CITY OF FAIRMONT
(WEST VIRGINIA)

WATER REVENUE BONDS, SERIES 1998
and
WATER REVENUE BONDS, SERIES 1999

BOND TRANSCRIPT

Date of Closing

Series 1998 Bonds: December 30, 1998
Series 1999 Bonds: January 14, 1999

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CITY OF FAIRMONT

(WEST VIRGINIA)

WATER REVENUE BONDS, SERIES 1998

BOND ORDINANCE

ORDINANCE NO. 1072

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improvements to the existing public waterworks system of the Issuer, consisting of rehabilitation and renovations of the existing storage and distribution system, a new water treatment facility, two new water storage tanks and transmission mains, together with all appurtenant facilities (collectively, the "Project") (the existing public waterworks 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.

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 Operating Expenses of the System and the principal of and interest on the Series 1998 Bonds and the Prior Bonds (as hereinafter defined) and to make payments into all funds, accounts and other payments provided for herein.

D. It is deemed necessary for the Issuer to issue its Water Revenue Bonds, Series 1998, in the total aggregate principal amount of not more than $31,000,000 (the "Series 1998 Bonds"), to permanently finance the costs of acquisition and construction of the Project. Such costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest upon the Series 1998 Bonds prior to and during acquisition and construction of the Project and for a period not exceeding 6 months after completion of acquisition and construction of the Project; amounts which may be deposited in the Series 1998 Bonds Reserve Account (as hereinafter defined); engineering and legal expenses; expenses for estimates of costs and revenues, expenses for plans, specifications and surveys; premiums for municipal bond insurance; reserve account insurance or reserve account surety bonds, letter of credit fees; other expenses necessary or incident to determining the feasibility or practicability of the enterprise, administrative expense, commitment fees, fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale or issuance of the Series 1998 Bonds and such other expenses as may be necessary or incidental to the financing herein authorized, the acquisition or construction of the Project and the placing of same in operation, and the performance of the things herein required or permitted, in connection with any thereof, provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Series 1998 Bonds or the repayment of indebtedness incurred by the Issuer for such purposes.

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

F. It is in the best interests of the Issuer that the Series 1998 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 Authority, as shall be approved by supplemental resolution of the Issuer.

G. There are outstanding obligations of the Issuer which will rank on a parity with the Series 1998 Bonds as to liens, pledge, source of and security for payment, being the Issuer's Waterworks Refunding Revenue Bonds, Series 1997, dated June 1, 1997, issued in the original aggregate principal amount of $10,260,000 (the "Prior Bonds").

The Series 1998 Bonds shall be issued on a parity with the Prior Bonds with respect to liens, pledge and source of and security for payment and in all other respects. Prior to the issuance of the Series 1998 Bonds, the Issuer will obtain a certificate of an Independent Accountant stating that the parity test of the Prior Bonds is met. Other than the Prior Bonds, there are no outstanding bonds or obligations of the Issuer which are secured by revenues or assets of the System.

H. The 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 1998 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 1998 Bonds or such final order will not be subject to appeal or rehearing.

Section 1.03. 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 19 of the West Virginia Code of 1931, as amended and in effect on the date of delivery of the Series 1998 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 and Redemption Digest.

"Authorized Officer" means the City Manager of the Issuer or any other officer of the Issuer specifically designated by resolution of the Council of the Issuer.

"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, Clarksburg, West Virginia.

"Bondholder," "Holder ," "Owner," "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 Series 1998 Bonds, and in the event the Series 1998 Bonds are insured, shall initially mean the Bond Insurer set forth in the Supplemental Resolution.

"Bond Register" means the books of the Issuer maintained by the Registrar for the registration and transfer of Bonds.

"Bond Year" means with respect to each series of 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 1998 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 1998 Bonds, in substantially the form set forth in EXHIBIT A - BOND FORM attached hereto and incorporated herein by reference.

"City" or "Issuer" means the City of Fairmont, a municipal corporation and political subdivision of the State of West Virginia, in Marion County thereof, and, unless the context clearly indicates otherwise, includes the Council and any successor thereto.

"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 1998 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.

"Construction Fund" means the Construction Fund created by Section 4.01 hereof.

"Consulting Engineers" means Chapman Technical Group, St. Albans, West Virginia, or 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" means, collectively, those costs described in Section 1.02D hereof.

"Costs of Issuance Fund" means the Costs of Issuance Fund created by Section 4.01 hereof.

"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.

"Depreciation Fund" means the Depreciation Fund created by the Prior Ordinance and continued hereby.

"DTC" means The Depository Trust Company, New York, New York, or its successor thereof.

"DTC-eligible" means, with respect to the Series 1998 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" 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.

"Municipal Bond Insurance Policy" means the municipal bond insurance policy, if any, issued by the Bond Insurer simultaneously with the delivery of the Series 1998 Bonds, insuring the payment of the principal of and interest on all or any of the Series 1998 Bonds in accordance with the terms thereof.

"Net Proceeds" means the face amount of the Series 1998 Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds deposited in the Series 1998 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 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.

"Nonpurpose Investment" means any investment property which is acquired with the gross proceeds of the Series 1998 Bonds and is not acquired in order to carry out the governmental purpose of the Series 1998 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 fiscal agents, the Depository Bank, the Registrar and the Paying Agent, other than those capitalized as part of the costs, payments to pension or retirement funds, taxes and such other reasonable operating costs and expenses as should normally and regularly be included under generally accepted accounting principles; provided, that "Operating Expenses" does not include payments on account of the principal of or redemption premium, if any, or interest on the Bonds, charges for depreciation, losses from the sale or other disposition of, or any decrease in the value of, capital assets, amortization of debt discount or such miscellaneous deductions as are applicable to prior accounting periods.

"Ordinance" means this Ordinance and all ordinances, orders and resolutions supplemented hereto or amendatory hereof.

"Original Purchaser" means, collectively Ferris Baker Watts, Inc., Charleston, West Virginia, and Crews & Associates, Inc., Little Rock, Arkansas, as the purchasers of the Series 1998 Bonds directly from the Issuer, or, if the Issuer and such Original Purchaser do not agree to the purchase of the Series 1998 Bonds with interest rates and other terms allowable under the Act, such other person or persons, firm or firms, bank or banks, corporation or corporations or such other entity or entities as shall purchase the Series 1998 Bonds 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 1998 Bonds, as hereinafter defined, including the exact principal amount thereof and interest rate or rates thereon as fixed by said supplemental resolution to be adopted by the Council at the time of approval of such sale of said Series 1998 Bonds.

"Outstanding," when used with reference to the Bonds or Prior Bonds and as of any particular date, describes all Bonds or Prior 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 or Prior Bonds for the purpose of consents, notices and the like, any Bond or Prior Bond registered to the Issuer. Notwithstanding the foregoing, in the event that the Bond Insurer has paid principal of and/or interest on any Bond, such Bond shall be deemed to be Outstanding until such time as the Bond Insurer has been reimbursed in full.

"Paying Agent" means the Registrar or any other Paying Agent designated as such for the Series 1998 Bonds in the Supplemental Resolution, and any successor thereto, appointed in accordance with Section 8.12 hereof.

"Prior Bonds" means the Issuer's Waterworks Refunding Revenue Bonds, Series 1997, dated June 1, 1997, issued in the original aggregate principal amount of $10,260,000.

"Prior Ordinance" means the bond ordinance enacted by the Issuer on April 8, 1997, and a supplemental resolution adopted by the Issuer on June 5, 1997, authorizing the Prior Bonds.

"Private Business Use" means use (directly or indirectly) in a trade or business carried on by any person other than a governmental unit; provided that use as a member of the general public shall not be taken into account.

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

"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 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 Bonds are privately placed, the price paid by the first buyer of the 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 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, collectively, the Qualified Investments defined in the Prior Ordinance, with such modifications as set forth in the Supplemental Resolution.

"Rebate Fund" means the Rebate Fund created by Section 4.01 hereof.

"Record Date" means the day of the month which shall be so stated in the Series 1998 Bonds, 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 1998 Bonds or any other Bonds of the Issuer called for redemption.

"Redemption Price" means the price at which the Prior Bonds, the Series 1998 Bonds or any other Bonds of the Issuer may be called for redemption and includes the principal amount of such Bonds to be redeemed, plus interest and the premium, if any, required to be paid to effect such redemption.

"Registrar" means the bank to be designated in the Supplemental Resolution as the Registrar for the Series 1998 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 Ordinance and continued hereby.

"Series 1998 Bonds" means the Water Revenue Bonds, Series 1998, of the Issuer, originally authorized to be issued pursuant to this Ordinance and the Supplemental Resolution.

"Series 1998 Bonds Redemption Account" means the Series 1998 Bonds Redemption Account created by Section 4.02 hereof.

"Series 1998 Bonds Reserve Account" means the Series 1998 Bonds Reserve Account created by Section 4.02 hereof.

"Series 1998 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 Bonds in any year.

"Series 1998 Bonds Sinking Fund" means the Series 1998 Bonds Sinking Fund created by Section 4.02 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 and other terms of the Series 1998 Bonds, authorizing the sale of the Series 1998 Bonds to the Original Purchaser and setting forth provisions specific to the Bond Insurer, if any; 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, collectively, the complete existing municipal waterworks 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.

"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 1.04. Ordinance Constitutes Contract. In consideration of the acceptance of the Series 1998 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 such Bondholders 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 to exceed $31,000,000, in accordance with the plans and specifications prepared or to be prepared by the Consulting Engineers.

ARTICLE III

THE SERIES 1998 BONDS

Section 3.01. Form and Payment of Bonds. No Series 1998 Bond shall be issued pursuant to this Ordinance except as provided in this Article III. Any Series 1998 Bonds issued pursuant to this Ordinance, may be issued only as fully registered Bonds without coupons, in the denomination of $5,000 or any integral multiple thereof for any year of maturity. All Series 1998 Bonds shall be dated as of the date provided in a Supplemental Resolution applicable to such series. All Series 1998 Bonds shall bear interest from the interest payment date next preceding the date of authentication or, if authenticated after the Record Date but prior to the applicable interest payment date or on such interest payment date, from such interest payment date or, if no interest on such Bonds has been paid, from the date thereof; provided however, that, if, as shown by the records of the Registrar, interest on such Bonds shall be in default, Bonds issued in exchange for Bonds surrendered for transfer or exchange shall bear interest from the date to which interest has been paid in full on the initial Bonds surrendered, all as shall be set forth in the Bonds.

The principal of and the premium, if any, on the Series 1998 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 1998 Bonds shall be paid by check or draft made payable and mailed to the Holder thereof at his address as it appears in the Bond Register at the close of business on the Record Date, or, if requested, in the case of a Registered Owner of $500,000 or more of the Bonds, by wire transfer to a domestic bank account specified in writing at least 5 days prior to the Record Date by such Registered Owner.

In the event any Bond is redeemed in part, such bond shall be surrendered to and canceled by the Registrar, and the Issuer shall execute, and the Registrar shall authenticate and deliver to the Holder thereof, another Bond in the principal amount of said Bond then Outstanding.

Section 3.02. Execution of Bonds. The Series 1998 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 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 Bonds shall cease to be such officer of the Issuer before the Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Bonds may be signed

and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.03. Authentication and Registration. No Series 1998 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 - BOND FORM attached hereto and incorporated herein by reference with respect to the Series 1998 Bonds, shall have been duly manually executed by the Registrar. Any such manually executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Ordinance. The Certificate of Authentication and Registration on any Bond shall be deemed to have been executed by the Registrar if signed by an authorized officer of the Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

Section 3.04. Negotiability and Registration. Subject to the requirements for transfer set forth below, the Series 1998 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 1998 Bonds remains Outstanding, the Registrar shall keep and maintain books for the registration and transfer of the Bonds. Bonds shall be transferable only by transfer of registration upon the Bond Register by the registered owner thereof in person or by his attorney or legal representative duly authorized in writing, upon surrender thereof, together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or such duly authorized attorney or legal representative. Upon transfer of a Bond, there shall be issued at the option of the Holder or the transferee another Bond or Bonds of the aggregate principal amount equal to the unpaid amount of the transferred Bond and of the same series, interest rate and maturity of said transferred Bond.

Upon surrender thereof at the office of the Registrar with a written instrument of transfer satisfactory to the Registrar and duly executed by the registered owner or his attorney or legal representative duly authorized in writing, Bonds may at the option of the Holder thereof be exchanged for an equal aggregate principal amount of Bonds of the same series, maturity and interest rate, in any authorized denominations.

In all cases in which the privilege of transferring or exchanging a Bond is exercised, Bonds shall be delivered in accordance with the provisions of this Ordinance. All Bonds surrendered in any such transfer or exchange shall forthwith be canceled by the Registrar. Transfers of Bonds, the initial exchange of Bonds and exchanges of Bonds in the event of partial redemption of fully registered Bonds shall be made by the Registrar without charge to the Holder or the transferee thereof, except as provided below. For other exchanges of Bonds, the Registrar may impose a service charge. For every such transfer or exchange of bonds, the Registrar may make a charge sufficient to reimburse its office for any tax or other governmental charge required to be paid with respect to such transfer or exchange, and such tax or governmental charge, and such service charge for exchange other than the initial exchange or in the event of partial redemption, shall be paid by the person requesting such transfer or exchange as a condition precedent to the exercise of the privilege of making such transfer or exchange. The Registrar shall not be obliged to make any such transfer or exchange of Bonds that have been called for redemption.

Section 3.05. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Series 1998 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 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 Gross Revenues pledged herein with all other Bonds issued hereunder.

Section 3.06. Term Bonds. In the event Term Bonds are 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 1998 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 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 1998 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 Series 1998 Bonds Sinking Fund), as will exhaust as nearly as practicable the Series 1998 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 Holder of the Series 1998 Bonds to be redeemed, official notice of any redemption shall be given by the Registrar on behalf of the Issuer by mailing a copy of an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Bond Insurer, the Original Purchaser and the registered owner of the Series 1998 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.

So long as DTC (as CEDE & CO.) is the registered Owner of the Series 1998 Bonds, the Registrar shall send all notices of redemption to DTC and shall verify that DTC has received notice. Copies of all redemption notices relating to optional redemption of the Series 1998 Bonds 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 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 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 Bonds called for redemption of such fact.

Official notice of redemption having been given as aforesaid, the Series 1998 Bonds or portions of Bonds so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Issuer shall default in the payment of the Redemption Price) such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Registrar at the Redemption Price. Installments of interest due on or prior to the Redemption Date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Bond, there shall be prepared for the registered owner a new Bond or Bonds of the same maturity in the amount of the unredeemed principal of such Bond. All Bonds which have been redeemed shall be canceled and destroyed by the Registrar and shall not be reissued.

Failure to receive such notice or any defect therein or in the mailing thereof shall not affect the validity of proceedings for the redemption of Bonds, and failure to mail or otherwise send such notice shall not affect the validity of proceedings for the redemption of any portion of Bonds for which there was no such failure.

Section 3.08. Persons Treated as Owners. The Issuer, the Registrar and any agent of the Issuer or the Registrar may treat the person in whose name any Bond is registered as the owner of such Bond for the purpose of receiving payment of the principal of, and interest on, such Bond and for all other purposes, whether or not such Bond is overdue.

Section 3.09. Temporary Bonds. Until Bonds of any series in definitive form are ready for delivery, the Issuer may execute and the Registrar shall authenticate, register, if applicable, and deliver, subject to the same provisions, limitations and conditions set forth in this Article III, one or more printed, lithographed or typewritten Bonds in temporary form, substantially in the form of the definitive Bonds of such series, with appropriate omissions, variations and insertions, and in authorized denominations. Until exchanged for Bonds in definitive form, such Bonds in temporary form shall be entitled to the lien and benefit created under this 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. Authorization of Bonds. For the purposes of paying Costs of the Project not otherwise provided for, capitalizing interest on the Series 1998 Bonds, funding the Series 1998 Bonds Reserve Account and paying costs of issuance and related costs, there shall be and hereby are authorized to be issued the Series 1998 Bonds of the Issuer, in an aggregate principal amount of not more than $31,000,000. The Series 1998 Bonds may be issued from time to time in one or more series as shall be determined by the Issuer. The Series 1998 Bonds shall be designated "City of Fairmont (West Virginia) Water Revenue Bonds, Series 1998". In the event a portion of the Series 1998 Bonds are issued in a subsequent year, they shall bear an appropriate series designation relating to such year. The Series 1998 Bonds 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 1998 Bonds maturing in the year of maturity for which the denomination is to be specified. The Series 1998 Bonds shall be numbered from R-1 consecutively upward (with appropriate series designation). The Series 1998 Bonds 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 for Bonds. A. The Series 1998 Bonds shall initially be issued in the form of one fully-registered bond for the aggregate principal amount of the Series 1998 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 1998 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 1998 Bonds be registered in the name of a different nominee, the Registrar shall exchange all or any portion of the Series 1998 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 1998 Bond or any other evidence of ownership of the Series 1998 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 1998 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 1998 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 1998 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 1998 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 1998 Bonds to the extent of the sum or sums so paid. In the event of the redemption of less than all of the Series 1998 Bonds Outstanding of any maturity, the Registrar shall not require surrender by DTC of the Series 1998 Bonds so redeemed, but DTC may return such Series 1998 Bonds and make an appropriate notation on the Series 1998 Bond certificate as to the amount of such partial redemption; provided that DTC shall deliver to the Registrar, upon request, a written confirmation of such partial redemption. The records maintained by the Registrar shall be conclusive as to the amount of the Series 1998 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 1998 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 1998 Bonds, selecting the Series 1998 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 1998 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 1998 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 1998 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 1998 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 1998 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 1998 Bonds may be discontinued at any time if either: (i) DTC determines to resign as securities depository for the Series 1998 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 1998 Bonds. In either of such events (unless in the case described in clause (ii) above, the Issuer appoints a successor securities depository), the Series 1998 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 1998 Bonds.

Section 3.12. Delivery of Bonds. The Issuer shall execute and deliver the Series 1998 Bonds to the Registrar, and the Registrar shall authenticate, register and deliver the Series 1998 Bonds 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 1998 Bonds 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 1998 Bonds to DTC for the benefit of the Original Purchaser;

(C) Copies of this Ordinance and the Supplemental Resolution certified by the Clerk;

(D) The unqualified approving opinion of Bond Counsel regarding the Series 1998 Bonds; and

(E) A copy of such other documents and certificates as the Original Purchaser may reasonably require.

Section 3.13. Form of Bonds. The definitive Series 1998 Bonds shall be in substantially the form set forth in EXHIBIT 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 1998 Bonds on behalf of the Issuer and execution thereof by such officers shall constitute conclusive evidence of such approval, and the definitive Series 1998 Bonds shall have the form of the opinion of Steptoe & Johnson, as Bond Counsel, attached thereto or printed on the reverse thereof.

Section 3.14. Disposition of Proceeds of Bonds. Upon the issuance and delivery of the Series 1998 Bonds, the Issuer shall forthwith deposit the proceeds thereof as follows:

A. All interest accrued on the Series 1998 Bonds from the date thereof to the date of delivery thereof shall be deposited in the Series 1998 Bonds Sinking Fund and applied to payment of interest on the Series 1998 Bonds at the first interest payment date.

B. An amount of the proceeds of the Series 1998 Bonds equal to the Series 1998 Bonds Reserve Requirement shall be remitted to the Bond Commission for deposit in the Series 1998 Bonds Reserve Account, provided that, to the extent the Series 1998 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 1998 Bonds shall be deposited in the Series 1998 Bonds Reserve Account only to the extent needed to satisfy the balance of the Series 1998 Bonds Reserve Requirement.

C. An amount of the proceeds of the Series 1998 Bonds necessary to pay costs of issuance 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 1998 Bonds at the written direction of the Issuer. All such costs of issuance shall be paid within 60 days of the Closing Date. Moneys 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 6 months after the Closing Date, such unapplied proceeds shall be transferred by the Issuer to the Series 1998 Bonds Redemption Account. All such proceeds shall constitute a trust fund for such purposes, and there is hereby created a lien upon such moneys until so applied in favor of the Holders of the Series 1998 Bonds.

D. The balance of the proceeds of the Series 1998 Bonds shall be deposited with the Depository Bank in the Construction Fund and shall be drawn out, used and applied by the Issuer solely to pay Costs of the Project at the written direction of the Issuer. Moneys not to be applied immediately to pay such Costs of the Project may be invested in accordance with this Ordinance, subject however, to applicable yield restrictions as may be in effect under the Code. All such proceeds shall constitute a trust fund for such purposes, and there is hereby created a lien upon such moneys until so applied in favor of the Holders of the Series 1998 Bonds.

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 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) Depreciation Fund (established by Prior Ordinance);

(3) Construction Fund;

(4) Costs of Issuance Fund; and

(5) Rebate 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 Ordinance) 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 1997 Bonds Sinking Fund (established by Prior Ordinance);

(2) Within the Series 1997 Bonds Sinking Fund, the Series 1997 Bonds Reserve Account (established by Prior Ordinance);

(3) Within the Series 1997 Bonds Sinking Fund, the Series 1997 Bonds Redemption Account (established by Prior Ordinance);

(4) Series 1998 Bonds Sinking Fund;

(5) Within the Series 1998 Bonds Sinking Fund, the Series 1998 Bonds Reserve Account; and

(6) Within the Series 1998 Bonds Sinking Fund, the Series 1998 Bonds Redemption Account.

Section 4.03. 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 in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in this Ordinance and shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner herein provided.

