

(B) Mandatory Sinking Fund Redemption. The Bonds maturing on _____, are subject to annual mandatory redemption prior to maturity by random selection on _____ of the years and in the principal amounts set forth below, at the redemption price of 100% of the principal amount of each Bond so called for redemption plus interest accrued to the date fixed for redemption:

Bonds Maturing

Year ( )	Principal Amount

Bonds Maturing

Year ( )	Principal Amount

_____
* Final Maturity

If less than all the Bonds are to be redeemed, the Bonds to be redeemed shall be identified by reference to the Series designation, date of issue, CUSIP numbers and Maturity Dates.

Notice of any redemption of this Bond, unless waived, shall be given by the Registrar on behalf of the Issuer by mailing an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Registrar. Notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the Redemption Date, become due and payable at the redemption price therein specified, and from and after such date (unless the Issuer shall default in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest.

Failure to receive such notice or any defect therein or in the mailing thereof shall not affect the validity of proceedings for the redemption of this Bond.

There are outstanding obligations of the Issuer which will rank on a parity with the Series 2009 A Bonds as to liens, pledge, source of and security for payment, as follows (collectively, the "Prior Bonds"):

(1) Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 B, dated November 18, 1987, issued in the original aggregate principal amount of $413,629 (the "Series 1987 B Bonds");

(2) Combined Waterworks and Sewerage System Revenue Bonds, Series 1988 B-1, dated May 4, 1988, issued in the original aggregate principal amount of $295,916 (the "Series 1988 B-1 Bonds");

(3) Combined Waterworks and Sewerage System Revenue Bonds, Series 1988 B-2, dated May 20, 1988, issued in the original aggregate principal amount of $558,000 (the "Series 1988 B-2 Bonds");

(4) Combined Waterworks and Sewerage System Revenue Bonds, Series 1989 B, dated April 13, 1989, issued in the original aggregate principal amount of $117,480 (the "Series 1989 B Bonds");

(5) Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 1998, dated May 15, 1998, issued in the original aggregate principal amount of $10,355,000 (the "Series 1998 Refunding Bonds");

(6) Combined Waterworks and Sewerage System Design Revenue Bonds, Series 1998 (West Virginia SRF Program), dated September 29, 1998, issued in the original aggregate principal amount of $437,601 (the "Series 1998 Design Bonds");

(7) Combined Waterworks and Sewerage System Revenue Bonds, Series 2000 A (West Virginia SRF Program), dated June 22, 2000, issued in the original aggregate principal amount of $3,163,781 (the "Series 2000 A Bonds");

(8) Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 A (West Virginia Water Development Authority), dated August 22, 2002, issued in the original aggregate principal amount of $1,100,000 (the "Series 2002 A Bonds");

(9) Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 B (West Virginia Infrastructure Fund), dated August 22, 2002, issued in the original aggregate principal amount of $3,600,000 (the "Series 2002 B Bonds");

(10) Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 C (Insured), dated December 1, 2002, issued in the original aggregate principal amount of $4,135,000 (the "Series 2002 C Bonds");

(11) Combined Waterworks and Sewerage System Revenue Bonds, Series 2003 A (AMT - Uninsured), dated January 1, 2003, issued in the original aggregate principal amount of $1,000,000 (the "Series 2003 A Bonds");

(12) Combined Waterworks and Sewerage System Revenue Bonds, Series 2005 A (Taxable), dated June 15, 2005, issued in the original aggregate principal amount of $2,355,000 (the "Series 2005 A Bonds");

(13) Combined Waterworks and Sewerage System Revenue Bonds, Series 2006 A (Taxable), dated January 19, 2006, issued in the original aggregate principal amount of $1,830,000 (the "Series 2006 A Bonds"); and

(14) Combined Waterworks and Sewerage System Revenue Bonds, Series 2006 B (Tax-Exempt), dated July 27, 2006, issued in the original aggregate principal amount of $2,000,000 (the "Series 2006 B Bonds");