(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 Series 1997 A Bonds Sinking Fund, the amount required by the Prior Ordinance to pay the interest on and principal of the Prior Bonds; (ii) commencing 6 months prior to the first interest payment date of the Series 1998 Bonds, for deposit in the Series 1998 Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on the Series 1998 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 1998 Bonds Sinking Fund and the next ensuing semiannual interest payment date is more or less than 6 months, then such monthly payments shall be decreased or increased proportionately to provide, 1 month prior to the next ensuing semiannual interest payment date, the required amount of interest coming due on such date; provided further that, the initial amount required to be transferred from the Revenue Fund and deposited in the Series 1998 Bonds Sinking Fund shall be reduced by the amount of accrued interest on the Series 1998 Bonds deposited therein; and (iii) commencing 12 months prior to the first principal payment date or mandatory Redemption Date of the Series 1998 Bonds, for deposit in the Series 1998 Bonds Sinking Fund and in the Series 1998 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 of principal which will mature or be redeemed and become due on the Series 1998 Bonds on the next ensuing annual principal payment date or mandatory Redemption Date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1998 Bonds Sinking Fund and the next ensuing annual principal payment date or mandatory Redemption Date is more or less than 12 months, then such monthly payments shall be decreased or increased proportionately to provide, 1 month prior to the next ensuing annual principal payment date or mandatory Redemption Date, the required amount of principal 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 Bond Commission (i) for deposit in the Series 1997 Bonds Reserve Account, the amount required by the Prior Ordinance; and (ii) for deposit in the Series 1998 Bonds Reserve Account, an amount sufficient to remedy any decrease in value of the

Series 1998 Bonds Reserve Account below the Series 1998 Bonds Reserve Requirement or any withdrawal from the Series 1998 Bonds Reserve Account, beginning with the first full calendar month following the date on which (i) the valuation of investments in the Series 1998 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 1998 Bonds Reserve Account is less than the Series 1998 Bonds Reserve Requirement, or (ii) any amount is withdrawn from the Series 1998 Bonds Reserve Account for deposit into the Series 1998 Bonds Sinking Fund. To the extent Gross Revenues and any other legally available funds are available therefor, the amount so deposited shall be used to restore the amount of moneys on deposit in the Series 1998 Bonds Reserve Account to an amount equal to the Series 1998 Bonds Reserve Requirement to the full extent that such Gross Revenues are available; provided however, that if the shortfall in the Series 1998 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 1998 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 1998 Bonds Reserve Account whenever and as long as the amount on deposit therein shall be equal to the Series 1998 Bonds Reserve Requirement.

Amounts in the Series 1998 Bonds Reserve Account shall be used only for the purpose of making payments of principal of and interest on the Series 1998 Bonds when due, when amounts in the Series 1998 Bonds Sinking Fund are insufficient therefor and for no other purpose.

(3) The Issuer shall next, each month, pay from the Revenue Fund the Operating Expenses of the System.

(4) The Issuer shall next, each month, from the moneys remaining in the Revenue Fund, transfer to the Depreciation Fund (as previously set forth in the Prior Ordinance 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 Depreciation Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII hereof. Withdrawals and disbursements may be made from the Depreciation Fund for replacements, emergency repairs, improvements or extensions to the System; provided, that any deficiencies in any reserve account (except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof) shall be promptly eliminated with moneys from the Depreciation Fund.

Moneys in the Series 1998 Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest on the Series 1998 Bonds as the same shall become due. Moneys in the Series 1998 Bonds Reserve Account shall be used only for the purpose of paying principal of and interest on the Series 1998 Bonds, as the same shall come due, when other moneys in the Series 1998 Bonds Sinking Fund are insufficient therefor, and for no other purpose except for permitted transfers to the Rebate Fund.

Except to the extent transferred to the Rebate Fund at the request of the Issuer, all investment earnings on moneys in the Series 1998 Bonds Sinking Fund and the Series 1998 Bonds Reserve Account shall be returned, not less than once each year, by the Bond Commission to the Issuer, and such amounts shall, during construction of the Project, be deposited in the Construction Fund, and following completion of construction of the Project, shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payment due on the Bonds, and then to the next ensuing principal payment due thereon.

Except with respect to transfers to the Rebate Fund, any withdrawals from the Series 1998 Bonds Reserve Account which result in a reduction in the balance of the Series 1998 Bonds Reserve Account to below the Series 1998 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 parity Bonds.

The Issuer shall not be required to make any further payments into the Series 1998 Bonds Sinking Fund or the Series 1998 Bonds Reserve Account when the aggregate amount of funds therein are at least equal to the aggregate principal amount of the Bonds issued pursuant to this Bond Legislation then Outstanding and all interest to accrue until the maturity thereof.

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 and the Series 1998 Bonds, in accordance with the respective principal amounts then Outstanding.

The Bond Commission is hereby designated as the fiscal agent for the administration of the Series 1998 Bonds Sinking Fund, the Series 1998 Bonds Reserve Account and the Series 1998 Bonds Redemption Account created hereunder, and all amounts required for said accounts shall be remitted to the Bond Commission from the Revenue Fund by the Issuer at the times provided herein.

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 Bond Commission the required principal, interest and reserve payments with respect to the Series 1998 Bonds, 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 Bond Legislation.

Moneys in the Series 1998 Bonds Sinking Fund, the Series 1998 Bonds Reserve Account and the Series 1998 Bonds Redemption Account shall be invested and reinvested by the Bond Commission in accordance with Section 8.01 hereof.

Except with respect to transfers to the Rebate Fund, the Series 1998 Bonds Sinking Fund, including the Series 1998 Bonds Reserve Account therein, shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 1998 Bonds 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 the Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into such funds during the following month or such other period as required by law, such excess shall be considered Surplus Revenues. Surplus Revenues may be used for any lawful purpose of the System.

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

D. The moneys in excess of the sum insured by the maximum amounts insured by FDIC in the Revenue Fund, the Depreciation Fund and the Rebate 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 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.

F. 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.

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

Section 4.04. Reserve Account Letter of Credit or Surety Bond. In lieu of funding the Series 1998 Bonds Reserve Account with cash or Qualified Investments, the Series 1998 Bonds Reserve Requirement may be satisfied by the deposit by the Issuer into the Series 1998 Bonds Reserve Account of a reserve account letter of credit, a surety bond, or other credit facility satisfactory to the Bond Insurer in an amount at least equal to the Series 1998 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 Bond Insurer and the execution and delivery of any applicable reimbursement agreement or note in such forms as shall be described in the Supplemental Resolution; provided that, if there is no Bond Insurer, then a reserve account letter of credit, a surety bond, or other credit facility satisfactory to the Original Purchaser.

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 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 (unless otherwise required by the Bond Insurer and as set forth in the Supplemental Resolution):

(A) Qualified Investments acquired for the Series 1998 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 semiannually transfer from the Series 1998 Bonds Reserve Account to the Series 1998 Bonds Sinking Fund, any earnings on the moneys deposited therein and any other funds in excess of the Series 1998 Bonds Reserve Requirement; provided, however, that there shall at all times remain on deposit in the Series 1998 Bonds Reserve Account an amount at least equal to the Series 1998 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 1998 Bonds Reserve Account, whereupon it shall be valued immediately after such withdrawal. If amounts on deposit in the Series 1998 Bonds Reserve Account shall, at any time, be less than the Series 1998 Bonds Reserve Requirement, the 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 Series 1998 Bonds Sinking Fund and otherwise in accordance with Section 4.03 hereof.

(D) All amounts representing accrued and capitalized interest shall be held by the Bond Commission, pledged solely to the payment of interest on the Series 1998 Bonds and invested only in Government Obligations maturing at such times and in such amounts as are necessary to match the interest payments to which they are pledged.

(E) Notwithstanding the foregoing, all moneys deposited in the Series 1998 Bonds Sinking Fund may be invested by the Bond Commission in the West Virginia "consolidated fund" managed by the West Virginia Investment Management Board pursuant to Chapter 12, Article 6 of the West Virginia Code of 1931, as amended.

Section 5.02. Arbitrage. The Issuer covenants that (i) it will restrict the use of the proceeds of the Series 1998 Bonds in such manner and to such extent as may be necessary, so that the Series 1998 Bonds will not constitute "arbitrage bonds" under Section 148 of the Code and Regulations prescribed thereunder, and (ii) it will take all actions that may be required of it (including, without implied limitation, the timely filing of a federal information return with respect to the Series 1998 Bonds) so that the interest on the Series 1998 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. 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 1998 Bonds. In addition, the Issuer covenants to comply with all Regulations from time to time in effect and applicable to the Series 1998 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 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 at the time and the address prescribed by the Regulations as the same may be in effect from time to time 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 interest 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 1998 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.

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 Depreciation 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 Depreciation Fund. Payment of such proceeds into the Depreciation Fund shall not reduce the amounts required to be paid into said fund by other provisions of 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 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, pledge and source of and security for payment from such Revenues and in all other respects to the Bonds; provided that, no such subordinate obligations shall be issued unless all payments required to be made into all funds and accounts set forth herein have been made and are current at the time of issuance of such subordinate obligations.

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 Bonds, and the

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 1998 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 1998 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 1998 Bonds or the interest thereon, are Outstanding and unpaid.

Section 6.02. Bonds not to be Indebtedness of the Issuer. The Series 1998 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 1998 Bonds Sinking Fund and the Series 1998 Bonds Reserve Account therein and the unexpended proceeds of the Series 1998 Bonds, all as herein provided. No Holder or Holders of the Series 1998 Bonds issued hereunder shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Series 1998 Bonds or the interest thereon.

Section 6.03. Bonds Secured by Pledge of Gross Revenues; Lien Position with Respect to Prior Bonds. The payment of the debt service of all of the Series 1998 Bonds issued hereunder shall be secured forthwith equally and ratably with each other by a first lien on the Gross Revenues derived from the System, on a parity with the lien on the Gross Revenues in favor of the Holders of the Prior Bonds and all moneys in the Series 1998 Bonds Sinking Fund, including the Series 1998 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 1998 Bonds and to make the payments into all funds and accounts 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 1998 Bonds 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 1998 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 City Clerk of the Issuer, which copy 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

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 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 the Bond Insurer, within 120 days following the end of each Fiscal Year, and shall mail to any Bondholder 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 Bonds 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, the Bond Insurer and to any Bondholder or anyone acting for and in behalf of such Bondholder who requests the same.

Section 6.15. Statutory Mortgage Lien. For the further protection of the Holders of the Series 1998 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 1998 Bonds and shall be on a parity with the statutory mortgage lien in favor of the Holders of the Prior Bonds.

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 1998 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 Bonds during the term thereof is, under the terms of the Series 1998 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 1998 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 Bonds during the term thereof is, under the terms of the Series 1998 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 System, or if the Series 1998 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 1998 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 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 1998 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 1998 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. Covenants Regarding the Municipal Bond Insurance Policy. The Issuer may apply for a Municipal Bond Insurance Policy for the Series 1998 Bonds. In the event such a Municipal Bond Insurance Policy is obtained, certain additional covenants of the Issuer may be required by the Bond Insurer as a condition to insuring the Series 1998 Bonds. These additional covenants shall be set forth in full in the Supplemental Resolution, shall apply to the Series 1998 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 1998 Bonds:

(A) If default occurs in the due and punctual payment of the principal of or interest on the Series 1998 Bonds; 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 1998 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

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

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

Section 7.02. Enforcement. Upon the happening and continuance of any Event of Default, any Bondholder 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 Bondholders, including the right to require the Issuer to perform its duties under the Act and this Ordinance; (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 Bondholders; and (v) by action or bill in equity enjoin any acts in violation of this Ordinance or the rights of the Bondholders; provided that, all rights and remedies of the Holders of the Series 1998 Bonds shall be on a parity with the Holders of the Prior Bonds.

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 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 if the defaulted Bonds are insured) 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 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 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 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.

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 1998 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 Series 1998 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 1998 Bonds by the Issuer. Notwithstanding the foregoing, the Registrar shall be responsible for any representation in its Certificate of Authentication and Registration on the Series 1998 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 Bonds, the first exchange of Bonds and the exchange of Bonds in the event of partial redemption, incurred in the performance of its duties hereunder.

Section 8.05. Certain Permitted Acts. The Registrar may become the owner of or may deal in Bonds as fully and with the same rights it would have if it were not Registrar. To the extent permitted by law, the Registrar may act as depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or effect or aid in any reorganization growing out of the enforcement of the Series 1998 Bonds or this Ordinance, whether or not any such committee shall represent the Holders of a majority in principal amount of the Series 1998 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 Bond Insurer or by the Holders of a majority in principal amount of the Series 1998 Bonds then Outstanding by an instrument or concurrent instruments in writing signed and duly acknowledged by the Issuer, the 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 1998 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 moneys, 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 1998 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 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 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 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 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 Holders of all Series 1998 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 Holders of the Series 1998 Bonds made hereunder, shall thereupon cease, terminate and become void and be discharged and satisfied, except as may be necessary to assure the exclusion of interest on the Series 1998 Bonds from gross income for federal income tax purposes.

Bonds for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide 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 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 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 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 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, 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 1998 Bonds, this Ordinance may be amended or supplemented in any way by the Supplemental Resolution. All provisions required by the Bond Insurer, if any, shall be set forth in the Supplemental Resolution and to the extent they constitute an amendment or modification of this Ordinance, shall be controlling. Following issuance of the Series 1998 Bonds, this Ordinance and any Supplemental Resolution may be amended or modified without the consent of any Bondholder or other person, solely for the purpose of maintaining the tax-exempt status of the Series 1998 Bonds, provided that, in the event any of the Series 1998 Bonds are insured, no such amendment or modification which adversely affects the security for such Bonds or the rights of the applicable Bond Insurer for such 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 Holders of 60% in aggregate principal amount of the Bonds then Outstanding and affected thereby and the Bond Insurer, 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 Bond without the express written consent of the Holder of such Bond, nor reduce the percentage of 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 acknowledgements of deeds to be recorded in the jurisdiction in which he purports to act that the person signing such instrument acknowledged to him the execution thereof, or by the affidavit of a witness of such execution, duly sworn to before such a notary public or other officer or (ii) by the certificate, which need not be acknowledged or verified, of an officer of a bank, a trust company or a financial firm or corporation satisfactory to the

Issuer or the Registrar, as the case may be, that the person signing such instrument acknowledged to such bank, trust company, firm or corporation the execution thereof.

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

C. The amount of fully registered Bonds held by a person executing any instrument as a Bondholder, the date of his holding such Bonds and the numbers and other identification thereof, shall be confirmed by the Bond Register.

Any request, consent or other instrument executed by the Holder of any Bond shall bind all future Holders and owners of such Bond in respect of anything done or suffered to be done hereunder by the Issuer or the Registrar in accordance therewith.

Section 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 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 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 moneys held by the Bond Commission or a Paying Agent in trust for the payment and discharge of any of the Bonds which remain unclaimed for 1 year after the date on which such Bonds have become due and payable, whether by maturity or upon call for redemption, shall at the written request of the Issuer be paid by the Bond Commission or said Paying Agent to the Issuer as its absolute property and free from trust, and the Bond Commission or said Paying Agent shall thereupon be released and discharged with respect thereto, and the Holders of such Bonds shall look only to the Issuer for the payment of such Bonds; provided, however, that, before making any such payment to the Issuer, the Registrar, if so advised by the Bond Commission, or said Paying Agent

shall send to the Holder, at the address listed on the Bond Register, by certified mail, a notice that such 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 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 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:

ISSUER

City of Fairmont
City Hall
200 Jackson Street
Fairmont, West Virginia 26555

REGISTRAR AND PAYING AGENT

[Name(s) and address(es) to be set forth in
Supplemental Resolution]

DEPOSITORY BANK

[Name(s) and address(es) to be set forth in
Supplemental Resolution]

ORIGINAL PURCHASER

Ferris Baker Watts, Inc.
170 Laidley Tower
500 Lee Street, East
Charleston, West Virginia 25301

and

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 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 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 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 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 Holders of the 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 that, in the event of any conflict between this Ordinance and the Prior Ordinance, the Prior Ordinance shall control (unless less restrictive), so long as the Prior Bonds are Outstanding.

Section 10.13. 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. 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 Times-West Virginian, a qualified newspaper published and of general circulation in the City of Fairmont, together with a notice stating that this Ordinance has been adopted and that the Issuer contemplates the issuance of the Bonds, and that any person interested may appear before 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: October 20, 1998

Passed on Second Reading: October 27, 1998

Passed on Third Reading
Following Public Hearing: November 10, 1998

Mayor

City Manager

ATTEST:

City Clerk

CERTIFICATION

Certified a true, correct and complete copy of an Ordinance duly enacted by the Council of the CITY OF FAIRMONT on November 10, 1998.

Dated this 30th day of December, 1998.

[SEAL]

Janet L. Keller

City Clerk

CERTIFICATION

Certified a true, correct and complete copy of an Ordinance duly enacted by the Council of the CITY OF FAIRMONT on November 10, 1998.

Dated this 14th day of January, 1999.

[SEAL]

Janet L. Keller
City Clerk

EXHIBIT A - BOND FORM

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to Issuer or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

No. R-_____ $_____

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF FAIRMONT
(WEST VIRGINIA)
WATER REVENUE BOND,
SERIES 1998

INTEREST RATE	MATURITY DATE	BOND DATE	CUSIP NO.

REGISTERED OWNER: _____

PRINCIPAL AMOUNT: _____

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF FAIRMONT, 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, 199___ (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 same meanings set forth 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 $500,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to a domestic bank account specified in writing by the Registered Owner to the Paying Agent at least 5 days prior to such Record Date. Principal and premium, if any, shall be paid when due upon presentation and surrender of this Bond for payment at the principal corporate trust office of the Paying Agent, in _____, West Virginia.

This Bond is one of an issue of a series of bonds, in the aggregate principal amount of $_____ designated "City of Fairmont (West Virginia) Water Revenue Bonds, Series 1998" (the "Bonds"), of like tenor and effect, except as to number, denomination, date of maturity and interest rate, dated _____, 199___, the proceeds of which are to be used to (i) finance the costs of acquisition and construction of certain additions, betterments and improvements to the waterworks system of the Issuer; (ii) fund a reserve account for the Bonds; and (iii) pay costs of issuance hereof 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 19 of the West Virginia Code of 1931, as amended (collectively, the "Act"), and an ordinance duly enacted by the council of the Issuer on _____, 199___, as supplemented by a supplemental resolution duly adopted by the council on _____, 199___ (collectively, the "Ordinance"), and is subject to all the terms and conditions of the 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 Fairmont, West Virginia.

This Bond is 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 _____.

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

(B) Mandatory Sinking Fund Redemption. The Bonds maturing _____, 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.

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 WATERWORKS REFUNDING REVENUE BONDS, SERIES 1997, DATED JUNE 1, 1997, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $10,260,000 (THE "PRIOR BONDS").

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 1998 Bonds Sinking Fund and the Series 1998 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 1998 Bonds Sinking Fund and the Series 1998 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 120% 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 pay all costs of the Project, fund a reserve account for the Bonds and pay all 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 or county commission, 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, CITY OF FAIRMONT (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 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, 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.

STATEMENT OF INSURANCE

10/19/98
268460/98001

CITY OF FAIRMONT
(WEST VIRGINIA)

ORDINANCE AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING PUBLIC WATERWORKS SYSTEM OF THE CITY OF FAIRMONT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE CITY OF NOT MORE THAN $31,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 1998; 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 RELATING THERETO.

BE IT ORDAINED AND ENACTED BY THE COUNCIL OF THE CITY OF FAIRMONT:

ARTICLE I

STATUTORY AUTHORITY; FINDINGS AND DEFINITIONS

Section 1.01. Authority for this Ordinance. This Ordinance (together with any ordinance, order or resolution supplemental hereto or amendatory hereof, the "Bond Legislation") is enacted pursuant to the provisions of Chapter 8, Article 19 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 Fairmont (the "Issuer") is a municipal corporation and political subdivision of the State of West Virginia in Marion County of said State.

B. The Issuer presently owns and operates a public waterworks system. However, it is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer that there be acquired and constructed certain additions, betterments and

sufficient to make the prescribed payments into the funds and accounts created hereunder. Such schedule 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 of rates or charges from time to time in effect shall be sufficient (i) to pay all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 120% of the maximum amount required in any year for payment of principal of and interest on the Series 1998 Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Series 1998 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. For purposes of this test, the terms "Gross Revenues" and "Net Revenues" shall not include proceeds from the sale of capital assets.

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 Issuer 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 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 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 Ordinance. Additionally, so long as the Series 1998 Bonds are Outstanding, the System may not be sold, mortgaged, leased or otherwise disposed of, except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to fully pay all the Bonds Outstanding, or to defease the pledge created by this Ordinance and the Prior Ordinance. 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 1998 Bonds Sinking Fund and the Series 1997 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 Gross Revenues of the System.

interest thereon, upon any of the income and Gross Revenues of the System pledged for payment of the Bonds and the interest thereon in this Ordinance or upon the System or any part thereof.

Section 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 Ordinance 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 purposes of financing the costs of the design, acquisition and construction of additions, betterments or improvements to the System, refunding all or a portion of the Bonds issued pursuant hereto, to pay claims which may exist against the revenues or facilities of the System or all of such purposes.

No such additional parity Bonds shall be issued at any time, however, unless and until there has been procured and filed with the City Clerk of the Issuer a written statement by Independent Accountants, reciting the conclusion that the Net Revenues actually derived, subject to the adjustments hereinafter provided, from the System during the Fiscal Year preceding the date of the actual issuance of such additional parity Bonds, plus the estimated average increased annual Net Revenues to be received in each of the three succeeding years after the date of issuance of such parity Bonds, shall not be less than 120% 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 Series 1998 Bonds and the Prior Bonds then Outstanding;

(2) Any additional parity Bonds theretofore issued pursuant to the provisions contained in this Ordinance then Outstanding; and

(3) 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 required in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from any increase in rates enacted by the Issuer, the time for appeal of which shall have expired (without successful appeal) prior to the issuance of such additional parity Bonds, provided that, in the event the implementation of such 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 is, by the terms of the ordinance providing for such increase in rates, deferred pending completion of the acquisition and construction of any additions, betterments or improvements for the System, and further provided, that the debt service on such additional parity Bonds during such construction period is payable from proceeds of such additional parity Bonds deposited in the Sinking Fund held by the Bond Commission, 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, may be assumed to mean "estimated average increased annual Net Revenues to be received in each of the 3 succeeding years commencing on the date of completion of such acquisition and construction."