The Issuer also has outstanding its Combined Waterworks and Sewerage System Bond Anticipation Notes, Series 2007 A, dated April 11, 2007, issued in the original aggregate principal amount of $1,070,000 (the "Series 2007 A Notes"). The Series 2007 A Notes are secured solely by the Surplus Revenues of the System and the proceeds of a subsequent series of bonds to be issued by the Issuer for the purpose of permanently financing the costs of the project temporarily financed by the proceeds of such Series 2007 A Notes. The proceeds of the Series 2007 A Notes are not secured by the Gross Revenues or Net Revenues of the System. The Series 2009 A Bonds and the Prior Bonds shall be senior and prior with respect to lien on and source of and security for payment to the Series 2007 A Notes.

The Bonds and the interest thereon are payable only from and are secured by the Gross Revenues (as defined in the Ordinance) to be derived from the operation of the System, on a parity with the pledge of Gross Revenues in favor of the holders of the Prior Bonds and from moneys in the Series 2009 A Bonds Sinking Fund and the Series 2009 A Bonds Reserve Account established under the Ordinance, and the unexpended proceeds of the Bonds. Such Gross Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose and to make the other payments required by the Ordinance. This Bond does not constitute an indebtedness of the Issuer within any constitutional or statutory provision or limitation, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Gross Revenues, the moneys in the Series 2009 A Bonds Sinking Fund and the Series 2009 A Bonds Reserve Account and unexpended proceeds of the Bonds. Under the Ordinance, the Issuer has covenanted and agreed to fix, establish and collect just and equitable rates or charges for the use of the services and facilities of the System and to revise the same from time to time as will always be sufficient to pay all operating expenses of the System and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest on the Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds, including the Prior Bonds. The Issuer has entered into certain further covenants with the Registered Owners of the Bonds, for the terms of which reference is made to the 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.

All moneys received from the sale of the Bonds except for accrued interest thereon shall be applied solely to finance the current refunding of the Issuer's outstanding Series 1998 Refunding Bonds, fund a reserve account for the Bonds and pay costs of issuance of the Bonds, and there shall be, and hereby is, created and granted a lien upon such moneys, until so applied, in favor of the Registered Owners of the Bonds.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and 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 said Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia, and that a sufficient amount of the Gross Revenues of the System has been pledged to and will be set aside into said special fund by said Issuer for the prompt payment of the principal of and interest on the Bonds of which this Bond is one.

This Bond, under the provisions of the Act is and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but may be transferred only upon the surrender hereof at the office of the Registrar and otherwise as provided by the Ordinance.

This Bond is, under the Act, exempt from all taxation by the State of West Virginia or any county, municipality, political subdivision or agency thereof.

This Bond shall not be entitled to any benefit under the Ordinance, or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon shall have been signed by the Registrar.

All provisions of the Ordinance, and the statutes under which this Bond is issued, shall be deemed to be a part of the contract evidenced by this Bond to the same extent as if written fully herein.

IN WITNESS WHEREOF, the CITY OF CHARLES TOWN has caused this Bond to be signed by its Mayor and City Manager, and its corporate seal to be imprinted hereon and attested by its City Clerk, and has caused this Bond to be dated as of the Bond Date specified above.

[SEAL]

(Manual or Facsimile Signature)
Mayor

(Manual or Facsimile Signature)
City Manager

ATTEST:

(Manual or Facsimile Signature)
City Clerk

CERTIFICATE OF AUTHENTICATION
AND REGISTRATION

This Bond is one of the fully registered Bonds described in the within-mentioned Ordinance and has been duly registered in the name of the Registered Owner on the date set forth below. Attached hereto is the complete text of the opinion of Steptoe & Johnson PLLC, bond counsel, signed originals of which are on file with the Registrar, delivered and dated on the date of the original delivery of and payment for the Bonds.