The Net Revenues actually derived from the System during the preceding Fiscal Year 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, 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. For purposes of this test, the terms "Gross Revenues" and "Net Revenues" shall not include proceeds from the sale of capital assets.

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 1998 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 1998 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 the 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 of which on the Gross Revenues of the System is subject to the prior and superior lien of the Bonds on such Gross Revenues. The Issuer shall not issue any obligations whatsoever payable from the Gross 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 Gross Revenues, with the Bonds except in the manner and under the conditions provided in this section.

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 Ordinance with respect to the Bonds then Outstanding, and any other payments provided for in this Ordinance, shall have been made in full as required to the date of issuance of the additional parity Bonds.

Section 6.09. Insurance and Bonds. The Issuer hereby covenants and agrees, that so long as the Bonds remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance 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 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.

CITY OF FAIRMONT
(WEST VIRGINIA)

WATER REVENUE BONDS, SERIES 1998
and
WATER REVENUE BONDS, SERIES 1999

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO AMOUNT, MATURITIES, INTEREST RATES, REDEMPTION PROVISIONS, PURCHASE PRICE AND OTHER DETAILS AS TO THE WATER REVENUE BONDS, SERIES 1998 AND SERIES 1999 OF THE CITY; AMENDING THE ORDINANCE TO REFLECT THE ISSUANCE OF THE BONDS IN TWO SERIES; AMENDING THE PARITY BOND PROVISIONS OF THE ORDINANCE FOR THE SERIES 1997 BONDS; AUTHORIZING AND APPROVING A BOND PURCHASE AGREEMENT, COMMITMENTS FOR BOND INSURANCE, AN OFFICIAL STATEMENT, CONTINUING DISCLOSURE AGREEMENTS AND OTHER INSTRUMENTS RELATING TO THE BONDS; IMPLEMENTING PROVISIONS REQUIRED AS A CONDITION TO OBTAINING MUNICIPAL BOND INSURANCE POLICIES INSURING THE BONDS FROM AMBAC ASSURANCE CORPORATION; APPOINTING A REGISTRAR, A PAYING AGENT, AND A DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the City of Fairmont (the "Issuer"), in the County of Marion, 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 November 10, 1998, an ordinance (the "Ordinance") entitled:

ORDINANCE AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING PUBLIC

WATERWORKS SYSTEM OF THE CITY OF FAIRMONT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE CITY OF NOT MORE THAN $31,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 1998; 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 RELATING THERETO.

WHEREAS, capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in the Ordinance;

WHEREAS, the Ordinance provided generally for the issuance of the Issuer's Water Revenue Bonds, Series 1998, (the "Series 1998 Bonds") in an aggregate principal amount not to exceed $31,000,000 for the purposes of paying a portion of the costs of acquisition and construction of additions, betterments and improvements (the "Project") for the Issuer's water treatment and distribution system (the "System"); funding a reserve account for the Series 1998 Bonds; and paying costs of issuance thereof, all in accordance with Chapter 8, Article 19, of the West Virginia Code of 1931, as amended (the "Act");

WHEREAS, the Ordinance further provided, at Sections 3.10 and 6.17 thereof and elsewhere, that the exact principal amount of the Series 1998 Bonds to be sold and the dates, maturities, interest rates, redemption provisions, price and other terms of the Series 1998 Bonds should be established, that splitting of the issue into two or more series be provided for if desired, that investment securities constituting "Qualified Investments" be designated, that a Bond Insurer, a Registrar and Paying Agent be designated, that a Registrar Agreement be approved, that additional covenants and provisions relating to the Series 1998 Bonds be provided herein as may be required by any Bond Insurer as a condition to insuring such Series 1998 Bonds and that other matters pertaining to the Series 1998 Bonds be provided for by resolution of this Council upon receipt of a Bond Purchase Agreement acceptable to this Council;

WHEREAS, the Council has determined, as provided under the Ordinance, to issue the Bonds approved by the Ordinance in two series, being the City of Fairmont Water Revenue Bonds, Series 1998, in the aggregate principal amount of $9,600,000 (hereinafter the "Series 1998 Bonds"), and the City of Fairmont Water Revenue Bonds, Series 1999, in the aggregate principal amount of $19,945,000 (hereinafter the "Series 1999 Bonds", and collectively with the Series 1998 Bonds, the "Bonds").

WHEREAS, the Bonds are proposed to be purchased by Ferris, Baker Watts, Incorporated and Crews & Associates, Inc. (collectively, the "Original Purchaser"), pursuant to a Bond Purchase Agreement dated the date of adoption hereof (the "Bond Purchase Agreement");

WHEREAS, the Issuer has obtained commitments for Municipal Bond Insurance for the Bonds from Ambac Assurance Corporation (the "Bond Insurer") and has determined that it is advantageous for the Issuer to obtain such Municipal Bond Insurance Policies and provide herein for certain matters required by the Bond Insurer as a condition to issuing such Municipal Bond Insurance Policies;

WHEREAS, this Council deems it essential and desirable that this Resolution be adopted and that the Bond Purchase Agreement, the Continuing Disclosure Agreements and the Registrar Agreements hereinafter provided for be entered into by the Issuer, that the Official Statement relating to the Bonds, hereinafter described, be approved, that the date and price of the Bonds, the maturity dates and amounts, the redemption provisions, the interest rates, and the exact principal amounts of the Bonds be fixed hereby in the manner stated herein, that Qualified Investments be herein designated, that provisions required by the Bond Insurer as a condition to issuing its Municipal Bond Insurance Policies be provided herein, that certain provisions of the Ordinance be hereby amended and modified to reflect the issuance of the Bonds in two series 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 FAIRMONT 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 1998 Bonds shall be dated December 15, 1998, upon original issuance, and the Series 1999 Bonds shall be dated January 1, 1999, upon original issuance. The Bonds shall be issued in the aggregate principal amount, bear interest payable semiannually on January 1 and July 1 of each year, commencing July 1, 1999, shall mature on July 1 in such years and shall have

such redemption provisions as are set forth in EXHIBIT A - SERIES 1998 BOND TERMS and EXHIBIT B - SERIES 1999 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, dated the date of adoption of this resolution, substantially in the form submitted to this meeting, and the execution and delivery (in multiple counterparts) by the City Manager and the Mayor on this day of the Bond Purchase Agreement on behalf of the Issuer are hereby authorized, approved, and directed. The City Manager and the Mayor shall execute and deliver the Bond Purchase Agreement with such changes, insertions and omissions as may be approved by the City Manager and the Mayor. Execution of the Bond Purchase Agreement by the City Manager and 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 Series 1998 Bonds, pursuant to the Bond Purchase Agreement, shall be $9,403,415.60 ($9,600,000 par amount, less $134,079.40 Original Issue Discount and less $62,505.00 Underwriters' Discount), plus interest accrued from the date of the Series 1998 Bonds to the date of delivery thereof, expected to be on or about December 30, 1998. The price of the Series 1999 Bonds, pursuant to the Bond Purchase Agreement, shall be $19,803,753.55 ($19,945,000 par amount, less $12,798.95 net Original Issue Discount and less $128,447.50 Underwriters' Discount), plus interest accrued from the date of the Series 1999 Bonds to the date of delivery thereof, expected to be on or about January 14, 1999.

Section 3. The Continuing Disclosure Agreements of the Issuer, one for each series of Bonds, each to be dated the closing date of its applicable series, substantially in the form submitted to this meeting, 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 Continuing Disclosure Agreements with such changes, insertions and omissions as may be approved by the City Manager.

Section 4. The Official Statement dated the date of adoption of this resolution, 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 City Manager and the Mayor), and the distribution of counterparts or copies thereof by the Original Purchaser are hereby approved. The City Manager and the Mayor shall execute and deliver the Official Statement with such changes, insertions and omissions as may be approved by the City Manager and the Mayor. The execution of the Official Statement by the City Manager and the Mayor shall be conclusive evidence of any approval required by this Section. The distribution by the Original Purchaser of the Preliminary

Official Statement dated December 8, 1998 (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 ratified and approved.

Section 5. The Registrar Agreements, one for each series of Bonds, each to be dated the closing date of its applicable series, by and between the Issuer and the Registrar designated herein, substantially in the forms submitted to this meeting, shall be and the same are hereby approved. The City Manager shall execute and deliver the Registrar Agreements with such changes, insertions and omissions as may be approved by the City Manager. The execution of the Registrar Agreements by the City Manager shall be conclusive evidence of any approval required by this Section.

Section 6. The Issuer does hereby determine that the Municipal Bond Insurance Policies offered by the Bond Insurer for each series of 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 Policies, and accordingly hereby ratifies acceptance of the Commitments for Municipal Bond Insurance (the "Commitments"), dated December 7, 1998. The City Manager is hereby authorized and directed to execute the approval of the Commitments and deliver the same to the Bond Insurer. Execution of the Commitments shall be conclusive evidence of any approval required by this Section.

Section 7. Pursuant to the Commitments, and, as permitted by Section 6.17 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 Policies 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 Bonds:

Additional Definitions.

"Ambac Assurance" shall mean Ambac Assurance Corporation, a Wisconsin-domiciled stock insurance corporation.

"Municipal Bond Insurance Policies" shall mean, collectively, the municipal bond insurance policies issued by Ambac Assurance insuring the payment when due of the principal of and interest on the Bonds as provided therein.

"Defeasance Securities" means:

(a) Cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in paragraph (b) below); or

(b) Direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America.

"Permitted Investments" means any of the following obligations or securities to the extent permitted by law, on which neither the Authority nor the Issuer is the obligor:

(a) Defeasance Securities;

(b) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:

- Export-Import Bank
- Farm Credit System Financial Assistance Corporation
- Rural Economic Community Development Administration (formerly the Farmers Home Administration)
- General Services Administration
- U.S. Maritime Administration
- Small Business Administration
- Government National Mortgage Association (GNMA)
- U.S. Department of Housing & Urban Development (PHA's)
- Federal Housing Administration
- Federal Financing Bank;

(c) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:

- Senior debt obligations rated "Aaa" by Moody's and "AAA" by S&P issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC)
- Obligations of the Resolution Funding Corporation (REFCORP)
- Senior debt obligations of the Federal Home Loan Bank System
- Senior debt obligations of other Government Sponsored Agencies approved by Ambac;

(d) U.S. dollar denominated deposit accounts, federal funds and banker's acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "A-1" or "A-1+" by S&P and "P-1" by Moody's and maturing no more than 360 days after the date of purchase.(Ratings on holding companies are not considered as the rating of the bank.);

(e) Commercial paper which is rated at the time of purchase in the single highest classification, "A-1+" by S&P and "P-1" by Moody's and which matures not more than 270 days after the date of purchase;

(f) Investments in a money market fund rated "AAAm" or "Aam-G" or better by S&P;

(g) Pre-refunded Municipal Obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(i) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of S&P and Moody's or any successors thereto; or

(ii) (A) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or Defeasance Securities, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (B) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the

maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(h) General obligations of States with a rating of at least "A2/A" or higher by both Moody's and S&P;

(i) Investment agreements approved in writing by Ambac Assurance Corporation [supported by appropriate opinions of counsel] with notice to S&P;

(j) Other forms of investments (including repurchase agreements) approved in writing by Ambac with notice to S&P; and

(k) As long as the Municipal Bond Insurance Policies are in effect, any other investments which are approved in advance by the Bond Insurer.

The value of the Permitted Investments, which shall be determined as of the end of each month, shall be calculated as follows:

(1) As to investments the bid and asked prices of which are published on a regular basis in The Wall Street Journal (or, if not there, then in The New York Times): the average of the bid and asked prices for such investments so published on or most recently prior to such time of determination;

(2) As to investments the bid and asked prices of which are not published on a regular basis in The Wall Street Journal or The New York Times: the average bid price at such time of determination for such investments by any two nationally recognized government securities dealers (selected by the Trustee in its absolute discretion) at the time making a market in such investments or the bid price published by a nationally recognized pricing service;

(3) As to certificates of deposit and bankers acceptances: the face amount thereof, plus accrued interest; and

(4) As to any investment not specified above: the value thereof established by prior agreement between the Issuer, the Trustee and Bond Insurer.

Definition of "Outstanding".

The definition of "Outstanding" shall include the following:

Notwithstanding anything herein to the contrary, in the event that the principal and/or interest due on the Bonds shall be paid by Ambac Assurance Corporation pursuant tot he Municipal Bond Insurance Policies, the Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considere3d paid by the Issuer, and the assignment and pledge of security under this Ordinance and all covenants, agreements and other obligations of the Issuer to the registered owners shall continue to exist and shall run to the benefit of Ambac Assurance, and Ambac Assurance shall be subrogated to the rights of such registered owners.

Bond Insurer Consent Provisions.

(A) Consent of Bond Insurer. Any provision of this Ordinance expressly recognizing or granting rights in or to Bond Insurer may not be amended in any manner which affects the rights of Bond Insurer hereunder without the prior written consent of Bond Insurer.

(B) Consent of Bond Insurer in Addition to Bondholder Consent. Unless otherwise provided in this Section, Bond Insurer's consent shall be required in addition to Bondholder consent, when required, for the following purposes: (i) execution and delivery of any supplemental Ordinance, or any amendment, supplement or change to or modification of the Loan Agreement; (ii) removal of the Paying Agent and selection and appointment of any successor paying agent; and (iii) initiation or approval of any action not described in (i) or (ii) above which requires Bondholder consent.

(C) Consent of Bond Insurer in the Event of Insolvency. Any reorganization or liquidation plan with respect to the Issuer must be acceptable to Bond Insurer. In the event of any reorganization or liquidation, Bond Insurer shall have the right to vote on behalf of all bondholders who hold bonds insured by Bond Insurer absent a default by Bond Insurer under the applicable Municipal Bond Insurance Policies insuring such Bonds.

(D) Consent of Bond Insurer Upon Default. Anything in this Ordinance to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default as defined herein, Bond Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Bondholders or the Trustee for the benefit of the Bondholders under this Ordinance, including, without limitation: (i) the right to accelerate the principal of the Bonds as described in this Ordinance, and (ii) the right to annul any declaration of acceleration, and Bond Insurer shall also be entitled to approve all waivers of events of default.

Information to be Provided to Bond Insurer.

(A) While the Municipal Bond Insurance Policies are in effect, the Issuer shall furnish to Bond Insurer (to the attention of the SURVEILLANCE DEPARTMENT, unless otherwise indicated):

(i) as soon as practicable after the filing thereof, a copy of any financial statement of the Issuer and a copy of any audit and annual report of the Issuer;

(ii) a copy of any notice to be given to the registered owners of the Bonds, including, without limitation, notice of any redemption of or defeasance of Bonds, and any certificate rendered pursuant to this Ordinance relating to the security for the Bonds; and

(iii) such additional information it may reasonably request.

(B) While the Municipal Bond Insurance Policies are in effect, the Issuer shall furnish to Bond Insurer (to the attention of the GENERAL COUNSEL OFFICE, unless otherwise indicated):

(i) The Issuer shall notify Bond Insurer of any failure of the Issuer to provide relevant notices, certificates, etc; and

(ii) Notwithstanding any other provision of this Ordinance, the Issuer shall immediately notify Bond Insurer if at any time there are insufficient moneys to make any payments

of principal and/or interest as required and immediately upon the occurrence of (i) any Event of Default hereunder.

(C) While the Municipal Bond Insurance Policies are in effect, the Issuer will permit Bond Insurer to discuss the affairs, finances and accounts of the Issuer or any information Bond Insurer may reasonably request regarding the security for the Bonds with appropriate officers of the Issuer. The Issuer will permit Bond Insurer to have access to the Project and have access to and to make copies of all books and records relating to the Bonds at any reasonable time.

(D) While the Municipal Bond Insurance Policies are in effect, the Bond Insurer shall have the right to direct an accounting at the Issuer's expense, and the Issuer's failure to comply with such direction within thirty (30) days after receipt of written notice of the direction from Bond Insurer shall be deemed a default hereunder, provided, however, that if compliance cannot occur within such period, then such period will be extended so long as compliance is begun within such period and diligently pursued, but only if such extension would not materially adversely affect the interests of any registered owner of the Bonds.

(E) To the extent that the Issuer has entered into a continuing disclosure agreement with respect to the Bonds, Bond Insurer shall be included as party to be notified.

Payment Procedure Pursuant to the Municipal Bond Insurance Policies.

As long as the Municipal Bond Insurance Policies shall be in full force and effect, the Issuer and the Paying Agent agree to comply with the following provisions:

(A) At least one (1) day prior to all Interest Payment Dates, the Paying Agent will determine whether there will be sufficient funds in the Funds and Accounts to pay the principal of or interest on the Bonds on such Interest Payment Date. If the Paying Agent determines that there will be insufficient funds in such Funds or Accounts, the Paying Agent shall so notify Bond Insurer. Such notice shall specify the amount of the anticipated deficiency, the Bonds to which such deficiency is applicable and whether such Bonds will be deficient as to principal or interest, or both. If the Paying Agent has not so notified Bond Insurer at least one (1) day prior to an Interest Payment Date, Bond Insurer will make payments of principal or interest due on the Bonds on or before the first (1st) day next following the date on which Bond Insurer shall have received notice of nonpayment from the Paying Agent.

(B) The Paying Agent shall, after giving notice to Bond Insurer as provided in (a) above, make available to Bond Insurer and, at Bond Insurer's direction, to the United States Trust Company of New York, as insurance trustee for Bond Insurer or any successor insurance trustee (the "Insurance Trustee"), the registration books of the Issuer

maintained by the Paying Agent and all records relating to the Funds and Accounts maintained under this Ordinance.

(C) The Paying Agent shall provide Bond Insurer and the Insurance Trustee with a list of registered owners of Bonds entitled to receive principal or interest payments from Bond Insurer under the terms of the Municipal Bond Insurance Policies, and shall make arrangements with the Insurance Trustee (i) to mail checks or drafts to the registered owners of Bonds entitled to receive full or partial interest payments from Bond Insurer and (ii) to pay principal upon Bonds surrendered to the Insurance Trustee by the registered owners of Bonds entitled to receive full or partial principal payments from Bond Insurer.

(D) The Paying Agent shall, at the time it provides notice to Bond Insurer pursuant to (a) above, notify registered owners of Bonds entitled to receive the payment of principal or interest thereon from Bond Insurer (i) as to the fact of such entitlement, (ii) that Bond Insurer will remit to them all or a part of the interest payments next coming due upon proof of Bondholder entitlement to interest payments and delivery to the Insurance Trustee, in form satisfactory to the Insurance Trustee, of an appropriate assignment of the registered owner's right to payment, (iii) that should they be entitled to receive full payment of principal from Bond Insurer, they must surrender their Bonds (along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee to permit ownership of such Bonds to be registered in the name of Bond Insurer) for payment to the Insurance Trustee, and not the Paying Agent, and (iv) that should they be entitled to receive partial payment of principal from Bond Insurer, they must surrender their Bonds for payment thereon first to the Paying Agent, who shall note on such Bonds the portion of the principal paid by the Paying Agent, and then, along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee, to the Insurance Trustee, which will then pay the unpaid portion of principal.

(E) In the event that the Paying Agent has notice that any payment of principal of or interest on a Bond which has become Due for Payment and which is made to a Bondholder by or on behalf of the Issuer has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Paying Agent shall, at the time Bond Insurer is notified pursuant to (a) above, notify all registered owners that in the event that any registered owner's payment is so recovered, such registered owner will be entitled to payment from Bond Insurer to the extent of such recovery if sufficient funds are not otherwise available, and the Paying Agent shall furnish to Bond Insurer its records evidencing the payments of principal of and interest on the Bonds which have been made by the Paying Agent and subsequently recovered from registered owners and the dates on which such payments were made.

(F) In addition to those rights granted Bond Insurer under this Ordinance, Bond Insurer shall, to the extent it makes payment of principal of or interest on Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Municipal Bond Insurance Policies, and to evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Paying Agent shall note Bond Insurer's rights as subrogee on the registration books of the Issuer maintained by the Paying Agent upon receipt from Bond Insurer of proof of the payment of interest thereon to the registered owners of the Bonds, and (ii) in the case of subrogation as to claims for past due principal, the Paying Agent shall note Bond Insurer's rights as subrogee on the registration books of the Issuer maintained by the Paying Agent upon surrender of the Bonds by the registered owners thereof together with proof of the payment of principal thereof.

Provisions Related to Paying Agent.

1. The Paying Agent may be removed at any time, at the request of Bond Insurer, for any breach of its duties as set forth herein.

2. Bond Insurer shall receive prior written notice of any Paying Agent resignation.

3. Any successor Paying Agent shall not be appointed unless Bond Insurer approves such successor in writing.

4. 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, the Paying Agent shall consider the effect on the Bondholders as if there were no Municipal Bond Insurance Policies.

5. Notwithstanding any other provision of this Ordinance, no removal, resignation or termination of the Paying Agent shall take effect until a successor, acceptable to Bond Insurer shall be appointed.

Interested Parties.

(A) Bond Insurer As Third Party Beneficiary. To the extent that this Ordinance confers upon or gives or grants to Bond Insurer any right, remedy or claim under or by reason of this Ordinance, Bond Insurer is hereby explicitly recognized as being a third-party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

(B) Parties Interested Herein. Nothing in this Ordinance expressed or implied is intended or shall be construed to confer upon, or to give or grant to, any person or entity, other than the Issuer, Bond Insurer, the Paying Agent and the registered owners of the Bonds, any right, remedy or claim under or by reason of this Ordinance, or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Ordinance, contained by and on behalf of the Issuer shall be for the sole and exclusive benefit of the Issuer, Bond Insurer, the Paying Agent and the registered owners of the Bonds.

Defeasance Provision.