Dated: _____, _____.

_____,
as Registrar

By _____
Its Authorized Officer

ASSIGNMENT

Social Security or Other Identifying Number of Assignee _____
_____

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto
_____
_____
_____ the within Bond and does hereby irrevocably constitute and appoint
_____
_____ to transfer the said Bond on the books kept for registration thereof with full power of substitution in the premises.

Dated: _____, _____.

_____

SIGNATURE GUARANTEED:

_____
(Bank, Trust Company or Firm)

_____
(Authorized Officer)

NOTICE: The Assignor's signature to this Assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or any change whatever.

144220.00023

5144561

City of Charles Town
Combined Waterworks and Sewerage System
Refunding Revenue Bonds, Series 2009 A
(Tax-Exempt)

SUPPLEMENTAL PARAMETERS RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING PARAMETERS AS TO THE PRINCIPAL AMOUNT, DATE, MATURITY DATE, INTEREST RATE, INTEREST AND PRINCIPAL PAYMENT DATES AND OTHER TERMS OF THE COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS, SERIES 2009 A OF THE CITY OF CHARLES TOWN; AUTHORIZING AND APPROVING THE SALE AND DELIVERY OF SUCH BONDS TO THE ORIGINAL PURCHASER; APPOINTING A REGISTRAR AND PAYING AGENT FOR SUCH BONDS; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the City of Charles Town (the "Issuer") in the County of Jefferson, State of West Virginia, is a municipal corporation and political subdivision of said State, the governing body of which is its Council (the "Governing Body");

WHEREAS, the Governing Body has duly and officially enacted on July 6, 2009, an Ordinance (the "Ordinance") entitled:

AN ORDINANCE AUTHORIZING THE REFUNDING OF THE ISSUER'S OUTSTANDING COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS, SERIES 1998 AND THE FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED, AND PAYING COSTS OF ISSUANCE AND RELATED COSTS, THROUGH THE ISSUANCE OF COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS, SERIES 2009 A OF THE CITY IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT MORE THAN $8,000,000; PROVIDING FOR THE RIGHTS AND REMEDIES OF, AND THE SECURITY FOR, THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING THE EXECUTION AND

DELIVERY OF A TAX AND NON-ARBITRAGE CERTIFICATE, AN OFFICIAL STATEMENT, A BOND PURCHASE AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

WHEREAS, capitalized terms used herein and not otherwise defined herein shall have the same meaning set forth in the Ordinance when used herein;

WHEREAS, the Ordinance provides for the issuance by the Issuer of its Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2009 A (Tax-Exempt) in an aggregate principal amount not to exceed $8,000,000 (the "Series 2009 A Bonds" or "Bonds") in accordance with Chapter 8, Article 20 of the West Virginia Code of 1931, as amended (the "Act");

WHEREAS, the Issuer is advised that current market conditions are such that interest savings would be realized from the current refunding of its outstanding Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 1998, dated May 15, 1998, issued in the original aggregate principal amount of $10,355,000 (the "Series 1998 Bonds") and the Issuer has determined that it is currently in the best interest of its residents to currently refund the Series 1998 Bonds pursuant to the issuance of its Series 2009 A Bonds;

WHEREAS, the Ordinance further provided that the exact dates, amounts, maturities, interest rates, redemption provisions, purchase price and other terms of the Bonds should be established by Supplemental Resolution or by a Certificate of Determinations, that a Registrar, Paying Agent and Depository Bank be designated, that a Bond Purchase Agreement, a Continuing Disclosure Agreement, a Registrar Agreement and an Official Statement be approved and that other matters pertaining to the Bonds be provided for by a Supplemental Resolution of the Governing Body or pursuant to a Certificate of Determinations, that additional covenants and provisions relating to the Bonds be provided therein, and that other matters pertaining to the Bonds be provided for by a supplemental resolution of this Governing Body or by Certificate of Determinations;

WHEREAS, the Bonds are proposed to be purchased by Crews & Associates, Inc., Charleston, West Virginia (the "Original Purchaser"), pursuant to a Bond Purchase Agreement between the Original Purchaser and the Issuer, to be dated the date of execution thereof (the "Bond Purchase Agreement");

WHEREAS, the Governing Body has determined that, in order to obtain the best possible savings for the City in the current interest rate environment, the Mayor shall be empowered and authorized to execute the Bond Purchase Agreement, within the parameters set forth herein, at such time as the Mayor shall determine most advantageous to the Issuer, or not at all; and

WHEREAS, the Governing Body deems it essential and desirable that this supplemental parameters resolution (the "Supplemental Parameters Resolution") be adopted, that the Bond Purchase Agreement, the Continuing Disclosure Agreement, the Tax and Non-Arbitrage Certificate and the Registrar Agreement hereinafter provided for be entered into by the Issuer, that the Official Statement relating to the Bonds, hereinafter described, be approved, that the Mayor be authorized to enter into the Bond Purchase Agreement within the parameters hereby approved by the Governing Body, and that other matters relating to the Bonds be herein provided for all in accordance with the Ordinance;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF CHARLES TOWN:

SECTION 1. For the purposes of (i) paying the entire outstanding principal balance of and all accrued interest on the Issuer's outstanding Series 1998 Bonds, (ii) funding a debt service reserve account for the Series 2009 A Bonds, and (iii) paying costs of issuance of the Series 2009 A Bonds and related costs, the Governing Body of the Issuer hereby authorizes and orders the issuance of the Series 2009 A Bonds in an aggregate principal amount not to exceed $8,000,000, provided that the Net Present Value of the savings of such refunding shall not be less than 2%.

SECTION 2. Pursuant to the Ordinance and the Act, this Supplemental Parameters Resolution is adopted and there are hereby authorized and ordered to be issued the Series 2009 A Bonds. The Series 2009 A Bonds shall be issued in the aggregate principal amount not to exceed $8,000,000, bear interest at a rate not to exceed 7%, payable semiannually on June 1 and December 1 of each year, commencing December 1, 2009, shall mature on December 1 in such years, shall be dated such date, upon original issuance, shall mature in such principal amounts on such dates (with final maturity no later than December 1, 2030) shall be subject to such redemption provisions, all as shall subsequently be approved by the Mayor and City Manager pursuant to the execution and delivery by the Mayor and City Manager of a Certificate of Determinations with respect to the Bonds, dated the date of the Bond Purchase Agreement, the form of which is attached hereto as EXHIBIT A and approved hereby (the "Certificate of Determinations"); and shall be substantially in the form set forth in the Ordinance, provided however, that the specific terms of the Series 2009 A Bonds shall be as determined by the Mayor and the City Manager at the time of the execution of the Bond Purchase Agreement and as approved by the Mayor and the City Manager in the Certificate of Determinations. All other provisions relating to the Series 2009 A Bonds shall be as provided in the Ordinance.

SECTION 3. The Bond Purchase Agreement by and between the Original Purchaser and the Issuer, substantially in the form to be approved pursuant to the execution and delivery by the

Mayor and City Manager of the Certificate of Determinations, and the execution and delivery (in multiple counterparts) by the City Manager thereof shall be and the same are hereby authorized, approved, and directed. The City Manager shall execute and deliver the Bond Purchase Agreement with such changes, insertions and omissions as may be approved by the City Manager. The execution of the Bond Purchase Agreement by the City Manager shall be conclusive evidence of any approval required by this Section, and authorization of any action required by the Bond Purchase Agreement relating to the issuance and sale of the Bonds, including the payment of all necessary fees and expenses in connection therewith.

SECTION 4. Proceeds of the Bonds shall be expended solely for the purposes set forth in the Ordinance.