Notwithstanding anything herein to the contrary, in the event that the principal and/or interest due on the Bonds shall be paid by Bond Insurer pursuant to the Municipal Bond Insurance Policies, the Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Issuer, and the assignment and pledge of the Trust Estate and all covenants, agreements and other obligations of the Issuer to the registered owners shall continue to exist and shall run to the benefit of Bond Insurer, and Bond Insurer shall be subrogated to the rights of such registered owners.

Section 8. In order to reflect the issuance of the Bonds in two series, the Ordinance is modified and amended as follows:

A. Any references in the Ordinance to the Series 1998 Bonds shall be deemed to include the Series 1999 Bonds, and all covenants and provisions of the Ordinance related to the Series 1998 Bonds and the rights of the Holders of the Series 1998 Bonds shall be equally applicable to the Series 1999 Bonds and the rights of the Holders of the Series 1999 Bonds, where applicable.

B. Section 1.03 of the Ordinance is hereby supplemented and amended by the substitution or addition of the following definitions:

"Bonds" means, collectively, the Series 1998 Bonds, the Series 1999 Bonds, the Prior Bonds and any additional parity Bonds hereafter issued within the terms, restrictions and conditions contained herein.

"Redemption Accounts" means, collectively, the Series 1998 Bonds Redemption Account and the Series 1999 Bonds Redemption Account.

"Reserve Accounts" means, collectively, the Series 1998 Bonds Reserve Account and the Series 1999 Bonds Reserve Account.

"Reserve Requirements" means, collectively, the Series 1998 Bonds Reserve Requirement and the Series 1999 Bonds Reserve Requirement.

"Series 1998 Bonds Reserve Requirement" means, as of any date of calculation, the lesser of (i) 10% of the stated principal amount of the Series 1998 Bonds, (ii) maximum annual principal and interest requirements on the Series 1998 Bonds, or (iii) 125% of the average principal and interest requirements on the Series 1998 Bonds.

"Series 1999 Bonds" means the Water Revenue Bonds, Series 1999, of the Issuer, constituting a series of the bonds originally authorized to be issued pursuant to this Ordinance and the Supplemental Resolution.

"Series 1999 Bonds Redemption Account" means the Series 1999 Bonds Redemption Account created by Section 4.02 hereof.

"Series 1999 Bonds Reserve Account" means the Series 1999 Bonds Reserve Account created by Section 4.02 hereof.

"Series 1999 Bonds Reserve Requirement" means, as of any date of calculation, the lesser of (i) 10% of the stated principal amount of the Series 1999 Bonds, (ii) maximum annual principal and interest requirements on the Series 1999 Bonds, or (iii) 125% of the average principal and interest requirements on the Series 1999 Bonds.

"Series 1999 Bonds Sinking Fund" means the Series 1999 Bonds Sinking Fund created by Section 4.02 hereof.

"Sinking Funds" means, collectively, the Series 1998 Bonds Sinking Fund and the Series 1999 Bonds Sinking Fund.

C. The following Sections of the Ordinance are hereby amended to read as provided below:

Section 3.14. Disposition of Proceeds of Bonds. Upon the issuance and delivery of the Series 1998 Bonds, the Issuer shall forthwith deposit the proceeds thereof as follows:

A. All interest accrued on the Series 1998 Bonds from the date thereof to the date of delivery thereof shall be deposited in the Series 1998 Bonds Sinking Fund and applied to payment of interest on the Series 1998 Bonds at the first interest payment date.

B. An amount of the proceeds of the Series 1998 Bonds equal to the Series 1998 Bonds Reserve Requirement shall be remitted to the Bond Commission for deposit in the Series 1998 Bonds Reserve Account, provided that, to the extent the Series 1998 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 1998 Bonds shall be deposited in the Series 1998 Bonds Reserve Account only to the extent needed to satisfy the balance of the Series 1998 Bonds Reserve Requirement.

C. An amount of the proceeds of the Series 1998 Bonds necessary to pay costs of issuance 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 1998 Bonds at the written direction of the Issuer. All such costs of issuance shall be paid within 60 days of the Closing Date. Moneys 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 6 months after the Closing Date, such unapplied proceeds shall be transferred by the Issuer to the Series 1998 Bonds Redemption Account. All such proceeds shall constitute a trust fund for such purposes, and there is hereby created a lien upon such moneys until so applied in favor of the Holders of the Series 1998 Bonds.

D. The balance of the proceeds of the Series 1998 Bonds shall be deposited with the Depository Bank in the Construction Fund and shall be drawn out, used and applied by the Issuer solely to pay Costs of the Project at the written direction of the Issuer. Moneys not to be applied immediately to pay such Costs of the Project may be invested in accordance with this Ordinance, subject however, to applicable yield restrictions as may be in effect under the Code. All such proceeds shall constitute a trust fund for such purposes, and there is hereby created a lien upon such moneys until so applied in favor of the Holders of the Series 1998 Bonds.

Upon the issuance and delivery of the Series 1999 Bonds, the Issuer shall forthwith deposit the proceeds thereof as follows:

E. All interest accrued on the Series 1999 Bonds from the date thereof to the date of delivery thereof shall be deposited in the Series 1999 Bonds Sinking Fund and applied to payment of interest on the Series 1999 Bonds at the first interest payment date.

F. An amount of the proceeds of the Series 1999 Bonds equal to the Series 1999 Bonds Reserve Requirement shall be remitted to the Bond Commission for

deposit in the Series 1999 Bonds Reserve Account, provided that, to the extent the Series 1999 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 1999 Bonds shall be deposited in the Series 1999 Bonds Reserve Account only to the extent needed to satisfy the balance of the Series 1999 Bonds Reserve Requirement.

G. An amount of the proceeds of the Series 1999 Bonds necessary to pay costs of issuance 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 1999 Bonds at the written direction of the Issuer. All such costs of issuance shall be paid within 60 days of the Closing Date. Moneys 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 6 months after the Closing Date, such unapplied proceeds shall be transferred by the Issuer to the Series 1999 Bonds Redemption Account. All such proceeds shall constitute a trust fund for such purposes, and there is hereby created a lien upon such moneys until so applied in favor of the Holders of the Series 1999 Bonds.

H. The balance of the proceeds of the Series 1999 Bonds shall be deposited with the Depository Bank in the Construction Fund and shall be drawn out, used and applied by the Issuer solely to pay Costs of the Project at the written direction of the Issuer. Moneys not to be applied immediately to pay such Costs of the Project may be invested in accordance with this Ordinance, subject however, to applicable yield restrictions as may be in effect under the Code. All such proceeds shall constitute a trust fund for such purposes, and there is hereby created a lien upon such moneys until so applied in favor of the Holders of the Series 1999 Bonds.

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 Ordinance) and shall be held by the Bond Commission separate and apart from all other funds or accounts of the Bond Commission and from each other:

(1) Series 1997 Bonds Sinking Fund (established by Prior Ordinance);

(2) Within the Series 1997 Bonds Sinking Fund, the Series 1997 Bonds Reserve Account (established by Prior Ordinance);

(3) Within the Series 1997 Bonds Sinking Fund, the Series 1997 Bonds Redemption Account (established by Prior Ordinance);

(4) Series 1998 Bonds Sinking Fund;

(5) Within the Series 1998 Bonds Sinking Fund, the Series 1998 Bonds Reserve Account;

(6) Within the Series 1998 Bonds Sinking Fund, the Series 1998 Bonds Redemption Account;

(7) Series 1999 Bonds Sinking Fund;

(8) Within the Series 1999 Bonds Sinking Fund, the Series 1999 Bonds Reserve Account; and

(9) Within the Series 1999 Bonds Sinking Fund, the Series 1999 Bonds Redemption Account.

Section 4.03. 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 in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in this Ordinance and shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner herein provided.

(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 Series 1997 A Bonds Sinking Fund, the amount required by the Prior Ordinance to pay the interest on and principal of the Prior Bonds; (ii) commencing 6 months prior to the first interest payment date of the Series 1998 Bonds, for deposit in the Series 1998 Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on the Series 1998 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 1998 Bonds Sinking Fund and the next ensuing semiannual interest payment date is more or less than 6 months, then such monthly payments shall be decreased or increased proportionately to provide, 1 month prior to the next ensuing semiannual interest payment date, the required amount of interest coming due on such date; provided further that, the initial amount required to be transferred from the Revenue Fund and deposited in the Series 1998 Bonds Sinking Fund shall be reduced by the amount of accrued interest on the Series 1998 Bonds deposited therein; (iii) commencing 6 months prior to the first interest payment date of the Series 1999 Bonds, for deposit in the Series 1999 Bonds Sinking Fund, a sum equal to 1/6th of the

amount of interest which will become due on the Series 1999 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 1999 Bonds Sinking Fund and the next ensuing semiannual interest payment date is more or less than 6 months, then such monthly payments shall be decreased or increased proportionately to provide, 1 month prior to the next ensuing semiannual interest payment date, the required amount of interest coming due on such date; provided further that, the initial amount required to be transferred from the Revenue Fund and deposited in the Series 1999 Bonds Sinking Fund shall be reduced by the amount of accrued interest on the Series 1999 Bonds deposited therein; (iv) commencing 12 months prior to the first principal payment date or mandatory Redemption Date of the Series 1998 Bonds, for deposit in the Series 1998 Bonds Sinking Fund and in the Series 1998 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 of principal which will mature or be redeemed and become due on the Series 1998 Bonds on the next ensuing annual principal payment date or mandatory Redemption Date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1998 Bonds Sinking Fund and the next ensuing annual principal payment date or mandatory Redemption Date is more or less than 12 months, then such monthly payments shall be decreased or increased proportionately to provide, 1 month prior to the next ensuing annual principal payment date or mandatory Redemption Date, the required amount of principal coming due on such date; and (v) commencing 12 months prior to the first principal payment date or mandatory Redemption Date of the Series 1999 Bonds, for deposit in the Series 1999 Bonds Sinking Fund and in the Series 1999 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 of principal which will mature or be redeemed and become due on the Series 1999 Bonds on the next ensuing annual principal payment date or mandatory Redemption Date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1999 Bonds Sinking Fund and the next ensuing annual principal payment date or mandatory Redemption Date is more or less than 12 months, then such monthly payments shall be decreased or increased proportionately to provide, 1 month prior to the next ensuing annual principal payment date or mandatory Redemption Date, the required amount of principal 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 Bond Commission (i) for deposit in the Series 1997 Bonds Reserve Account, the amount required by the Prior Ordinance; (ii) for deposit in the Series 1998 Bonds Reserve Account, an amount sufficient to remedy any decrease in value of the Series 1998 Bonds Reserve Account below the Series 1998 Bonds Reserve Requirement or any withdrawal from the Series 1998 Bonds Reserve Account, beginning with the first full calendar month following the date on which (a) the valuation of investments in the Series 1998 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 1998 Bonds Reserve Account is less than the Series 1998 Bonds Reserve Requirement, or (b) any amount is withdrawn from the Series 1998 Bonds Reserve Account for deposit into

the Series 1998 Bonds Sinking Fund; and (iii) for deposit in the Series 1999 Bonds Reserve Account, an amount sufficient to remedy any decrease in value of the Series 1999 Bonds Reserve Account below the Series 1999 Bonds Reserve Requirement or any withdrawal from the Series 1999 Bonds Reserve Account, beginning with the first full calendar month following the date on which (a) the valuation of investments in the Series 1999 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 1999 Bonds Reserve Account is less than the Series 1999 Bonds Reserve Requirement, or (b) any amount is withdrawn from the Series 1999 Bonds Reserve Account for deposit into the Series 1999 Bonds Sinking Fund. To the extent Gross Revenues and any other legally available funds are available therefor, the amounts so deposited shall be used to restore the amount of moneys on deposit in the Series 1998 Bonds Reserve Account and the Series 1999 Bonds Reserve Account to an amount equal to the Series 1998 Bonds Reserve Requirement and the Series 1999 Bonds Reserve Requirement, respectively, to the full extent that such Gross Revenues are available; provided however, that if the shortfall in the Series 1998 Bonds Reserve Account or the Series 1999 Bonds Reserve Account is due to a decrease in value of respective 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 1998 Bonds Reserve Account or the Series 1999 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 1998 Bonds Reserve Account or the Series 1999 Bonds Reserve Account whenever and as long as the amounts on deposit therein shall be equal to the Series 1998 Bonds Reserve Requirement and the Series 1999 Bonds Reserve Requirement, respectively.

Amounts in the Series 1998 Bonds Reserve Account shall be used only for the purpose of making payments of principal of and interest on the Series 1998 Bonds when due, when amounts in the Series 1998 Bonds Sinking Fund are insufficient therefor and for no other purpose. Amounts in the Series 1999 Bonds Reserve Account shall be used only for the purpose of making payments of principal of and interest on the Series 1999 Bonds when due, when amounts in the Series 1999 Bonds Sinking Fund are insufficient therefor and for no other purpose.

(3) The Issuer shall next, each month, pay from the Revenue Fund the Operating Expenses of the System.

(4) The Issuer shall next, each month, from the moneys remaining in the Revenue Fund, transfer to the Depreciation Fund (as previously set forth in the Prior Ordinance 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 Depreciation Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII hereof. Withdrawals and disbursements may be made from the Depreciation Fund for replacements, emergency repairs, improvements or extensions to the System; provided, that any

deficiencies in any reserve account (except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof) shall be promptly eliminated with moneys from the Depreciation Fund.

Moneys in the Series 1998 Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest on the Series 1998 Bonds as the same shall become due. Moneys in the Series 1998 Bonds Reserve Account shall be used only for the purpose of paying principal of and interest on the Series 1998 Bonds, as the same shall come due, when other moneys in the Series 1998 Bonds Sinking Fund are insufficient therefor, and for no other purpose except for permitted transfers to the Rebate Fund.

Moneys in the Series 1999 Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest on the Series 1999 Bonds as the same shall become due. Moneys in the Series 1999 Bonds Reserve Account shall be used only for the purpose of paying principal of and interest on the Series 1999 Bonds, as the same shall come due, when other moneys in the Series 1999 Bonds Sinking Fund are insufficient therefor, and for no other purpose except for permitted transfers to the Rebate Fund.

Except to the extent transferred to the Rebate Fund at the request of the Issuer, all investment earnings on moneys in the Series 1998 Bonds Sinking Fund and the Series 1998 Bonds Reserve Account shall be returned, not less than once each year, by the Bond Commission to the Issuer, and such amounts shall, during construction of the Project, be deposited in the Construction Fund, and following completion of construction of the Project, shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payment due on the Series 1998 Bonds, and then to the next ensuing principal payment due thereon.

Except to the extent transferred to the Rebate Fund at the request of the Issuer, all investment earnings on moneys in the Series 1999 Bonds Sinking Fund and the Series 1999 Bonds Reserve Account shall be returned, not less than once each year, by the Bond Commission to the Issuer, and such amounts shall, during construction of the Project, be deposited in the Construction Fund, and following completion of construction of the Project, shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payment due on the Series 1999 Bonds, and then to the next ensuing principal payment due thereon.

Except with respect to transfers to the Rebate Fund, any withdrawals from the Series 1998 Bonds Reserve Account which result in a reduction in the balance of the Series 1998 Bonds Reserve Account to below the Series 1998 Bonds Reserve Requirement and any withdrawals from the Series 1999 Bonds Reserve Account which result in a reduction in the balance of the Series 1999 Bonds Reserve Account to below the Series 1999

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 parity Bonds.

The Issuer shall not be required to make any further payments into the Series 1998 Bonds Sinking Fund or the Series 1998 Bonds Reserve Account when the aggregate amount of funds therein are at least equal to the aggregate principal amount of the Bonds issued pursuant to this Bond Legislation then Outstanding and all interest to accrue until the maturity thereof.

The Issuer shall not be required to make any further payments into the Series 1999 Bonds Sinking Fund or the Series 1999 Bonds Reserve Account when the aggregate amount of funds therein are at least equal to the aggregate principal amount of the Bonds issued pursuant to this Bond Legislation then Outstanding and all interest to accrue until the maturity thereof.

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 1998 Bonds and the Series 1999 Bonds, in accordance with the respective principal amounts then Outstanding.

The Bond Commission is hereby designated as the fiscal agent for the administration of the Series 1998 Bonds Sinking Fund, the Series 1998 Bonds Reserve Account, the Series 1998 Bonds Redemption Account, the Series 1999 Bonds Sinking Fund, the Series 1999 Bonds Reserve Account, and the Series 1999 Bonds Redemption Account created hereunder and all amounts required for said accounts shall be remitted to the Bond Commission from the Revenue Fund by the Issuer at the times provided herein.

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 Bond Commission the required principal, interest and reserve payments with respect to the Series 1998 Bonds and the Series 1999 Bonds, 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 Bond Legislation.

Moneys in the Series 1998 Bonds Sinking Fund, the Series 1998 Bonds Reserve Account, the Series 1998 Bonds Redemption Account, the Series 1999 Bonds

Sinking Fund, the Series 1999 Bonds Reserve Account, and the Series 1999 Bonds Redemption Account shall be invested and reinvested by the Bond Commission in accordance with Section 8.01 hereof.

Except with respect to transfers to the Rebate Fund, the Series 1998 Bonds Sinking Fund, including the Series 1998 Bonds Reserve Account therein, shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 1998 Bonds Outstanding under the conditions and restrictions hereinafter set forth.

Except with respect to transfers to the Rebate Fund, the Series 1999 Bonds Sinking Fund, including the Series 1999 Bonds Reserve Account therein, shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 1999 Bonds 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 the Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into such funds during the following month or such other period as required by law, such excess shall be considered Surplus Revenues. Surplus Revenues may be used for any lawful purpose of the System.

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

D. The moneys in excess of the sum insured by the maximum amounts insured by FDIC in the Revenue Fund, the Depreciation Fund and the Rebate 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 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.

F. 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.

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

Section 6.03. Bonds Secured by Pledge of Gross Revenues; Lien Position with Respect to Prior Bonds. The payment of the debt service of all of the Series 1998 Bonds issued hereunder shall be secured forthwith equally and ratably with each other by a first lien on the Gross Revenues derived from the System, on a parity with the lien on the Gross Revenues in favor of the Holders of the Prior Bonds and the Series 1999 Bonds and all moneys in the Series 1998 Bonds Sinking Fund, including the Series 1998 Bonds Reserve Account therein. The payment of the debt service of all of the Series 1999 Bonds issued hereunder shall be secured forthwith equally and ratably with each other by a first lien on the Gross Revenues derived from the System, on a parity with the lien on the Gross Revenues in favor of the Holders of the Prior Bonds and the Series 1998 Bonds and all moneys in the Series 1999 Bonds Sinking Fund, including the Series 1999 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, the Series 1998 Bonds and the Series 1999 Bonds and to make the payments into all funds and accounts 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, the Series 1998 Bonds and the Series 1999 Bonds as the same become due and for the other purposes provided in this Ordinance.

Section 6.15. Statutory Mortgage Lien. For the further protection of the Holders of the Series 1998 Bonds and the Holders of the Series 1999 Bonds, a statutory mortgage lien upon the System for each series of Bonds is granted and created by the Act, which statutory mortgage liens are hereby recognized and declared to be valid and binding, shall take effect immediately upon the issuance of the Series 1998 Bonds and upon the issuance of the Series 1999 Bonds, respectively, and shall be on a parity with one another and with the statutory mortgage lien in favor of the Holders of the Prior Bonds.

D. The following language is hereby added to the Ordinance as a new Section 3.15:

Section 3.15. Disbursements From the Construction Fund. Payments for Costs of the Project shall be made monthly.

Disbursements from the Construction Fund, except for payment of costs of issuance of the Bonds in excess of the moneys available in the Costs of Issuance Fund 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, 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 (except reimbursement to the Issuer for items previously paid by the Issuer);

(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 Construction Fund only the net amount remaining after deduction of any such portion. All payments made from the Construction 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 Construction Fund.

Pending such application, moneys in the Construction 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 Construction Fund to the Series 1998 Bonds Redemption Account and the Series 1999 Bonds Redemption Account, to be applied to redemption of the Series 1998 Bonds and the Series 1999 Bonds at the earliest redemption date thereof, to the extent feasible.

E. The Ordinance is hereby amended to add the form of the Series 1999 Bond attached hereto as EXHIBIT C - FORM OF SERIES 1999 BOND as Exhibit B to the Ordinance.

Section 9. The Issuer does hereby appoint and designate WesBanco Bank Wheeling, Wheeling, West Virginia, for the purpose of serving in the capacity of Registrar.

Section 10. The Issuer does hereby appoint and designate One Valley Bank, Inc., Fairmont, West Virginia, for the purpose of serving in the capacity of Depository Bank.

Section 11. The firm of Steptoe & Johnson, Clarksburg, West Virginia, is hereby appointed bond counsel to the Issuer in connection with the issuance of the Series 1998 Bonds and the Series 1999 Bonds.

Section 12. The Issuer does hereby appoint and designate the West Virginia Municipal Bond Commission, Charleston, West Virginia, for the purpose of serving in the capacity of Paying Agent.

Section 13. The notice addresses for the Registrar, Paying Agent, Depository Bank, Original Purchaser and Bond Insurer shall be as follows, except as otherwise specifically provided herein:

REGISTRAR

WesBanco Bank Wheeling
One Bank Plaza
Wheeling, West Virginia 26003
Attention: Corporate Trust Department

DEPOSITORY BANK

One Valley Bank, Inc.
120 Fairmont Avenue
Fairmont, West Virginia 26554
Attention: Corporate Trust Department

PAYING AGENT

West Virginia Municipal Bond Commission
812 Quarrier Street, Suite 300
Charleston, West Virginia 25301
Attention: Executive Director

ORIGINAL PURCHASER

Ferris, Baker Watts, Incorporated
170 Laidley Tower
Charleston, West Virginia 25301
Attention: Public Finance
and
Crews & Associates
930 One Valley Square
Charleston, West Virginia 25301
Attention: Public Finance

BOND INSURER

AMBAC Assurance Corporation
One State Street Plaza
New York, New York 10004
Attention: General Counsel Office

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 Series 1998 Bond issue and the Series 1999 Bond issue to the end that the Series 1998 Bonds and the Series 1999 Bonds may be delivered on a timely basis to the Original Purchaser pursuant to the Bond Purchase Agreement.