SECTION 5. The Issuer is advised and hereby finds that based upon the assumed principal amount, maturity schedule and interest rates for the Series 2009 A Bonds presented to the Issuer by the Original Purchaser, the Series 2009 A Bonds show a net present value debt service savings to the Issuer after deducting all expenses of the refunding of the Series 1998 Bonds and the costs of issuing the Series 2009 A Bonds.

SECTION 6. The Tax and Non-Arbitrage Certificate, to be dated the date of execution and delivery of the Bonds (the "Tax Certificate"), and executed and delivered by the Issuer, substantially in the form to be approved pursuant to the execution and delivery by the Mayor and City Manager of the Certificate of Determinations, and the execution and delivery (in multiple counterparts) by the City Manager thereof shall be and the same are hereby authorized, approved and directed. The City Manager shall execute and deliver the Tax Certificate with such changes, insertions and omissions as may be approved by the City Manager. The execution of the Tax Certificate by the City Manager shall be conclusive evidence of any approval required by this Section.

SECTION 7. The Continuing Disclosure Agreement, to be dated the date of execution and delivery of the Bonds (the "Disclosure Agreement"), by and between the Issuer and the Dissemination Agent named therein, substantially in the form to be approved pursuant to the execution and delivery by the Mayor and City Manager of the Certificate of Determinations, and the execution and delivery (in multiple counterparts) by the City Manager thereof shall be and the same are hereby authorized, approved and directed. The City Manager shall execute and deliver the Disclosure Agreement with such changes, insertions and omissions as may be approved by the City Manager. The execution of the Disclosure Agreement by the City Manager shall be conclusive evidence of any approval required by this Section.

SECTION 8. The distribution by the Original Purchaser of a Preliminary Official Statement (which is a "deemed final" official statement in accordance with SEC Rule 15c2-12), substantially in the form submitted to this meeting is hereby ratified and approved. The certificate of the Issuer relating to compliance with SEC Rule 15c2-12 and the execution and delivery thereof by the City Manager is hereby approved. The Official Statement to be substantially in the form of the Preliminary Official Statement, (with such changes, insertions and omissions as may be necessary or advisable in the opinion of the City Manager) and the distribution of counterparts or copies thereof by the Original Purchaser are hereby approved.

The City Manager shall execute and deliver the Official Statement with such changes, insertions and omissions as may be approved. The execution of the Official Statement by the City Manager shall be conclusive evidence of any approval required by this Section.

SECTION 9. The Registrar Agreement by and between the Issuer and the Registrar designated herein, substantially in the form to be approved pursuant to the execution and delivery by the Mayor and City Manager of the Certificate of Determinations, and the execution and delivery (in multiple counterparts) by the City Manager thereof shall be and the same are hereby authorized, approved and directed. The City Manager shall execute and deliver the Registrar Agreement with such changes, insertions and omissions as may be approved by the City Manager. The execution of the Registrar Agreement by the City Manager shall be conclusive evidence of any approval required by this Section.

SECTION 10. The firm of Steptoe & Johnson PLLC, Charleston, West Virginia, is hereby appointed bond counsel to the Issuer in connection with the issuance of the Bonds.

SECTION 11. The Issuer hereby appoints and designates the West Virginia Municipal Bond Commission, Charleston, West Virginia, as the Paying Agent for the Series 2009 A Bonds.

SECTION 12. The Issuer hereby appoints and designates United Bank, Inc., Charles Town, West Virginia, as the Depository Bank for the Bonds.

SECTION 13. The Issuer hereby appoints and designates United Bank, Inc., Charleston, West Virginia, as the Registrar.

SECTION 14. The City Manager, Mayor and City Clerk are hereby authorized and directed to execute and deliver such other documents and certificates, required or desirable in connection with the Bonds to the end that the Bonds may be delivered on a timely basis to the Original Purchaser pursuant to the Bond Purchase Agreement.

SECTION 15. The notice addresses for the Depository Bank, Paying Agent, Registrar and Original Purchaser shall be as follows:

DEPOSITORY BANK

United Bank, Inc.
106 W. Washington Street
Charles Town, West Virginia 25414
ATTN: Branch Manager

PAYING AGENT

West Virginia Municipal Bond Commission
#8 Capitol Street, Suite 500
Charleston, West Virginia 25301
Attention: Executive Director

REGISTRAR

United Bank, Inc.
500 Virginia Street, East
Charleston, West Virginia 25301
ATTN: Corporate Trust Department

ORIGINAL PURCHASER

Crews & Associates, Inc.
300 Summers Street, Suite 930
Charleston, West Virginia 25301-1631

SECTION 16. The issuance of the Bonds is in the public interest, serves a public purpose of the Issuer and will promote the health, welfare and safety of the residents of the Issuer.

SECTION 17. The Issuer hereby covenants and agrees that it will not permit at any time or times any of the proceeds of the Series 2009 A Bonds or any other funds of the Issuer to be used directly or indirectly to acquire any securities or obligations, the acquisition of which would cause any of the Series 2009 A Bonds, Prior Bonds or Series 2007 A Notes to be an "arbitrage bond" as defined in Section 148 of the Code, and the regulations promulgated pursuant thereto. The Mayor and/or City Manager of the Issuer is authorized and directed to execute and deliver such further instruments or agreements as shall be required to provide further assurances of the Issuer's compliance with this covenant.

SECTION 18. The Mayor, City Manager and City Clerk, and all other appropriate officers and employees of the Issuer are hereby authorized, empowered and directed to do any and all things proper and necessary to cause the Series 2009 A Bonds to be duly and properly issued by the Issuer and delivered to the Original Purchaser as herein authorized and to otherwise facilitate the transaction contemplated by this Supplemental Parameters Resolution, and no further authority shall be necessary to authorize any such officers or employees to give such further assurance and do such further acts as may be legally required.

SECTION 19. This Supplemental Parameters Resolution shall be effective immediately following adoption hereof.

[Remainder of Page Intentionally Left Blank]

Adopted this 20th day of July, 2009.

CITY OF CHARLES TOWN

By: _____
Its: Mayor

[SEAL]

By: _____
Its: City Manager

Attest:

_____
City Clerk

CERTIFICATION

Certified a true copy of a Supplemental Parameters Resolution duly adopted by the Council of the CITY OF CHARLES TOWN on July 20, 2009, which Supplemental Parameters Resolution has not been repealed, rescinded, modified, amended or revoked, as of the date hereof.

Dated this 1st day of December, 2009.

By: _____
City Clerk

7.15.09
144220.00023

EXHIBIT A

FORM OF CERTIFICATE OF DETERMINATIONS

City of Charles Town
Combined Waterworks and Sewerage System
Refunding Revenue Bonds, Series 2009 A
(Tax-Exempt)

CERTIFICATE OF DETERMINATIONS

The undersigned, _____, City Manager, and the undersigned _____, Mayor of the City of Charles Town (the "Issuer"), in accordance with the Supplemental Parameters Resolution adopted by the Governing Body of the Issuer on _____, 2009 (the "Supplemental Parameters Resolution"), with respect to the Issuer's Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2009 A (the "Series 2009 A Bonds"), hereby finds and determines as follows:

1. The Series 2009 A Bonds shall be dated _____, 2009 shall bear interest on June 1 and December 1 of each year commencing _____, 2009.

2. The Series 2009 A Bonds shall be issued in the aggregate principal amount of $_____. The interest rates on the Series 2009 A Bonds do not exceed 7%, being the maximum interest rate authorized by the Supplemental Parameters Resolution. The Net Present Value of the savings realized from such refunding is not less than 2%.

3. The Series 2009 A Bonds shall mature in the amounts and on the dates and shall be subject to mandatory sinking fund redemption in the amounts and on the dates set forth on Schedule 1 attached hereto and incorporated herein.