Section 15. Under the provisions of the Act, and as provided in the Ordinance and the Series 1998 Bonds, the Series 1998 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 revenues derived from the operation of the System of the Issuer, the Series 1998 Bonds Reserve Account and the Depreciation Fund 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 1998 Bonds and the interest thereon.

Section 16. Under the provisions of the Act, and as provided in the Ordinance and the Series 1999 Bonds, the Series 1999 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 revenues derived from the operation of the System of the Issuer, the Series 1999 Bonds Reserve Account and the Depreciation Fund 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 1999 Bonds and the interest thereon.

Section 17. The Ordinance of the City adopted on April 8, 1997, authorizing the issuance of the City's Waterworks Refunding Revenue Bonds, Series 1997, dated June 1, 1997, issued in the original aggregate principal amount of $10,260,000 (the "Prior Bonds"), is, with the prior written consent of the municipal bond insurer for the Prior Bonds which has been heretofore been obtained, hereby amended by the complete substitution and replacement of Section 6.08 Additional Parity Bonds with the following language:

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

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

No such additional parity Bonds shall be issued at any time, however, unless and until there has been procured and filed with the City Clerk of the Issuer a written statement by Independent Accountants, reciting the conclusion that the Net Revenues actually derived, subject to the adjustments hereinafter provided, from the System during the Fiscal Year preceding the date of the actual issuance of such additional parity Bonds, plus the estimated average increased annual Net Revenues to be received in each of the three succeeding years after the date of issuance of such parity Bonds, shall not be less than 120% 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 Series 1997 Bonds then Outstanding;

(2) Any additional parity Bonds theretofore issued pursuant to the provisions contained in this Ordinance then Outstanding; and

(3) 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 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, provided that, in the event the implementation of such 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 is, by the terms of the ordinance providing for such increase in rates, deferred pending completion of the acquisition and construction of any additions, betterments or improvements for the System, and further provided, that the debt service on such additional parity Bonds during such construction period is payable from proceeds of such additional parity Bonds deposited in the Sinking Fund held by the Bond Commission, 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, may be assumed to mean "estimated average increased annual Net Revenues to be received in each of the 3 succeeding years commencing on the date of completion of such acquisition and construction".

The Net Revenues actually derived from the System during the preceding Fiscal Year 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, 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. For purposes of this test, the terms "Gross Revenues" and "Net Revenues" shall not include proceeds from the sale of capital assets.

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 1997 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 1997 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 the 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 of which on the Revenues of the System is subject to the prior and superior lien of the Bonds on such Revenues. The Issuer shall not issue any obligations whatsoever payable from the Revenues of the System, or any part thereof, which rank prior to or equally, as to lien and source of and security for payment from such Revenues, with the Bonds except in the manner and under the conditions provided in this section.

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 Ordinance with respect to the Bonds then Outstanding, and any other payments provided for in this Ordinance, shall have been made in full as required to the date of issuance of the additional parity Bonds.

Section 18. The City Manager and other appropriate officers and employees of the Issuer are hereby authorized and directed to take all further actions necessary to cause the Series 1998 Bonds and the Series 1999 Bonds to be insured by the Bond Insurer or such other municipal bond insurance company as is acceptable to the Original Purchaser.

Section 19. This Resolution shall be effective immediately.

Adopted this 17th day of December, 1998.

[SEAL]

Mayor

City Manager

ATTEST:

City Clerk

APPROVED AS TO FORM:

City Attorney

CH288121.2

CERTIFICATION

Certified a true, correct and complete copy of a Supplemental Resolution duly adopted by the City Council of the CITY OF FAIRMONT at a special meeting of the City Council held at 4:30 p.m., on December 17, 1998, pursuant to proper notice, at which meeting a quorum was present and acting throughout.

Dated this 30th day of December, 1998.

[SEAL]

Janet L. Keller

City Clerk

CERTIFICATION

Certified a true, correct and complete copy of a Supplemental Resolution duly adopted by the City Council of the CITY OF FAIRMONT at a special meeting of the City Council held at 4:30 p.m., on December 17, 1998, pursuant to proper notice, at which meeting a quorum was present and acting throughout.

Dated this 14th day of January, 1999.

[SEAL]

Janet L. Kellen
City Clerk

12/29/98
268460/98001

CH288121.2

EXHIBIT A - SERIES 1998 BOND TERMS

$9,600,000
City of Fairmont (West Virginia)
Water Revenue Bonds, Series 1998

Maturity (July 1)	Amount	Interest Rate	Price or Yield
2002	$ 105,000.00	3.600%	3.600%
2003	$ 100,000.00	3.700%	3.700%
2004	$ 105,000.00	3.750%	3.750%
2005	$ 110,000.00	3.850%	3.850%
2006	$ 115,000.00	3.950%	3.950%
2007	$ 120,000.00	4.000%	4.000%
2008	$ 125,000.00	4.050%	4.050%
2009	$ 130,000.00	4.100%	4.100%
2010	$ 135,000.00	4.200%	4.200%
2011	$ 140,000.00	4.250%	4.250%
2012	$ 145,000.00	4.300%	4.300%
2013	$ 145,000.00	4.350%	4.350%
2018	$1,625,000.00	4.750%	4.750%
2023	$3,055,000.00	4.900%	4.900%
2029	$3,445,000.00	4.750%	5.000%

OPTIONAL REDEMPTION

The Series 1998 Bonds shall not be subject to optional redemption prior to January 1, 2009. The Series 1998 Bonds maturing on or after July 1, 2009, shall be redeemable prior to their stated dates of maturity at the option of the Issuer on or after January 1, 2009, 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 redemption prices (expressed as percentages of the principal amount to be redeemed) set forth below, plus interest accrued to the date fixed for redemption:

Period During Which Redeemed (both dates inclusive)	Redemption Price
January 1, 2009 - December 31, 2009	102%
January 1, 2010 - December 31, 2010	101
January 1, 2011 and thereafter	100

If a Series 1998 Bond is called for redemption in part, the Series 1998 Bond shall be renumbered and exchanged for a Series 1998 Bond of the amount then outstanding, without charge to the Bondholder.

MANDATORY SINKING FUND REDEMPTION

The Bonds maturing July 1, 2018, July 1, 2023 and July 1, 2029, are subject to annual mandatory redemption prior to maturity by random selection on July 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:

Series 1998 Bonds Maturing July 1, 2018

Year (July 1)	Principal Amount
2014	$295,000
2015	310,000
2016	325,000
2017	340,000
2018*	355,000

Series 1998 Bonds Maturing July 1, 2023

Year (July 1)	Principal Amount
2019	$375,000
2020	695,000
2021	675,000
2022	660,000
2023*	650,000

Series 1998 Bonds Maturing July 1, 2029

Year (July 1)	Principal Amount
2024	$635,000
2025	510,000
2026	535,000
2027	560,000
2028	590,000
2029*	615,000

* Final Maturity

EXHIBIT B - SERIES 1999 BOND TERMS

$19,945,000
City of Fairmont (West Virginia)
Water Revenue Bonds, Series 1999

Maturity (July 1)	Amount	Interest Rate	Price or Yield
2015	$1,825,000.00	5.250%	4.750%
2017	$2,020,000.00	5.250%	4.850%
2019	$2,235,000.00	5.000%	4.900%
2022	$3,000,000.00	5.250%	4.920%
2024	$2,500,000.00	4.500%	5.050%
2029	$8,365,000.00	5.000%	5.100%

OPTIONAL REDEMPTION

The Series 1999 Bonds shall not be subject to optional redemption prior to January 1, 2009. The Series 1999 Bonds maturing on or after July 1, 2009 (excepting the Series 1999 Bonds maturing July 1, 2022, which are not subject to optional redemption), shall be redeemable prior to their stated dates of maturity at the option of the Issuer on or after January 1, 2009, 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 redemption prices (expressed as percentages of the principal amount to be redeemed) set forth below, plus interest accrued to the date fixed for redemption:

Period During Which Redeemed (both dates inclusive)	Redemption Price
January 1, 2009 - December 31, 2009	102%
January 1, 2010 - December 31, 2010	101
January 1, 2011 and thereafter	100

If a Series 1999 Bond is called for redemption in part, the Series 1999 Bond shall be renumbered and exchanged for a Series 1999 Bond of the amount then outstanding, without charge to the Bondholder.

MANDATORY SINKING FUND REDEMPTION

The Bonds maturing July 1, 2015, July 1, 2017, July 1, 2019, July 1, 2022, July 1, 2024 and July 1, 2029, are subject to annual mandatory redemption prior to maturity by random selection on July 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:

Series 1999 Bonds Maturing July 1, 2015

Year (July 1)	Principal Amount
2014	$ 890,000
2015*	935,000

Series 1999 Bonds Maturing July 1, 2017

Year (July 1)	Principal Amount
2016	$ 985,000
2017*	1,035,000

Series 1999 Bonds Maturing July 1, 2019

Year (July 1)	Principal Amount
2018	$1,090,000
2019*	1,145,000

Series 1999 Bonds Maturing July 1, 2022

Year (July 1)	Principal Amount
2020	$ 900,000
2021	1,000,000
2022*	1,100,000

Series 1999 Bonds Maturing July 1, 2024

Year (July 1)	Principal Amount
2023	$1,200,000
2024*	1,300,000

Series 1999 Bonds Maturing July 1, 2029

Year (July 1)	Principal Amount
2025	$1,515,000
2026	1,590,000
2027	1,670,000
2028	1,750,000
2029*	1,840,000

* Final Maturity

EXHIBIT C - FORM OF SERIES 1999 BOND

STATEMENT OF INSURANCE

No. R-_____ $_____

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF FAIRMONT
(WEST VIRGINIA)
WATER REVENUE BOND,
SERIES 1999

INTEREST RATE	MATURITY DATE	BOND DATE	CUSIP NO.

REGISTERED OWNER: _____

PRINCIPAL AMOUNT: _____

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF FAIRMONT, 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, 199___ (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 same meanings set forth 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 $500,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to a domestic bank account specified in writing by the Registered Owner to the Paying Agent at least 5 days prior to such Record Date. Principal and premium, if any, shall be paid when due upon presentation and surrender of this Bond for payment at the principal corporate trust office of the Paying Agent, in _____, West Virginia.

This Bond is one of an issue of a series of bonds, in the aggregate principal amount of $_____ designated "City of Fairmont (West Virginia) Water Revenue Bonds, Series 1999" (the "Bonds"), of like tenor and effect, except as to number, denomination, date of maturity and interest rate, dated _____, 199___, the proceeds of which are to be used to (i) finance the costs of acquisition and construction of certain additions, betterments and improvements to the waterworks system of the Issuer; (ii) fund a reserve account for the Bonds; and (iii) pay costs of issuance hereof 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 19 of the West Virginia Code of 1931, as amended (collectively, the "Act"), and an ordinance duly enacted by the council of the Issuer on _____, 199___, as supplemented by a supplemental resolution duly adopted by the council on _____, 199___ (collectively, the "Ordinance"), and is subject to all the terms and conditions of the 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 Fairmont, West Virginia.

This Bond is 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 _____.

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

(B) Mandatory Sinking Fund Redemption. The Bonds maturing _____, 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.

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 WATERWORKS REFUNDING REVENUE BONDS, SERIES 1997, DATED JUNE 1, 1997, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $10,260,000 (THE "PRIOR BONDS") AND THE ISSUER'S WATER REVENUE BONDS, SERIES 1998, DATED DECEMBER 15, 1998, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $9,560,000 (THE "SERIES 1998 BONDS").

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 Series 1998 Bonds and the Prior Bonds, and from moneys in the Series 1999 Bonds Sinking Fund and the Series 1999 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 1999 Bonds Sinking Fund and the Series 1999 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 120% 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 Series 1998 Bonds and the Prior Bonds. The Issuer has entered into certain further covenants with the Registered Owners of the Bonds, for the terms of which reference is made to the 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 pay all costs of the Project, fund a reserve account for the Bonds and pay all 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 or county commission, 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, CITY OF FAIRMONT (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 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, 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.

CITY OF FAIRMONT
(WEST VIRGINIA)

WATER REVENUE BONDS, SERIES 1998

CROSS-RECEIPT FOR SERIES 1998 BONDS AND SERIES 1998 BOND PROCEEDS

The undersigned MARIE PREZIOSO, as authorized representative, for and on behalf of FERRIS, BAKER WATTS, INCORPORATED and CREWS & ASSOCIATES, INC. (collectively, the "Underwriters") and NICK L. FANTASIA, Mayor of the CITY OF FAIRMONT (the "Issuer"), hereby certify as follows:

1. On the 30th day of December, 1998, at DTC in New York, New York, the Underwriters received the entire original issue of $9,600,000 in aggregate principal amount of the City of Fairmont (West Virginia) Water Revenue Bonds, Series 1998 (the "Bonds"). The Bonds, as so received on original issuance, are dated December 15, 1998, are in fully registered form, are numbered from R-1 upward in order of maturity, and are registered in the name of CEDE & CO.

2. At the time of such receipt of the Bonds upon original issuance, they had been executed by Nick L. Fantasia, as Mayor, and E. Bruce McDaniel, as City Manager, by their respective manual signatures, and the official seal of the Issuer had been impressed upon such Bonds and attested by Janet Keller, as City Clerk, by her manual signature, and the Bonds had each been manually authenticated by WesBanco Bank Wheeling, as Registrar.

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

Par Amount	$ 9,600,000.00
Less: Underwriters' Discount	(62,505.00)
Less: Original Issue Discount	(134,079.40)
Purchase Price	9,403,415.60
Plus: Accrued Interest (December 15, 1998 - December 30, 1998)	18,752.92
TOTAL	$ 9,422,168.52

Payment for the Bonds was made in Federal Funds in the amount of $9,422,168.52, with $52,731.68 of such Purchase Price having been wired directly to the Bond Insurer for payment of the Municipal Bond Insurance Premium. Accordingly, the amount received by the Issuer is $9,369,436.84, by two wires, one in the amount of $7,298,674.93 to One Valley Bank, Inc., Morgantown, West Virginia, for deposit in the Construction Fund and Costs of Issuance Fund, and the second in the amount of $2,070,761.91 to One Valley Bank, NA, Charleston, West Virginia, for the account of the State Treasurer of West Virginia/Municipal Bond Commission, for deposit in the Series 1998 Bonds Sinking Fund and the Series 1998 Bonds Reserve Account.

WITNESS our signatures on this 30th day of December, 1998.

FERRIS, BAKER WATTS, INCORPORATED

By _____
Its Senior Vice President

CITY OF FAIRMONT

By _____
Its Mayor

12/29/98
268460/95002

CH288128.2

CITY OF FAIRMONT
(WEST VIRGINIA)

WATER REVENUE BONDS, SERIES 1999

CROSS-RECEIPT FOR SERIES 1999 BONDS AND SERIES 1999 BOND PROCEEDS

The undersigned MARIE PREZIOSO, as authorized representative, for and on behalf of FERRIS, BAKER WATTS, INCORPORATED and CREWS & ASSOCIATES, INC. (collectively, the "Underwriters") and NICK L. FANTASIA, Mayor of the CITY OF FAIRMONT (the "Issuer"), hereby certify as follows:

1. On the 14th day of January, 1999, at DTC in New York, New York, the Underwriters received the entire original issue of $19,945,000 in aggregate principal amount of the City of Fairmont (West Virginia) Water Revenue Bonds, Series 1999 (the "Bonds"). The Bonds, as so received on original issuance, are dated January 1, 1999, are in fully registered form, are numbered from R-1 upward in order of maturity, and are registered in the name of CEDE & CO.

2. At the time of such receipt of the Bonds upon original issuance, they had been executed by Nick L. Fantasia, as Mayor, and E. Bruce McDaniel, as City Manager, by their respective manual signatures, and the official seal of the Issuer had been impressed upon such Bonds and attested by Janet Keller, as City Clerk, by her manual signature, and the Bonds had each been manually authenticated by WesBanco Bank Wheeling, as Registrar.

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

Par Amount	$19,945,000.00
Less: Underwriters' Discount	(128,447.50)
Less: Net Original Issue Discount	(12,798.95)
Purchase Price	19,803,753.55
Plus: Accrued Interest (January 1, 1999 - January 14, 1999)	36,178.37
TOTAL	$19,839,931.92

Payment for the Bonds was made in Federal Funds in the amount of $19,839,931.92, with $114,284.02 of such Purchase Price having been wired directly to the Bond Insurer for payment of the Municipal Bond Insurance Premium. Accordingly, the amount received by the Issuer is $19,725,647.90, by two wires, one in the amount of $15,132,883.13 to One Valley Bank, Inc., Morgantown, West Virginia, for deposit in the Construction Fund and Costs of Issuance Fund, and the second in the amount of $4,592,764.77 to One Valley Bank, NA, Charleston, West Virginia, for the account of the State Treasurer of West Virginia/Municipal Bond Commission, for deposit in the Series 1999 Bonds Sinking Fund and the Series 1999 Bonds Reserve Account.

WITNESS our signatures on this 14th day of January, 1999.

FERRIS, BAKER WATTS, INCORPORATED

By _____
Its Senior Vice President

CITY OF FAIRMONT

By _____
Its Mayor

12/29/98
268460/95002

CH294380.2

CITY OF FAIRMONT
(WEST VIRGINIA)

WATER REVENUE BONDS, SERIES 1998

DIRECTION TO AUTHENTICATE AND DELIVER SERIES 1998 BONDS

WesBanco Bank Wheeling,
as Registrar
Wheeling, West Virginia

Ladies and Gentlemen:

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

1. Bonds Nos. R-1 to R-15, constituting the entire original issue of the City of Fairmont (West Virginia) Water Revenue Bonds, Series 1998, dated December 15, 1998, in the aggregate principal amount of $9,600,000 (the "Bonds"), executed by the Mayor, City Manager and City Clerk of the City of Fairmont (the "Issuer") and bearing the official seal of the Issuer. The Bonds are authorized to be issued under and pursuant to an Ordinance enacted by the Issuer on November 10, 1998, and a Supplemental Resolution adopted by the Issuer on December 17, 1998 (collectively, the "Ordinance");

2. A copy of the Ordinance duly certified by the City Clerk;

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

4. A list of the names in which the Bonds are to be registered upon original issuance, together with taxpayer identification and other information as requested by you; and

5. Copies of such other documents, certificates and verifications as required by the Original Purchasers.

You are hereby requested and authorized, pursuant to Section 3.12 of the Ordinance, to authenticate, register and deliver the Bonds to DTC, on behalf of Ferris, Baker Watts, Incorporated and Crews & Associates, Inc., the Original Purchasers thereof.

Dated this 30th day of December, 1998.

CITY OF FAIRMONT

By _____
Its Mayor

12/29/98
268460/98001

CH288189.2

CITY OF FAIRMONT
(WEST VIRGINIA)

WATER REVENUE BONDS, SERIES 1999

DIRECTION TO AUTHENTICATE AND DELIVER SERIES 1999 BONDS

WesBanco Bank Wheeling,
as Registrar
Wheeling, West Virginia

Ladies and Gentlemen:

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

1. Bonds Nos. R-1 to R-6, constituting the entire original issue of the City of Fairmont (West Virginia) Water Revenue Bonds, Series 1999, dated January 1, 1999, in the aggregate principal amount of $19,945,000 (the "Bonds"), executed by the Mayor, City Manager and City Clerk of the City of Fairmont (the "Issuer") and bearing the official seal of the Issuer. The Bonds are authorized to be issued under and pursuant to an Ordinance enacted by the Issuer on November 10, 1998, and a Supplemental Resolution adopted by the Issuer on December 17, 1998 (collectively, the "Ordinance");

2. A copy of the Ordinance duly certified by the City Clerk;

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

4. A list of the names in which the Bonds are to be registered upon original issuance, together with taxpayer identification and other information as requested by you; and

5. Copies of such other documents, certificates and verifications as required by the Original Purchasers.

You are hereby requested and authorized, pursuant to Section 3.12 of the Ordinance, to authenticate, register and deliver the Bonds to DTC, on behalf of Ferris, Baker Watts, Incorporated and Crews & Associates, Inc., the Original Purchasers thereof.

Dated this 14th day of January, 1999.

CITY OF FAIRMONT

By _____
Its Mayor

12/29/98
268460/98001

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Agreement") dated as of December 30, 1998, by and between the City of Fairmont, West Virginia (the "City") and Ferris, Baker Watts, Incorporated, acting on behalf of itself and Crews & Associates, Inc. (the "Underwriter") in connection with the $9,600,000 City of Fairmont Water Revenue Bonds, Series 1998 (the "Bonds"), issued pursuant to the Bond Ordinance enacted by the City on November 10, 1998, and the Supplemental Resolution adopted December 17, 1998 (collectively, the "Ordinance"). Capitalized terms used in this Agreement shall have the respective meanings specified in the Ordinance or in Article IV hereof. The parties agree as follows:

ARTICLE I

The Undertaking

Section 1.1. Purpose. This Agreement shall constitute a written undertaking for the benefit of the holders of the Bonds, and is being executed and delivered solely to assist the Underwriter in complying with subsection (b)(5) of the Rule.

Section 1.2. Annual Financial Information. (a) The City shall provide Annual Financial Information with respect to each fiscal year of the City, commencing with the fiscal year ending June 30, 1999, by no later than 270 days after the end of the respective fiscal year, to each NRMSIR and the SID.

(b) The City shall provide, in a timely manner, notice of any failure of the City to provide the Annual Financial Information by the date specified in subsection (a) above to (i) either the MSRB or each NRMSIR, and (ii) the SID.