4. The Series 2009 A Bonds shall bear interest at the rates and produce the yields set forth on Schedule 1 attached hereto and incorporated herein.

5. The Series 2009 A Bonds shall [not] be subject to [optional and/or mandatory] redemption [as set forth on Schedule 2 attached hereto and incorporated herein.]

6. The Series 2009 A Bonds shall be sold to Crews & Associates, Inc. (the "Underwriter"), pursuant to the terms of the Bond Purchase Agreement by and between the Underwriter and the Issuer, at an aggregate purchase price of $_____ (representing par value less an Underwriter's discount of $_____ and a net original issue discount[premium] of $_____), plus

interest accrued in the amount of $_____ on the Series 2009 A Bonds from _____ 1, 2009 to _____, 2009 (the "Closing Date").

7. The forms of the Bond Purchase Agreement, the Tax Certificate, the Continuing Disclosure Agreement, the Official Statement, the Rule 15c2-12 Certificate and the Registrar Agreement attached hereto are hereby approved.

The undersigned hereby certifies that the foregoing terms and conditions of the Series 2009 A Bonds are within the parameters prescribed by the Supplemental Parameters Resolution, and the Series 2009 A Bonds may be issued with such terms and conditions as authorized by the Supplemental Parameters Resolution.

WITNESS my signature this _____ day of _____, 2009.

CITY OF CHARLES TOWN

By: _____
Its: Mayor

By: _____
Its: City Manager

615.09
144220.00023

SCHEDULE 1

SERIES 2009 A BOND TERMS

Bond No.	Maturity Date (December 1)	Principal Amount (thousands)	Interest Rate	Price or Yield
AR-1	2009	$ ___	__.____%	__.____%
AR-2	2010	___	__.____%	__.____%
AR-3	2011	___	__.____%	__.____%
AR-4	2012	___	__.____%	__.____%
AR-5	2013	___	__.____%	__.____%
AR-6	2014	___	__.____%	__.____%
AR-7	2015	___	__.____%	__.____%
AR-8	2016	___	__.____%	__.____%
AR-9	2017	___	__.____%	__.____%
AR-10	2018	___	__.____%	__.____%
AR-11	2019	___	__.____%	__.____%
AR-12	2020	___	__.____%	__.____%
AR-13	2021	___	__.____%	__.____%
AR-14	2022	___	__.____%	__.____%
AR-15	2023	___	__.____%	__.____%
AR-16	2024	___	__.____%	__.____%
AR-17	2025	___	__.____%	__.____%
AR-18	2026	___	__.____%	__.____%
AR-19	2027	___	__.____%	__.____%
AR-20	2028	___	__.____%	__.____%

SCHEDULE 2

SERIES 2009 A BONDS REDEMPTION PROVISIONS:

[to be inserted after pricing]

City of Charles Town
Combined Waterworks and Sewerage System
Refunding Revenue Bonds, Series 2009 A
(Tax-Exempt)

CERTIFICATE OF DETERMINATIONS

The undersigned, Gary Rawlings, City Manager, and the undersigned Peggy A. Smith, Mayor of the City of Charles Town (the "Issuer"), in accordance with the Supplemental Parameters Resolution adopted by the Governing Body of the Issuer on July 20, 2009 (the "Supplemental Parameters Resolution"), with respect to the Issuer's Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2009 A (the "Series 2009 A Bonds"), hereby finds and determines as follows:

1. The Series 2009 A Bonds shall be dated December 1, 2009 shall bear interest on April 1 and October 1 of each year commencing April 1, 2010. These terms are amendatory of the parameters set forth in the Supplemental Parameters Resolution which provided that the interest on the Series 2009 A Bonds shall be payable semiannually on June 1 and December 1 of each year, commencing December 1, 2009.