Section 1.3. Material Event Notices. (a) If a Material Event occurs, the City shall provide, in a timely manner, notice of each Material Event to (i) either the MSRB or each NRMSIR, (ii) the SID, and (iii) the Underwriter.

(b) Any notice of a defeasance of Bonds shall state the timing of maturity or redemption for the Bonds, provided notices shall not be sent for mandatory sinking fund redemptions as set forth in the Official Statement.

Section 1.4. Additional Disclosure Obligations. The City acknowledges and understands that other State and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the City and that, under some circumstances, additional disclosures or other action in addition to those required by this Agreement may be required to enable the City to fully discharge all of its duties and obligations under such laws.

Section 1.5. Additional Information. Nothing in this Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of Material Event hereunder, in addition to that which is required by this Agreement. If the City chooses to do so, the City shall have no obligation under this Agreement to update such additional information or include it in any future Annual Financial Information or notice of a Material Event hereunder.

Section 1.6. Previous Non-Compliance. The City represents that since July 3, 1995, it has not failed to comply in any material respect with any previous undertaking in a written contract or agreement, as entered into by the City, as issuer, specified in paragraph (b)(5)(i) of the Rule, except for a Continuing Disclosure Agreement dated June 19, 1997 (the "1997 Agreement") with respect to the issuance of the Prior Bonds. The 1997 Agreement required that the City provide annual financial information to each NRMSIR no later than 150 days after the end of each Fiscal Year, commencing with the Fiscal Year ended June 30, 1997. Due to a delay in receipt of audited financial statements, the City did not provide such required fiscal year 1997 audited financial information on or before the date specified in the 1997 Agreement. However, as of the date hereof, the City has provided such required annual financial information to each NRMSIR and has met the requirements for the fiscal year 1998.

ARTICLE II

Operating Rules

Section 2.1. Reference to Other Documents. It shall be sufficient for purposes of this Agreement if the City provides Annual Financial Information by specific reference to documents (i) either (1) provided to each NRMSIR existing at the time of such reference and the SID or (2) filed with the SEC, or (ii) if such document is an Official Statement, available from the MSRB.

Section 2.2. Submission of Information. Annual Financial Information may be provided in one document or multiple documents, and at one time or in part from time to time.

Section 2.3. Transmission of Information and Notices. Unless otherwise required by law, the City shall employ such methods of information and notice transmission as it shall so determine.

Section 2.4. Fiscal Year. The City's current fiscal year is the twelve-month period ending on June 30. The City shall promptly notify (i) each NRMSIR, (ii) the SID and (iii) the Underwriter of each change in its fiscal year.

ARTICLE III

Effective Date, Termination, Amendment and Enforcement

Section 3.1. Effective Date; Termination. (a) This Agreement shall be effective upon the issuance of the Bonds.

(b) The City's obligations under this Agreement shall terminate upon a legal defeasance, prior redemption or payment in full of all of the Bonds.

(c) This Agreement, or any provision hereof, shall be null and void in the event that the City (1) delivers to the Underwriter an opinion of counsel, addressed to the City and the Underwriter, to the effect that those portions of the Rule which require this Agreement, or such provision, as the case may be, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) delivers copies of such opinion to each NRMSIR and the SID.

Section 3.2. Amendment. (a) This Agreement may be amended, by written agreement of the parties, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the City or the type of business conducted thereby, (2) this Agreement as so amended would have complied with the requirements of the Rule as of the date of this Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the City shall have delivered to the Underwriter an opinion of counsel, addressed to the City and the Underwriter, to the same effect as set forth in clause (2) above, (4) the City shall have delivered to the Underwriter an opinion of Counsel or a determination by a person, in each case unaffiliated with the City (such as bond counsel or the Underwriter) and acceptable to the City, addressed to the City and the Underwriter, to the effect that the amendment does not materially impair the interests of the holders of the Bonds, and (5) the City shall have delivered copies of such opinion(s) and amendment to each NRMSIR and the SID.

(b) This Agreement may be amended, by written agreement of the parties, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Agreement which is applicable to this Agreement, (2) the City shall have delivered to the Underwriter an opinion of counsel, addressed to the City and the Underwriter, to the effect that performance by the City and Underwriter under this Agreement as so amended will not result in a violation of the Rule and (3) the City shall have delivered copies of such opinion and amendment to each NRMSIR and the SID.

(c) To the extent any amendment to this Agreement results in a change in the type of financial information or operating data provided pursuant to this Agreement, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(d) If an amendment is made pursuant to Section 3.2(a) hereof to the accounting principles to be followed by the City in preparing its financial statements, the Annual Financial Information for the fiscal year in which the change is made shall provide written explanation of such change or changes.

Section 3.3. Benefit; Third-Party Beneficiaries; Enforcement. (a) The provisions of this Agreement shall constitute a contract with and inure solely to the benefit of the holders from time to time of the Bonds, except that beneficial owners of Bonds shall be third-party beneficiaries of this Agreement and shall be deemed to be holders of Bonds for purposes of Section 3.3(b) hereof. The provisions of this Agreement shall create no rights in any person or entity except as provided in this subsection (a).

(b) The obligations of the City to comply with the provisions of this Agreement shall be enforceable (i) in the case of enforcement of obligations to provide Annual Financial Information and Material Event notices, by any holder of Outstanding bonds, or by the Underwriter on behalf of the holders of Outstanding bonds, or (ii), in the case of challenges to the adequacy of the Annual Financial Information so provided, by the Underwriter on behalf of the holders of Outstanding Bonds; provided, however, that the Underwriter shall not be required to take any enforcement action except at the direction of the holders of not less than 60% in aggregate principal amount of the Bonds at the time Outstanding who shall have provided the Underwriter with adequate security and indemnity. The holders' and Underwriter' rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the City's obligations under this Agreement.

(c) Any failure by the City or the Underwriter to perform in accordance with this Agreement shall not constitute a default or an Event of Default under the Resolution, and the rights and remedies provided by the Resolution upon the occurrence of a default or an Event of Default shall not apply to any such failure.

(d) This Agreement shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Agreement shall be instituted in a court of competent jurisdiction in the State; provided, however, that to the extent this Agreement addresses matters of federal securities laws, including the Rule, this Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

ARTICLE IV

Definitions

Section 4.1. Definitions. The following items used in this Agreement shall have the following respective meanings:

(1) "Annual Financial Information" means, collectively, (i) the City's Annual Financial Report (or any successive document which sets forth comprehensive information relating to the financial position of the City), (ii) operating information similar to that set forth in the Official Statement subsection "The System", and (iii) the information regarding amendments to this Agreement required pursuant to Sections 3.2(c) and (d) of this Agreement. Annual Financial Information shall include Audited Financial Statements, if available, or Unaudited Financial Statements.

(2) "Audited Financial Statements" means the annual financial statements, if any, of the City, audited by such auditor as shall then be required or permitted by State law. Audited Financial Statements shall be prepared in accordance with GAAP.

(3) "Counsel" means Steptoe & Johnson, Clarksburg, West Virginia, or other nationally recognized bond counsel or counsel expert in federal securities law.

(4) "GAAP" means generally accepted accounting principles as prescribed from time to time for governmental units by the Governmental Accounting Standards Board, the Financial Accounting Standards Board, or any successor to the duties and responsibilities of either of them.

(5) "Material Event" means any of the following events with respect to the Bonds, whether relating to the City or otherwise, if material:

(i) principal and interest payment delinquencies;
(ii) non-payment related defaults;
(iii) unscheduled draws on debt service reserves reflecting financial difficulties;
(iv) unscheduled draws on credit enhancements reflecting financial difficulties;
(v) substitution of credit or liquidity providers, or their failure to perform;
(vi) adverse tax opinions or events affecting the tax-exempt status of the security;
(vii) modifications to rights of security holders;
(viii) bond calls;
(ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the securities; and

(xi) rating changes.

(6) "MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

(7) "NRMSIR" means, at any time, a then-existing nationally recognized municipal securities information repository, as recognized from time to time by the SEC for the purposes referred to in the Rule. Filing information relating to such NRMSIRs is set forth in Exhibit A hereto.]

(8) "Official Statement" means "final official statement," as defined in paragraph (f)(3) of the Rule.

(9) "Rule" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, § 240.15c2-12), as in effect on the date of this Agreement, including any official interpretations thereof issued either before or after the effective date of this Agreement which are applicable to this Agreement.

(10) "SEC" means the United States Securities and Exchange Commission.

(11) "SID" means, at any time, a then-existing State information depository, if any, as operated or designated as such by or on behalf of the State for the purposes referred to in the rule. As of the date of this Agreement, there is no SID.

(12) "State" means the State of West Virginia.

(13) "Unaudited Financial Statements" means the same as Audited Financial Statements, except that they shall not have been audited.

ARTICLE V

Miscellaneous

Section 5.1. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 5.2. Severability. If any one or more sections, clauses, sentences or parts hereof shall for any reason be questioned in any court of competent jurisdiction and shall be adjudged unconstitutional or invalid, such judgment shall not affect, impair or invalidate the remaining provisions hereof or thereof, or the Bonds, but shall be confined to the specific sections, clauses, sentences and parts so adjudged.

IN WITNESS WHEREOF, the parties have each caused this Agreement to be executed by their duly authorized representatives, all as of the date first above written.

CITY OF FAIRMONT

By: _____
Mayor

FERRIS, BAKER WATTS, INCORPORATED, acting on behalf of itself and Crews & Associates, Inc.

By: _____
Senior Vice President

CHASFS3:137053

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Agreement") dated as of January 14, 1999, by and between the City of Fairmont, West Virginia (the "City") and Ferris, Baker Watts, Incorporated, acting on behalf of itself and Crews & Associates, Inc. (the "Underwriter") in connection with the $19,945,000 City of Fairmont Water Revenue Bonds, Series 1999 (the "Bonds"), issued pursuant to the Bond Ordinance enacted by the City on November 10, 1998, and the Supplemental Resolution adopted December 17, 1998 (collectively, the "Ordinance"). Capitalized terms used in this Agreement shall have the respective meanings specified in the Ordinance or in Article IV hereof. The parties agree as follows:

ARTICLE I

The Undertaking

Section 1.1. Purpose. This Agreement shall constitute a written undertaking for the benefit of the holders of the Bonds, and is being executed and delivered solely to assist the Underwriter in complying with subsection (b)(5) of the Rule.

Section 1.2. Annual Financial Information. (a) The City shall provide Annual Financial Information with respect to each fiscal year of the City, commencing with the fiscal year ending June 30, 1999, by no later than 270 days after the end of the respective fiscal year, to each NRMSIR and the SID.

(b) The City shall provide, in a timely manner, notice of any failure of the City to provide the Annual Financial Information by the date specified in subsection (a) above to (i) either the MSRB or each NRMSIR, and (ii) the SID.

Section 1.3. Material Event Notices. (a) If a Material Event occurs, the City shall provide, in a timely manner, notice of each Material Event to (i) either the MSRB or each NRMSIR, (ii) the SID, and (iii) the Underwriter.

(b) Any notice of a defeasance of Bonds shall state the timing of maturity or redemption for the Bonds, provided notices shall not be sent for mandatory sinking fund redemptions as set forth in the Official Statement.

Section 1.4. Additional Disclosure Obligations. The City acknowledges and understands that other State and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the City and that, under some circumstances, additional disclosures or other action in addition to those required by this Agreement may be required to enable the City to fully discharge all of its duties and obligations under such laws.

Section 1.5. Additional Information. Nothing in this Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of Material Event hereunder, in addition to that which is required by this Agreement. If the City chooses to do so, the City shall have no obligation under this Agreement to update such additional information or include it in any future Annual Financial Information or notice of a Material Event hereunder.

Section 1.6. Previous Non-Compliance. The City represents that since July 3, 1995, it has not failed to comply in any material respect with any previous undertaking in a written contract or agreement, as entered into by the City, as issuer, specified in paragraph (b)(5)(i) of the Rule, except for a Continuing Disclosure Agreement dated June 19, 1997 (the "1997 Agreement") with respect to the issuance of the Prior Bonds. The 1997 Agreement required that the City provide annual financial information to each NRMSIR no later than 150 days after the end of each Fiscal Year, commencing with the Fiscal Year ended June 30, 1997. Due to a delay in receipt of audited financial statements, the City did not provide such required fiscal year 1997 audited financial information on or before the date specified in the 1997 Agreement. However, as of the date hereof the City has provided such required annual financial information to each NRMSIR and has met the requirements for the fiscal year 1998.

ARTICLE II

Operating Rules

Section 2.1. Reference to Other Documents. It shall be sufficient for purposes of this Agreement if the City provides Annual Financial Information by specific reference to documents (i) either (1) provided to each NRMSIR existing at the time of such reference and the SID or (2) filed with the SEC, or (ii) if such document is an Official Statement, available from the MSRB.

Section 2.2. Submission of Information. Annual Financial Information may be provided in one document or multiple documents, and at one time or in part from time to time.

Section 2.3. Transmission of Information and Notices. Unless otherwise required by law, the City shall employ such methods of information and notice transmission as it shall so determine.

Section 2.4. Fiscal Year. The City's current fiscal year is the twelve-month period ending on June 30. The City shall promptly notify (i) each NRMSIR, (ii) the SID and (iii) the Underwriter of each change in its fiscal year.

ARTICLE III

Effective Date, Termination, Amendment and Enforcement

Section 3.1. Effective Date; Termination. (a) This Agreement shall be effective upon the issuance of the Bonds.

(b) The City's obligations under this Agreement shall terminate upon a legal defeasance, prior redemption or payment in full of all of the Bonds.

(c) This Agreement, or any provision hereof, shall be null and void in the event that the City (1) delivers to the Underwriter an opinion of counsel, addressed to the City and the Underwriter, to the effect that those portions of the Rule which require this Agreement, or such provision, as the case may be, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) delivers copies of such opinion to each NRMSIR and the SID.

Section 3.2. Amendment. (a) This Agreement may be amended, by written agreement of the parties, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the City or the type of business conducted thereby, (2) this Agreement as so amended would have complied with the requirements of the Rule as of the date of this Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the City shall have delivered to the Underwriter an opinion of counsel, addressed to the City and the Underwriter, to the same effect as set forth in clause (2) above, (4) the City shall have delivered to the Underwriter an opinion of Counsel or a determination by a person, in each case unaffiliated with the City (such as bond counsel or the Underwriter) and acceptable to the City, addressed to the City and the Underwriter, to the effect that the amendment does not materially impair the interests of the holders of the Bonds, and (5) the City shall have delivered copies of such opinion(s) and amendment to each NRMSIR and the SID.

(b) This Agreement may be amended, by written agreement of the parties, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Agreement which is applicable to this Agreement, (2) the City shall have delivered to the Underwriter an opinion of counsel, addressed to the City and the Underwriter, to the effect that performance by the City and Underwriter under this Agreement as so amended will not result in a violation of the Rule and (3) the City shall have delivered copies of such opinion and amendment to each NRMSIR and the SID.

(c) To the extent any amendment to this Agreement results in a change in the type of financial information or operating data provided pursuant to this Agreement, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(d) If an amendment is made pursuant to Section 3.2(a) hereof to the accounting principles to be followed by the City in preparing its financial statements, the Annual Financial Information for the fiscal year in which the change is made shall provide written explanation of such change or changes.

Section 3.3. Benefit; Third-Party Beneficiaries; Enforcement. (a) The provisions of this Agreement shall constitute a contract with and inure solely to the benefit of the holders from time to time of the Bonds, except that beneficial owners of Bonds shall be third-party beneficiaries of this Agreement and shall be deemed to be holders of Bonds for purposes of Section 3.3(b) hereof. The provisions of this Agreement shall create no rights in any person or entity except as provided in this subsection (a).

(b) The obligations of the City to comply with the provisions of this Agreement shall be enforceable (i) in the case of enforcement of obligations to provide Annual Financial Information and Material Event notices, by any holder of Outstanding bonds, or by the Underwriter on behalf of the holders of Outstanding bonds, or (ii), in the case of challenges to the adequacy of the Annual Financial Information so provided, by the Underwriter on behalf of the holders of Outstanding Bonds; provided, however, that the Underwriter shall not be required to take any enforcement action except at the direction of the holders of not less than 60% in aggregate principal amount of the Bonds at the time Outstanding who shall have provided the Underwriter with adequate security and indemnity. The holders' and Underwriter' rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the City's obligations under this Agreement.

(c) Any failure by the City or the Underwriter to perform in accordance with this Agreement shall not constitute a default or an Event of Default under the Resolution, and the rights and remedies provided by the Resolution upon the occurrence of a default or an Event of Default shall not apply to any such failure.

(d) This Agreement shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Agreement shall be instituted in a court of competent jurisdiction in the State; provided, however, that to the extent this Agreement addresses matters of federal securities laws, including the Rule, this Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

ARTICLE IV

Definitions

Section 4.1. Definitions. The following items used in this Agreement shall have the following respective meanings:

(1) "Annual Financial Information" means, collectively, (i) the City's Annual Financial Report (or any successive document which sets forth comprehensive information relating to the financial position of the City), (ii) operating information similar to that set forth in the Official Statement subsection "The System", and (iii) the information regarding amendments to this Agreement required pursuant to Sections 3.2(c) and (d) of this Agreement. Annual Financial Information shall include Audited Financial Statements, if available, or Unaudited Financial Statements.

(2) "Audited Financial Statements" means the annual financial statements, if any, of the City, audited by such auditor as shall then be required or permitted by State law. Audited Financial Statements shall be prepared in accordance with GAAP.

(3) "Counsel" means Steptoe & Johnson, Clarksburg, West Virginia, or other nationally recognized bond counsel or counsel expert in federal securities law.

(4) "GAAP" means generally accepted accounting principles as prescribed from time to time for governmental units by the Governmental Accounting Standards Board, the Financial Accounting Standards Board, or any successor to the duties and responsibilities of either of them.

(5) "Material Event" means any of the following events with respect to the Bonds, whether relating to the City or otherwise, if material:

(i) principal and interest payment delinquencies;
(ii) non-payment related defaults;
(iii) unscheduled draws on debt service reserves reflecting financial difficulties;
(iv) unscheduled draws on credit enhancements reflecting financial difficulties;
(v) substitution of credit or liquidity providers, or their failure to perform;
(vi) adverse tax opinions or events affecting the tax-exempt status of the security;
(vii) modifications to rights of security holders;
(viii) bond calls;
(ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the securities; and

(xi) rating changes.

(6) "MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

(7) "NRMSIR" means, at any time, a then-existing nationally recognized municipal securities information repository, as recognized from time to time by the SEC for the purposes referred to in the Rule. Filing information relating to such NRMSIRs is set forth in Exhibit A hereto.

(8) "Official Statement" means "final official statement," as defined in paragraph (f)(3) of the Rule.

(9) "Rule" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, § 240.15c2-12), as in effect on the date of this Agreement, including any official interpretations thereof issued either before or after the effective date of this Agreement which are applicable to this Agreement.

(10) "SEC" means the United States Securities and Exchange Commission.

(11) "SID" means, at any time, a then-existing State information depository, if any, as operated or designated as such by or on behalf of the State for the purposes referred to in the rule. As of the date of this Agreement, there is no SID.

(12) "State" means the State of West Virginia.

(13) "Unaudited Financial Statements" means the same as Audited Financial Statements, except that they shall not have been audited.

ARTICLE V

Miscellaneous

Section 5.1. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 5.2. Severability. If any one or more sections, clauses, sentences or parts hereof shall for any reason be questioned in any court of competent jurisdiction and shall be adjudged unconstitutional or invalid, such judgment shall not affect, impair or invalidate the remaining provisions hereof or thereof, or the Bonds, but shall be confined to the specific sections, clauses, sentences and parts so adjudged.

IN WITNESS WHEREOF, the parties have each caused this Agreement to be executed by their duly authorized representatives, all as of the date first above written.

CITY OF FAIRMONT

By: _____
Mayor

FERRIS, BAKER WATTS, INCORPORATED, acting on behalf of itself and Crews & Associates, Inc.

By: _____
Senior Vice President

CHASFS3:135828

(SPECIMEN BOND)

STATEMENT OF INSURANCE

Municipal Bond Insurance Policy No. 15884BE (the "Policy") with respect to payments due for principal of and interest on this bond has been issued by Ambac Assurance Corporation ("Ambac Assurance"). The Policy has been delivered to the United States Trust Company of New York, New York, New York, as the Insurance Trustee under said Policy and will be held by such Insurance Trustee or any successor insurance trustee. The Policy is on file and available for inspection at the principal office of the Insurance Trustee and a copy thereof may be secured from Ambac Assurance or the Insurance Trustee. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The owner of this bond acknowledges and consents to the subrogation rights of Ambac Assurance as more fully set forth in the Policy.

No. R-1 $105,000

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF FAIRMONT
(WEST VIRGINIA)
WATER REVENUE BOND,
SERIES 1998

INTEREST RATE	MATURITY DATE	BOND DATE	CUSIP NO.
3.60%	July 1, 2002	December 15,1998	305459 DX4

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: ONE HUNDRED FIVE THOUSAND AND 00/100 DOLLARS

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF FAIRMONT, 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 January 1 and July 1, in each year, beginning July 1, 1999 (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 same meanings set forth 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 June 15 and December 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 WesBanco Bank Wheeling, Wheeling, 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 $9,600,000 designated "City of Fairmont (West Virginia) Water Revenue Bonds, Series 1998" (the "Bonds"), of like tenor and effect, except as to number, denomination, date of maturity and interest rate, dated December 15, 1998, the proceeds of which are to be used, together with proceeds of the Series 1999 Bonds hereinafter described, to (i) finance the costs of acquisition and construction of certain additions, betterments and improvements to the public waterworks system of the Issuer, including capitalized interest on the Bonds through January 1, 2002; (ii) fund a reserve account for the Bonds; and (iii) pay costs of issuance hereof 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 19 of the West Virginia Code of 1931, as amended (the "Act"), and an ordinance duly enacted by the council of the Issuer on November 10, 1998, as supplemented by a supplemental resolution duly adopted by the council of the Issuer on December 17, 1998 (collectively, the "Ordinance"), and is subject to all the terms and conditions of the 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 Fairmont, West Virginia.

This Bond is 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 Ambac Assurance Corporation.

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 July 1, 2009, are subject to redemption prior to maturity at the option of the Issuer on and after January 1, 2009, 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
January 1, 2009 through December 31, 2009	102%
January 1, 2010 through December 31, 2010	101%
January 1, 2011 and thereafter	100%

(B) Mandatory Sinking Fund Redemption. The Bonds maturing July 1, 2018, July 1, 2023 and July 1, 2029, are subject to annual mandatory redemption prior to maturity by random selection on July 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:

Series 1998 Bonds Maturing July 1, 2018

Year (July 1)	Principal Amount
2014	$295,000
2015	310,000
2016	325,000
2017	340,000
2018*	355,000

Series 1998 Bonds Maturing July 1, 2023

Year (July 1)	Principal Amount
2019	$375,000
2020	695,000
2021	675,000
2022	660,000
2023*	650,000

Series 1998 Bonds Maturing July 1, 2029

Year (July 1)	Principal Amount
2024	$635,000
2025	510,000
2026	535,000
2027	560,000
2028	590,000
2029*	615,000

* 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.

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 WATERWORKS REFUNDING REVENUE BONDS, SERIES 1997, DATED JUNE 1, 1997, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $10,260,000 (THE "PRIOR BONDS") AND THE ISSUER'S WATER REVENUE BONDS, SERIES 1999, TO BE DATED JANUARY 1, 1999, ANTICIPATED TO BE ISSUED ON JANUARY 14, 1999, IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $19,945,000 (THE "SERIES 1999 BONDS').

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 the Series 1999 Bonds, and from moneys in the Series 1998 Bonds Sinking Fund and the Series 1998 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 1998 Bonds Sinking Fund and the Series 1998 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 120% 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 and the Series 1999 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 pay all costs of the Project, pay capitalized interest on the Bonds, fund a reserve account for the Bonds and pay all 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.

The Bonds are hereby and in the Ordinance designated "qualified tax-exempt obligations" within the meaning of Section 265(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 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 or county commission, 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 FAIRMONT (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 Bond to be dated as of the Bond Date specified above.

[SEAL]

_____
Mayor

_____
City Manager

ATTEST:

_____
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, 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: December 30, 1998.

WESBANCO BANK WHEELING,
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.

12/21/98
268460/98001

(SPECIMEN BOND)

STATEMENT OF INSURANCE

Municipal Bond Insurance Policy No. 15885BE (the "Policy") with respect to payments due for principal of and interest on this bond has been issued by Ambac Assurance Corporation ("Ambac Assurance"). The Policy has been delivered to the United States Trust Company of New York, New York, New York, as the Insurance Trustee under said Policy and will be held by such Insurance Trustee or any successor insurance trustee. The Policy is on file and available for inspection at the principal office of the Insurance Trustee and a copy thereof may be secured from Ambac Assurance or the Insurance Trustee. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The owner of this bond acknowledges and consents to the subrogation rights of Ambac Assurance as more fully set forth in the Policy.

No. R-1 $1,825,000

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF FAIRMONT
(WEST VIRGINIA)
WATER REVENUE BOND,
SERIES 1999

INTEREST RATE	MATURITY DATE	BOND DATE	CUSIP NO.
5.25%	July 1, 2015	January 1, 1999	305459 EQ8

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: ONE MILLION EIGHT HUNDRED TWENTY-FIVE THOUSAND AND 00/100 DOLLARS

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF FAIRMONT, 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 January 1 and July 1, in each year, beginning July 1, 1999 (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 same meanings set forth 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 June 15 and December 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 WesBanco Bank Wheeling, Wheeling, 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 $19,945,000 designated "City of Fairmont (West Virginia) Water Revenue Bonds, Series 1999" (the "Bonds"), of like tenor and effect, except as to number, denomination, date of maturity and interest rate, dated January 1, 1999, the proceeds of which are to be used, together with proceeds of the Series 1998 Bonds hereinafter described, to (i) finance the costs of acquisition and construction of certain additions, betterments and improvements to the public waterworks system of the Issuer, including capitalized interest on the Bonds through January 1, 2002; (ii) fund a reserve account for the Bonds; and (iii) pay costs of issuance hereof 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 19 of the West Virginia Code of 1931, as amended (the "Act"), and an ordinance duly enacted by the council of the Issuer on November 10, 1998, as supplemented by a supplemental resolution duly adopted by the council of the Issuer on December 17, 1998 (collectively, the "Ordinance"), and is subject to all the terms and conditions of the 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 Fairmont, West Virginia.

This Bond is 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 Ambac Assurance Corporation.

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 July 1, 2009 (excepting the Bonds maturing July 1, 2022, which are not subject to optional redemption), are subject to redemption prior to maturity at the option of the Issuer on and after January 1, 2009, 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
January 1, 2009 through December 31, 2009	102%
January 1, 2010 through December 31, 2010	101%
January 1, 2011 and thereafter	100%

(B) Mandatory Sinking Fund Redemption. The Bonds maturing July 1, 2015, July 1, 2017, July 1, 2019, July 1, 2022, July 1, 2024 and July 1, 2029, are subject to annual mandatory redemption prior to maturity by random selection on July 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:

Series 1999 Bonds Maturing July 1, 2015

Year (July 1)	Principal Amount
2014	$ 890,000
2015*	935,000

Series 1999 Bonds Maturing July 1, 2017

Year (July 1)	Principal Amount
2016	$ 985,000
2017*	1,035,000

Series 1999 Bonds Maturing July 1, 2019

Year (July 1)	Principal Amount
2018	$1,090,000
2019*	1,145,000

Series 1999 Bonds Maturing July 1, 2022

Year (July 1)	Principal Amount
2020	$ 900,000
2021	1,000,000
2022*	1,100,000

Series 1999 Bonds Maturing July 1, 2024

Year (July 1)	Principal Amount
2023	$1,200,000
2024*	1,300,000

Series 1999 Bonds Maturing July 1, 2029

Year (July 1)	Principal Amount
2025	$1,515,000
2026	1,590,000
2027	1,670,000
2028	1,750,000
2029*	1,840,000

* 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.

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 WATERWORKS REFUNDING REVENUE BONDS, SERIES 1997, DATED JUNE 1, 1997, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $10,260,000 (THE "PRIOR BONDS") AND THE ISSUER'S WATER REVENUE BONDS, SERIES 1998, DATED DECEMBER 15, 1998, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $9,600,000 (THE "SERIES 1998 BONDS").

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 Series 1998 Bonds and the Prior Bonds, and from moneys in the Series 1999 Bonds Sinking Fund and the Series 1999 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 1999 Bonds Sinking Fund and the Series 1999 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 120% 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 Series 1998 Bonds and the Prior Bonds. The Issuer has entered into certain further covenants with the Registered Owners of the Bonds, for the terms of which reference is made to the 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 pay all costs of the Project, pay capitalized interest on the Bonds, fund a reserve account for the Bonds and pay all 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 or county commission, 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 FAIRMONT (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 Bond to be dated as of the Bond Date specified above.

[SEAL]

_____
Mayor

_____
City Manager

ATTEST:

_____
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, 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: January 14, 1999.

WESBANCO BANK WHEELING,
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.

12/21/98
268460/98001

CHARTER

OF THE CITY OF

FAIRMONT, WEST VIRGINIA

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CHARTER

OF THE

CITY OF FAIRMONT, WEST VIRGINIA

ARTICLE I - Incorporation; Form of Government; Powers

Section 1.01 Incorporation.

The inhabitants of the City of Fairmont, Marion County, West Virginia, within the corporate limits as now established or as hereafter established in the manner provided by law, shall continue to be a municipal body politic and corporate in perpetuity, under the name of the City of Fairmont.

Section 1.02 Form of Government.

There is established by this Charter the Council-Manager form of municipal government, as prescribed in section two, article three, chapter eight of the official code of West Virginia, as amended. Except as otherwise provided in this Charter, the Council shall be the governing authority of the City, and shall appoint the City Manager who shall execute the laws and administer the government of the City, except as otherwise provided herein.

Section 1.03 Powers of City.

The City shall have all the powers specifically provided for in this Charter, and shall also have all the powers now hereafter granted to municipal corporations and to cities of its class by the constitution and general laws of the State, together with all the implied powers necessary and proper to carry into execution the powers so granted. The enumeration herein of particular powers shall not be deemed exclusive, but the City shall have and may exercise all the powers which under the Constitution and laws of the State might properly be specifically enumerated in this Charter.

Section 1.04 Intergovernmental Relations.

The City may exercise any of its powers or perform any of its functions and may participate in the financing thereof, jointly or in cooperation, by contract or otherwise, with any one or more states in civil divisions or subdivisions or agencies thereof, or the United States of America or any agencies thereof.

ARTICLE II - The Council

Section 2.01 Composition, Eligibility, Election and Terms.

(a) Composition. There shall be nine councilmembers. The councilmembers shall be elected by the voters of the City at large. The City shall be divided into nine voting districts, which districts shall be established by Council by ordinance and changed from time to time by Council to reflect population changes.

(Passed by Council 6-17-80)

(b) Eligibility and Qualifications. Only qualified voters of the City shall be eligible to hold the office of councilman or councilwoman. Each councilmember shall have been a resident of the City for at least two years immediately preceding his election and shall, at the time of his announcement for office and during his term of office, reside within the district from which elected or appointed to office; provided, however, that no redistricting of the City shall affect the term of any incumbent councilmember during his then existing term of office. If a councilmember shall cease to possess any of these qualifications or shall be convicted of a crime involving moral turpitude, his office shall immediately become vacant. The terms of councilmembers shall be four years except as otherwise provided in this Charter respecting the first election under this Charter.

Section 2.02 Mayor.

The Council shall elect, at the first meeting of a new Council one of its members to serve at the pleasure of the Council as Mayor, and it shall also elect from among its members a Deputy Mayor who shall at the pleasure of the Council act as Mayor during the absence or disability of the Mayor. The Mayor shall preside at all meetings of the Council, shall be recognized as head of the City government for all ceremonial purposes and by the Governor for purposes of military law but shall have no administrative duties. If the Deputy Mayor acts as Mayor, he shall be compensated as such as set out in Section 2.03.

Section 2.03 Compensation; Expenses.

The salary of the Mayor shall be sixty dollars for each regular meeting of the Council attended by him, not to exceed $1440 dollars in any fiscal year. The salary of each of the other councilmembers shall be fifty dollars for each regular meeting of the Council attended by him, not to exceed $1200 in any fiscal year. Until the maximum limit is reached, the salary of the Mayor and each of the councilmembers shall be paid monthly as earned. Councilmembers shall receive their actual and necessary expenses incurred in the performance of their duties of office as approved by the Council.

Section 2.04 Powers.

All powers of the City shall be vested in the Council, except as otherwise provided by law or this Charter, and the Council shall provide for the exercise thereof and for the performance of all duties and obligations imposed on the City by law.

Section 2.05 Prohibitions.

(a) During his term of office no councilmember shall hold any other elected public office, nor shall be employed by the City in any other capacity and no former councilmember shall hold any compensated appointive City office or employment until one year after the expiration of the term for which he was elected to the Council. However, any member of any political executive committee shall not be deemed to hold an elected public office within the meaning of this section.

(b) Appointments and Removals. Neither the Council nor any of its members shall in any manner dictate the appointment or removal of any City administrative officer or employee whom the Manager or any of his subordinates are empowered to appoint, but the Council may express its views and fully and freely discuss with the Manager anything pertaining to the appointment or the removal of such officer or employee.

(c) Interference with Administration. Except for the purpose of inquiries and investigations under Section 2.09, theCouncil or its members shall deal with City officers and employees who are subject to the direction and supervision of the Manager solely through the Manager, and neither the Council nor its members shall give orders to any such officers or employees, either publicly or privately. Violation of this provision shall provide grounds for removal from office.

Section 2.06 Vacancies, Forfeiture of Office, Filling of Vacancies.

(a) Vacancies. The office of a councilmember shall become vacant upon his death, resignation or removal from office in any manner authorized by law or forfeiture of his office.

(b) Forfeiture of Office. A councilmember shall forfeit his office if he (1) lacks at any time during his term of office any qualification for the office prescribed by this Charter, (2) violates any express prohibition of this Charter, (3) is convicted of a crime involving moral turpitude, or (4) fails to attend three consecutive regular meetings of the Council without being excused by the Council as reflected in the minutes.

(c) Filling of Vacancies. A vacancy in the Council shall be filled for the remainder of the unexpired term, if any, at the next regular election following not less than 60 days upon the occurrence of the vacancy, but the Council by a majority vote of all its remaining members shall appoint a qualified person from the same political party or independent as the case may be to fill the vacancy until the person elected to serve the remainder of the unexpired term takes office. If the Council fails to do so within 30 days following the occurrence of the vacancy, the election authorities shall call a special election to fill the vacancy, to be held not sooner than 90 days and not later than 120 days following the occurrence of the vacancy and to be otherwise governed by the provisions of Article VII. Notwithstanding the requirement in Section 2.11 that a quorum of the Council consists of five members, if at any time the membership of the Council is reduced to less than five, the remaining members may by majority action appoint additional members to raise the membership to five.

Section 2.07 Judge of Qualifications.

The Council shall be the judge of the election and qualifications of its members and of the grounds for forfeiture of their office and for that purpose shall have power to subpoena witnesses, administer oaths and require the production of evidence. A member charged with conduct constituting grounds for forfeiture of his office shall be entitled to a public hearing on demand, and notice of such hearings shall be published in one or more newspapers of general circulation in the City at least one week in advance of the hearing. Decisions made by the Council under this section shall be subject to review by the courts.

Section 2.08 City Clerk.

The Council shall appoint upon recommendation of the City Manager a resident of the City to serve as City Clerk at the will and pleasure of the Council. Except as otherwise provided in this Charter and subject to the supervision of the City Manager, the Clerk shall have the power, and it shall be his or her duty to:

(1) Give notice of and attend all meetings of the Council, keep the journal of its proceedings, authenticate by his or her signature and record in full in a book kept for the purpose all ordinances and resolutions of the Council, prepare and keep up to date an index of [illegible] records available for public inspec-

(2) Make and certify copies of any ordinance, resolution or order of the Council whenever required to do so, and affix the corporate seal of the City to any paper required to be sealed and to any certified copy of any paper, order or proceeding which he may make.

(3) Prepare and cause to be served all notices required to be given to any person, firm or corporation, and after the proper service and return of any notice he shall file and preserve the same.

(4) Have custody of and keep available for public inspection the permanent records of the City and file and properly index all records of such City officers and departments as the City Manager may direct.

(5) Perform such other duties as may be required of him or her by this Charter, by general law, or by City ordinance or order of the City Manager not inconsistent with this Charter or with general law.

Section 2.09 Investigations.

The Council may make investigations into the affairs of the City and the conduct of any City department, office or agency and for this purpose may subpoena witnesses, administer oaths, take testimony and require the production of evidence. Any person who fails or refuses to obey a lawful order issued in the exercise of these powers by the Council shall be guilty of a misdemeanor and punishable by a fine of not less than $50 or more than $500.

Section 2.10 Independent Audit.

The Council shall provide for an independent annual audit of all City accounts including Fairmont General Hospital and other such boards or commissions, and may provide for such more frequent audits as it deems necessary. Such audits shall be made by a certified public accountant or firm of such accountants who have no personal interest, direct or indirect, in the fiscal affairs of the City government or any of its officers. The Council may, without requiring competitive bids, designate such accountant or firm annually or for a period not exceeding three years, provided that the designation for any particular fiscal year shall be made no later than 30 days after the beginning of such fiscal year. If the State makes such an audit, the Council may accept it as satisfying the requirements of this section.

Section 2.11 Procedure. * see Resolution 5-3-83 - (48 hrs. notice)

(a) Meetings. The Council shall meet regularly at least twice every month at such time and place as the Council may prescribe by rule. Special meetings may be held on the call of the Mayor or of five or more members and, whenever practicable, upon no less than * ~~twenty-four hours'~~ notice to each member. All meetings shall be public; however, the Council may recess for the purpose of discussing in a closed executive session limited to its own membership, any matter which would tend to defame or prejudice the character or reputation of any person, or for the purpose of discussing purchases of real estate, provided that the general subject matter for consideration is expressed in the motion calling for such session and that final action thereon shall not be taken by the Council until the matter is placed on the agenda.

(b) Rules and Journal. The Council shall determine its own rules and order of business and shall provide for keeping a journal of its proceedings. This journal shall be a public

(c) Voting. Voting, except on procedural motions, shall be by roll call and the yeses and noes shall be recorded in the journal. Five members of the Council shall constitute a quorum, but a smaller number may adjourn from time to time and may compel the attendance of absent members in the manner and subject to the penalties prescribed by the rules of the Council. No action of the Council, except as otherwise provided in the preceding sentence and in Section 2.06, shall be valid or binding unless adopted by the affirmative vote of five or more members of the Council. (Passed by Council 9-20-83)

Section 2.12 Action Requiring an Ordinance.

In addition to other acts required by law or by specific provision of this Charter to be done by ordinance, those acts of the City Council shall be by ordinance which:

(1) Adopt or amend an administrative code or establish, alter or abolish any City department, office or agency;
(2) Provide for a fine or other penalty or establish a rule or regulation for violation of which a fine or other penalty is imposed;
(3) Grant, renew or extend a franchise;
(4) Regulate the rate charged for its services by a public utility;
(5) Authorize the borrowing of money;
(6) Convey or lease or authorize the conveyance or lease of any lands of the City;
(7) Adopt with or without amendment ordinances proposed under the initiative power; and
(8) Amend or repeal any ordinance previously adopted, except as otherwise provided in Article VIII with respect to repeal of ordinances reconsidered under the referendum power.

Section 2.13 Ordinances in General.

(a) Form. Every proposed ordinance shall be introduced in writing and the form required for final adoption. No ordinance shall contain more than one subject which shall be clearly expressed in its title. The enacting clause shall be "the City of Fairmont hereby ordains....."Any ordinance which repeals or amends an existing ordinance or part of the City Code shall set out in full the ordinance, sections, or subsections to be repealed or amended, and shall include the matter to be omitted by enclosing it in brackets or by strikeout type and shall indicate new matter by underscoring or by italics.

(b) Procedure. An ordinance may be introduced by any member at any regular or special meeting of the Council. Upon introduction of any ordinance, the City Clerk shall read fully and distinctly the proposed ordinance in its entirety. When the introducer of an ordinance considers it to be of such technical nature, or of such length that the intent will be more fully understood in synopsis form the Council member may request the Clerk to read the synopsis in lieu of the entire ordinance. Provided however, the ordinance will be read in its entirety instead of in synopsis upon request of the majority of the Council members present. The City Clerk shall distribute a copy to

each Council member and to the Manager, shall file a reasonable number of copies in the office of the City Clerk, and shall publish the ordinance together with a notice setting out the time and place for a public hearing thereon and for its consideration by the Council. At the commencement of the public hearing the Clerk shall read the title only of the proposed ordinance, unless a request is made by any person present at the public hearing that the proposed ordinance be read, upon which request the Clerk shall read fully and distinctly the proposed ordinance in its entirety. Copies of the proposed ordinance shall be made available to those in attendance at the public hearing. The public hearing shall follow the publication by at least seven days, may be held separately or in connection with a regular or special Council meeting and may be adjourned from time to time; all persons interested shall have an opportunity to be heard. After the hearing, the Council may adopt the ordinance with or without amendment or reject it, but if it is amended as to any matter of substance, the Council may not adopt it until the ordinance or its amended sections have been subjected to all the procedures hereinbefore required in the case of a newly introduced ordinance.
(Passed by Council 6-17-80; 11-15-83; 5-23-89) ord. #808

(c) Effective Date. Except as otherwise provided in this Charter, every adopted ordinance shall become effective at the expiration of 30 days after adoption or at any later date specified therein.

(d) "Published" Defined. As used in this section, the term "publish" means to print in one or more newspapers of general circulation in the City: (1) the title of the ordinance and a brief summary thereof, and (2) the places where copies of it have been filed and the times when they are available for public inspection.

Section 2.14 Emergency Ordinances.

To meet a public emergency affecting life, health, property or the public peace, the Council may adopt one or more emergency ordinances but such ordinances may not levy taxes, grant, renew or extend a franchise, regulate the rate charged by any public utility for its services or authorize the borrowing of money except as provided in subsection 5.09(b). An emergency ordinance shall be introduced in the form and manner prescribed for ordinances generally, except that it shall be plainly designated as an emergency ordinance and shall contain, after the enacting clause, a declaration stating that an emergency exists and describing it in clear and specific terms. An emergency ordinance may be adopted with or without amendment or rejected at the meeting at which it is introduced, but the affirmative vote of at least six members shall be required for adoption. After its adoption the ordinance shall be published and printed as prescribed for other adopted ordinances. It shall become effective upon adoption or at such later time as it may specify. Every emergency ordinance except one made pursuant to subsection 5.09(b) shall automatically stand repealed as of the 61st day following the date on which it was adopted, but this shall not prevent re-enactment of the ordinance in the manner specified in this section if the emergency still exists. An emergency ordinance may also be repealed by adoption of a repealing ordinance in the same manner specified in this section for adoption of emergency ordinances.

Section 2.15 Codes of Technical Regulations.

The Council may adopt any standard code of technical regulations by reference thereto in an adopting ordinance. The procedure and requirements governing such an adopting ordinance shall be as prescribed for ordinances generally, except that:

(1) The requirements of Section 2.13 for distribution and filing of copies of the ordinance shall be construed to include copies of the code of technical regulations as well as of the adopting ordinance, and

(2) A copy of each adopted code of technical regulations as well as of the adopting ordinance shall be authenticated and recorded by the City Clerk pursuant to subsection 2.16(a).