2. The Series 2009 A Bonds shall be issued in the aggregate principal amount of $7,120,000. The interest rates on the Series 2009 A Bonds do not exceed 7%, being the maximum interest rate authorized by the Supplemental Parameters Resolution. The Net Present Value of the savings realized from such refunding is not less than 2%.

3. The Series 2009 A Bonds shall mature in the amounts and on the dates and shall be subject to mandatory sinking fund redemption in the amounts and on the dates set forth on Schedule 1 attached hereto and incorporated herein.

4. The Series 2009 A Bonds shall bear interest at the rates and produce the yields set forth on Schedule 1 attached hereto and incorporated herein.

5. The Series 2009 A Bonds shall be subject to optional and mandatory redemption as set forth on Schedule 2 attached hereto and incorporated herein.

6. The Series 2009 A Bonds shall be sold to Crews & Associates, Inc. (the "Underwriter"), pursuant to the terms of the Bond Purchase Agreement by and between the Underwriter and the Issuer, at an aggregate purchase price of $6,959,956.60 (representing par value less an Underwriter's discount of $124,600 and a net original issue discount of $35,443.40).

The undersigned hereby certifies that the foregoing terms and conditions of the Series 2009 A Bonds are within the parameters prescribed by the Supplemental Parameters Resolution, and the Series 2009 A Bonds may be issued with such terms and conditions as authorized by the Supplemental Parameters Resolution.

WITNESS my signature this 16th day of November, 2009.

CITY OF CHARLES TOWN

By: _____
Its: Mayor

By: _____
Its: City Manager

11.16.09
144220.00023

SCHEDULE 1

SERIES 2009 A BOND TERMS

Bond No.	Maturity Date (October 1)	Principal Amount	Interest Rate	Price or Yield
AR-1	2010	$305,000	2.000 %	2.000 %
AR-2	2011	$365,000	2.500 %	2.500 %
AR-3	2012	$380,000	3.000 %	3.000 %
AR-4	2013	$390,000	3.200 %	3.200 %
AR-5	2014	$410,000	3.400 %	3.400 %
AR-6	2015	$305,000	3.600 %	3.600 %
AR-7	2016	$320,000	3.800 %	3.800 %
AR-8	2017	$325,000	4.000 %	4.000 %
AR-9	2018	$340,000	4.000 %	4.100 %
AR-10	2019	$355,000	4.100 %	4.200 %
AR-11	2020	$370,000	4.200 %	4.300 %
AR-12	2021	$380,000	4.350 %	4.450 %
AR-13	2022	$395,000	4.500 %	4.600 %
AR-14	2023	$425,000	4.600 %	4.700 %

$890,000.00 4.625% AR-15 Term Bonds, Due October 1, 2025 at 98.286%
$1,165,000.00 5.000% AR-16 Term Bonds, Due October 1, 2028 at 100.00%

SCHEDULE 2

SERIES 2009 A BONDS REDEMPTION PROVISIONS:

Optional Redemption

The Series 2009 A Bonds are subject to optional redemption prior to their stated maturity on or after October 1, 2015, at the option of the Issuer at par plus accrued interest thereon to the date set for redemption.

Mandatory Sinking Fund Redemption

The Series 2009 A Bonds maturing on October 1, 2025 and October 1, 2028, are subject to annual mandatory redemption prior to maturity by random selection on October 1 of the years and in the principal amounts set forth below, at the redemption price of 100% of the principal amount of each Bond so called for redemption plus interest accrued to the date fixed for redemption:

Bonds Maturing 2025

Year (October 1)	Principal Amount
2024	$435,000.00
2025	$455,000.00*

Bonds Maturing 2028

Year (October 1)	Principal Amount
2026	$475,000.00
2027	$335,000.00
2028	$355,000.00*

*Final Maturity

If less than all the Series 2009 A Bonds are to be redeemed, the Bonds to be redeemed shall be identified by reference to the Series designation, date of issue, CUSIP numbers and Maturity Dates.