Copies of any adopted code of technical regulations shall be made available by the City Clerk for distribution or for purchase at a reasonable price.

Section 2.16 Authentication and Recording; Codification; Printing.

(a) Authentication and Recording. The City Clerk shall authenticate by his signature and record in full in a properly indexed book kept for the purpose all ordinances and resolutions adopted by the Council.

(b) Codification. Within three years after adoption of this Charter and at least every ten years thereafter, the Council shall provide for the preparation of a general codification of all City ordinances and resolutions having the force and effect of law. The general codification shall be adopted by the Council by ordinance and shall be published promptly in bound or loose-leaf form, together with this Charter and any amendments thereto, pertinent provisions of the Constitution and other laws of the State of West Virginia and such codes of technical regulations and other rules and regulations as the Council may specify. This compilation shall be known and cited officially as the Fairmont City Code. Copies of the Code shall be furnished to City officers, placed in libraries and public offices for free public reference and made available for purchase by the public at a reasonable price fixed by the Council.

(c) Printing of Ordinances and Resolutions. The Council shall cause each ordinance and resolution having the force and effect of law and each amendment to this Charter to be copied promptly following its adoption, and the said copies of the ordinances, resolutions and Charter amendments shall be distributed or sold to the public at reasonable prices to be fixed by the Council. Following publication of the first Fairmont City Code and at all times thereafter, the ordinances, resolutions and Charter amendments shall be reproduced in substantially the same style as the Code currently in effect and shall be suitable in form for integration therein. The Council shall make such further arrangements as it deems desirable with respect to reproduction and distribution of any current changes in or additions to the provisions of the Constitution and other laws of the State of West Virginia, or the codes of technical regulations and other rules and regulations included in the Code.

ARTICLE III - City Manager

Section 3.01 Appointment; Qualifications; Compensation.

The Council shall appoint a City Manager for an indefinite term and fix his compensation. The Manager shall be appointed solely on the basis of his executive and administrative qualifications with particular emphasis on education and experience in City government. He need not be a resident of the City or State at the time of his appointment but must reside within the City while in office.

Section 3.02 Removal.

The Council may remove the Manager from office in accordance with the following procedures:

(1) The Council shall adopt by affirmative vote of a majority of all its members a preliminary resolution which must state the reasons for removal and may suspend the Manager from duty for a period not to exceed 45 days. A copy of the resolution shall be delivered promptly to the Manager.

(2) Within five days after a copy of the resolution is delivered to the Manager, he may file with the Council a written request for a public hearing. This hearing shall be held at a Council meeting not earlier than fifteen days nor later than thirty days after the request is filed. The Manager may file with the Council a written reply not later than five days before the hearing.

(3) The Council may adopt a final resolution of removal, which may be made effective immediately, by affirmative vote of a majority of all its members at any time after five days from the date when a copy of the preliminary resolution was delivered to the Manager, if he has not requested a public hearing, or at any time after the public hearing if he has requested one.

The Manager shall continue to receive his salary until the effective date of a final resolution of removal. The action of the Council in suspending or removing the Manager shall not be subject to review by any court or agency.

Section 3.03 Acting City Manager.

By letter filed with the City Clerk the Manager shall designate, subject to approval of the Council, a qualified City administrative officer to exercise the powers and perform the duties of Manager during his temporary absence or disability. During such absence or disability the Council may revoke such designation at any time and appoint another officer of the City to serve until the Manager shall return or his disability shall cease; however, in the event that the Manager has failed to designate an Acting Manager, the Council may by resolution appoint an officer of the City to perform the duties of the Manager until he shall return or his disability shall cease.

Section 3.04 Powers and Duties of the City Manager.

The City Manager shall be the chief administrative officer of the City. He shall be responsible to the Council for the administration of all City affairs placed in his charge by or under this Charter. He shall have the following powers and duties:

(1) He shall appoint and, when he deems it necessary for the good of the service, suspend or remove all City employees and appointive administrative officers provided for by or under this Charter, except as otherwise provided by law, this Charter or personnel rules adopted pursuant to this Charter. He may authorize any administrative officer who is subject to his direction and supervision to exercise these powers with respect to subordinates in that officer's department, office or agency.

(2) He shall direct and supervise the administration of all departments, offices and agencies of the City, except as otherwise provided by this Charter or by law.

(3) He shall attend all Council meetings and shall have the right to take part in discussion but may not vote.

(4) He shall see that all laws, provisions of this Charter and acts of the Council, subject to enforcement by him or by officers subject to his direction and supervision are faithfully executed.

(5) He shall prepare and submit the annual budget and capital program to the Council.

(6) He shall propose personnel rules, and the Council may by ordinance adopt them with or without amendment.

(7) He shall submit to the Council and make available to the public a complete report on the finances and administrative activities of the City as of the end of each fiscal year.

(8) He shall make such other reports as the Council may require concerning the operations of City departments, offices and agencies subject to his direction and supervision.

(9) He shall keep the Council fully advised as to the financial condition and future needs of the City and make such recommendations to the Council concerning the affairs of the City as he deems desirable.

(10) He shall prepare and mail to each councilmember a proposed agenda of the next regular Council meeting at least three days prior to the meeting.

(11) He shall perform such other duties as are specified in this Charter or may be required by the Council.

ARTICLE IV - Administrative Departments, Boards and Commissions

Section 4.01 Administrative Offices and Departments.

There shall be in the City government a Police Department, a Fire Department, a Department of Public Works, a Department of Finance, and such other administrative departments as may by ordinance be created by the Council. The City Manager shall appoint as the head of each department a chief, supervisor or director, who shall be responsible for the efficient administration of the department, subject to the supervision and control of the Manager. With the consent of Council, the Manager may serve as the head of one or more such departments, offices or agencies or may appoint one person as the head of two or more of them.

The Council may by ordinance create, combine, change or abolish offices, boards, commissions, departments or agencies, other than those established by this Charter. Except as otherwise provided in this Charter, the Council may assign additional functions or duties to any office, department or agency created by it or by this Charter, but may not discontinue or transfer any function or duty assigned by this Charter to any particular office, department or agency.

Section 4.02 City Attorney.

(a) There shall be a City Attorney who shall be a member in good standing of the Marion County Bar, appointed by the Manager with the approval of the Council to serve at the pleasure of Council. He shall serve as chief legal advisor to the Council, the Manager and all City departments, offices and agencies, shall represent the City in all legal proceedings and shall perform any other duties prescribed by this Charter or by ordinance.

(b) Whenever the exigencies of the business of the City require such action, the City Manager shall have right to employ special counsel to assist the City Attorney.

Section 4.03 Municipal Court.

There shall be a police court, to be known as the "Fairmont Municipal Court", which shall have criminal jurisdiction over violations of City ordinances and the criminal jurisdiction of a magistrate of the State of West Virginia with respect to offenses committed within any territory in or beyond the City over which the City has police jurisdiction under provisions of general law. (Passed by Council 6-17-80)

There shall be a police court judge, to be known as the "Municipal Judge", who shall be appointed by the Council and who shall serve for a term of four years and who shall be subject to removal for cause only. The Municipal Judge shall be an attorney in good standing of the Marion County Bar. He may succeed in office.

In the event of the temporary absence or disability of the Municipal Judge, the City Manager shall appoint a person similarly qualified to serve as Municipal Judge during such absence or disability. Salary shall be transferred from the regular judge in the temporary judge for the time serving.

In the event of the death, resignation, removal or permanent disability of the Municipal Judge, the Council shall appoint a person similarly qualified to serve as Municipal Judge for the unexpired term within fifteen days.

The Municipal Judge shall preside over the Municipal Court and with respect to offenses over which the Municipal Court has jurisdiction. The Municipal Judge shall have power to issue warrants upon complaint under oath of any person or officer for the arrest of anyone charged with any offense within the jurisdiction of the Court. The Municipal Judge shall try and determine all cases over which the Court has jurisdiction, and within the limits prescribed by ordinance or by general law shall have the power to punish by fine or imprisonment, or both. The Municipal Judge shall have power to summons persons or subpoena witnesses for the trial of any case before him, to compel the attendance of police officers of the City, to require the Chief of Police to enforce all judgments or orders entered by him in the exercise of his powers as Municipal Judge, and to issue executions for all fines, penalties and costs imposed by him.

Section 4.04 City Planning Commission.

The Council shall provide for the establishment and financial support of a City Planning Commission as provided by general law. The Commission shall consist of no fewer than 9 nor more than 13 members who shall be appointed by the Council and who shall serve without compensation. Members of the Commission shall meet the qualifications as delineated by law, and the Commission shall have the powers and shall perform the duties presented by the West Virginia Code. These duties shall include recommendations to the City Manager and Council on all matters related to the physical development of the City, shall be consulted on the comprehensive plan and the implementation thereof. The Planning Director will act as secretary to the Commission and will attend all meetings.

Section 4.05 Board of Adjustment.

The Council shall by ordinance establish a Board of Adjustment whose members shall serve without compensation. The Council shall provide standards and procedures for such Board to hear and determine appeals from administrative decisions, petitions for variances in the case of peculiar and unusual circumstances which would prevent the reasonable use of land and such other matters as may be required by the Council or by law.

Section 4.06 Hospital Board.

(a) Management. The management, maintenance, administration, operation, custody and control of the Municipal hospital and all the appurtenances thereof and grounds and site thereof, is hereby committed to a board of directors to be known as the "Fairmont Hospital Board".

(b) The Board shall consist of eleven members to be nominated and appointed by the Council. It shall be composed of two members of Council, and forty percent of the remainder shall be composed of an equal portion of consumer representatives from each of the following four categories: small businesses, organized labor, elderly persons and persons whose income is less than the national median income. Special consideration shall be made to select women, racial minorities and handicapped persons. The terms of the consumer members shall be six years, and members shall be eligible for reappointment. The Board shall at its first meeting of each calendar year elect from its members a president, vice-president, secretary and treasurer. The Board shall serve without compensation. All vacancies shall be filled by the City Council within fifteen (15) days. The Board members may be removed at any time by City Council for cause. (Passed by Council 4-3-84.) ORD. 630

(c) Fiscal Matters. The Hospital Board shall cause accurate and proper books of accounts to be maintained in accordance with acceptable accounting practices. The Hospital Board shall submit to the Council a monthly statement of income and expenses. An annual independent audit will be provided as per Section 2.10.

(d) First Board. The lay members of the initial Board under this Charter shall be composed of the present lay members of the Hospital Board. Terms of office will be determined by the Hospital Board using the following guidelines: Three members will serve for three years; two members will serve for two years; and two members will serve for one year.

The Board will provide the City Council with the names and terms of its lay members within fifteen days after this Charter is in effect; otherwise, the Council will designate terms of office.

(e) Any other municipal hospitals must be governed in the same manner with a separate board as prescribed in this section.

ARTICLE V - Financial Procedures

Section 5.01 Fiscal Year.

The fiscal year of the City shall begin on the first day of July and end on the last day of June.

Section 5.02 Submission of Budget and Budget Message.

On or before the 15th day of February of each year, the Manager shall submit to the Council a budget for the ensuing fiscal year and an accompanying message.

Section 5.03 Budget Message.

The Manager's message shall explain the budget both in fiscal terms and in terms of the work programs. It shall outline the proposed financial policies of the City for the ensuing fiscal year, describe the important features of the budget, indicate any major changes from the current year in financial policies, expenditures, and revenues together with the reasons for such changes, summarize the City's debt position and include such other material as the Manager deems desirable.

Section 5.04 Budget.

The budget shall provide a complete financial plan of all City funds and activities for the ensuing fiscal year and, except as required by law or this Charter, shall be in such form as the Manager deems desirable or the Council may require. In organizing the budget the Manager shall utilize the most feasible combination of expenditure classification by fund, organization unit, program, purpose of activity, and object. It shall begin with a clear general summary of its contents; shall show in detail all estimated income, indicating the proposed property tax levy, and all proposed expenditures, including debt service, for the ensuing fiscal year shall be so arranged as to show comparative figures for actual and estimated income and expenditures of the current fiscal year and actual income and expenditures of the preceding fiscal year. It shall indicate in separate sections:

(a) Proposed expenditures for current operations during the ensuing fiscal year, detailed by offices, departments and agencies in terms of their respective work programs, and the method of financing such expenditures;

(b) Proposed capital expenditures during the ensuing fiscal year, detailed by offices, departments and agencies when practicable, and the proposed method of financing each such capital expenditure.

The total of proposed expenditures shall not exceed the total of estimated income.

Section 5.05 Capital Program.

(a) Submission to Council. The Manager shall prepare and submit to the Council a five-year capital program prior to the final date for submission of the budget.

(b) Contents. The capital program shall include:

(1) A clear general summary of its contents;

(2) A list of all capital improvements which are proposed to be undertaken during the five fiscal years next ensuing, with appropriate supporting information as to to the necessity for such improvements;

(3) Cost estimates, method of financing and recommended time schedule for each such improvement; and

(4) The estimated annual cost of operating and maintaining the facilities to be constructed or acquired.

The above information shall be revised and extended each year with regard to capital improvements still pending or in process of construction or acquisition.

Section 5.06 Council Action on Budget.

(a) Notice and Hearing. At the meeting of the Council at which the budget is submitted, the Council shall determine the time and place of a public hearing. The Council shall publish in one or more newspapers of general circulation in the City a notice stating:

(1) The times and places where copies of the message and budget are available for inspection by the public, and

(2) The time and place for a public hearing on the budget.

(b) Amendment Before Adoption. After the public hearing, the Council may adopt the budget with or without amendment.

(c) Adoption. The Council shall adopt the budget on or before the 28th day of March of the fiscal year currently ending. Adoption of the budget shall constitute appropriations of the amounts specified therein as expenditures from the funds indicated.

Section 5.07 Council Action on Capital Program.

(a) The Council shall make known, no less than one month prior to adoption of the capital program, the times and places where copies of the capital program are available for inspection by the public.

(b) Adoption. The Council by resolution shall adopt the capital program with or without amendment on or before the 28th day of March of the current fiscal year.

Section 5.08 Public Records.

Copies of the budget and the capital program as adopted shall be public records and shall be made available to the public at suitable places in the City.

Section 5.09 Amendments After Adoption.

(a) Supplemental Appropriations. If during the fiscal year the Manager certifies that there are available for appropriation revenues in excess of those estimated in the budget, the Council by ordinance may make supplemental appropriations for the year up to the amount of such excess.

(b) Emergency Appropriations. To meet a public emergency affecting life, health, property or the public peace, the Council may make emergency appropriations. Such appropriations may be made by emergency ordinance in accordance with the provisions of Section 2.14. To the extent that there are no available unappropriated revenues to meet such appropriations, the Council may by such emergency ordinance authorize the issuance of emergency notes, which may be renewed from time to time, but the emergency notes and renewals of any fiscal year shall be paid not later than the last day of the fiscal year next succeeding that in which the emergency appropration was made.

(c) Reduction of Appropriations. If at any time during the fiscal year it appears probable to the Manager that the revenues available will be insufficient to meet the amount appropriated, he shall report to the Council without delay, indicating the estimated amount of the deficit, any remedial action taken by him and his recommendations as to any other steps to be taken. The Council shall then take such further action as it deems necessary to prevent or minimize any deficit, and for that purpose it may by ordinance reduce one or more appropriations.

(d) Transfer of Appropriations. At any time during the fiscal year the Manager may transfer part or all of any unencumbered appropriation balance among programs within a department, office or agency and, upon written request by the Manager, the Council may by ordinance transfer part or all of any unencumbered appropriation balance from one department, office or agency to another.

(e) Limitations; Effective Date. No appropriation for debt service may be reduced or transferred, and no appropriation may be reduced below any amount required by law to be appropriated or by more than the amount of the unencumbered balance thereof. The supplemental and emergency appropriations and reduction or transfer of appropriations authorized by this section may be made effective immediately upon adoption.

Section 5.10 Lapse of Appropriations.

Every appropriation, except an appropriation for a capital expenditure, shall lapse at the close of the fiscal year to the extent that it has not been expended or encumbered. An appropriation for a capital expenditure shall continue in force until the purpose for which it was made has been accomplished or abandoned; the purpose of any such appropriation shall be deemed abandoned if three years pass without any disbursement from or encumbrance of the appropriation.

Section 5.11 Administration of Budget.

(a) Work Programs and Allotments. At such time as the Manager shall specify, each department, office or agency shall submit work programs for the ensuing fiscal year showing the requested allotments of its appropriation by periods within the year. The Manager shall review and authorize such allotments with or without revision as early as possible in the fiscal year. He may revise such allotments during the year if he deems it desirable and shall revise them to accord with any supplemental, emergency, reduced or transferred appropriations made pursuant to Section 5.09.

(b) Payments and Obligations Prohibited. No payment shall be made or obligation incurred against any allotment or appropriation except in accordance with appropriations duly made, and unless the Manager or his designee first certifies that there is a sufficient unencumbered balance in such allotment or appropriation and that sufficient funds therefrom are or will be available to cover the claim or meet the obligation when it becomes due and payable. Any authorization of payment or incurring of obligation in violation of the provisions of this Charter shall be void, any payment so made illegal; such action shall be cause for removal of any officer who knowingly authorized or made such payment or incurred such obligation, and he shall also be liable to the City for any amount so paid. However, except where prohibited by law, nothing in this Charter shall be construed to prevent the making or authorizing of payments or making of contracts for capital improvements to be financed wholly or partly by the issuance of bonds or to prevent the making of contracts or lease providing for payments beyond the end of the fiscal year, provided

ARTICLE VI-Planning

Section 6.01 Planning Director.

There shall be a Planning Director who shall be appointed by the Manager as provided in Section 4.01. The Planning Director will act as secretary to the Commission and attend all meetings and shall have the following responsibilities:

(1) To advise the City Manager on any matter affecting the physical development of the City,
(2) To maintain and recommend to the City Manager a comprehensive plan and modifications thereof,
(3) To review and make recommendations regarding proposed Council action implementing the comprehensive plan pursuant to Section 6.03,
(4) To participate in the preparation and revision of the capital program provided for in Section 5.05,
(5) To advise the City Planning Board in the exercise of its responsibilities and in connection therewith to provide necessary staff assistance,
(6) To assist in the preparation of grants and/or other established funding program, and
(7) To cooperate with other units of government and public agencies by planning as provided in Section 1.04.

Section 6.02 Comprehensive Plan.

(a) Content. The Council shall adopt and may, from time to time, modify a comprehensive plan setting forth in graphic and textual form policies to govern the future physical development of the City. Such plan may cover the entire City and all of its functions and services or may consist of a combination of plans governing specific functions and services or specific geographic areas which together cover the entire City and all of its functions and services.

(b) Adoption. Upon receipt from the City Manager of a proposed comprehensive plan or proposed modification of the existing plan, the Council shall refer such proposal to the City Planning Commission, which shall within a time specified by the Council report its recommendations thereon.

(c) Effect. The comprehensive plan shall serve as a guide to all future Council action concerning land use and development regulations, urban renewal programs and expenditures for capital improvements.

Section 6.03 Implementation of the Comprehensive Plan.

(a) Land Use and Development Regulations. The Council may by ordinance adopt land use and development regulations, including but not limited to an official map and zoning and subdivision regulations.

(b) Urban Renewal. The Council may by ordinance provide for redevelopment, rehabilitation, conservation and renewal programs for: (1) The alleviation or prevention of slums, obsolescence, blight or other conditions of deterioration, and (2) the achievement of the most appropriate use of land.

(c) Council Action. Before acting on any proposed ordinance concerning land use and development regulations, urban renewal or expenditures for capital improvements, where such ordinance refers to a matter covered by the comprehensive plan, the Council shall

by the Council and prior to the public hearing on the proposed ordinance report its recommendations thereon. Upon adopting any such ordinance, the Council shall make findings and report on the relationship between the ordinance and the comprehensive plan and, in the event that the ordinance does not accord with the comprehensive plan, the plan shall be deemed to be amended in accordance with such findings and report.

ARTICLE VII - Elections

Section 7.01 Time of Elections.

The regular municipal elections shall be held at the voting places in each of the election districts of the City on the first Tuesday after the first Monday in November in each even numbered year. (Approved by Voters 11-4-80)

Section 7.02 General Election Laws to Control.

Except as otherwise provided by this Charter, the provisions of the general election laws of the State of West Virginia shall apply to the elections held under this Charter. To the extent that it has not already done so, the Council shall adopt by ordinance all regulations which it considers desirable, consistent with law and this Charter. (Approved by Voters 11-4-80)

Section 7.03 Filing.

(a) Fees. There shall be a filing fee of fifteen dollars ($15.00) to be accompanied by an announcement of candidacy for the office of Council to be submitted to the City Clerk, which fee is to be deposited in the General Fund. Forms for announcement of candidacy will be provided by the City Clerk as follows:

ANNOUNCEMENT OF CANDIDACY

I, _____, hereby certify that I am a candidate for a non-partisan election to membership on the Council of the City of Fairmont, West Virginia, and desire my name printed on the ballot to be voted at the regular municipal election to be held on the _____ day of _____, 19 _____; that I am a legally qualified voter of the City of Fairmont, West Virginia; that my residence is _____, in said City, which is in District Number_____; that I am a candidate for said office in good faith; and that I am eligible to hold the office.

_____
Candidate

STATE OF WEST VIRGINIA,
COUNTY OF MARION, TO-WIT:

Signed and acknowledged before me the undersigned authority this _____ day of _____, 19 _____.

_____
Notary Public

(b) Time for Filing. The announcement of candidacy and filing fee shall be filed with the City Clerk not earlier than 90 days nor later than 60 days prior to the regular municipal election in which the candidate seeks election. The City Clerk shall make a record of the exact time when each announcement is filed.
(Approved by Voters 11-4-80)

Section 7.04 Voting.

(a) All citizens qualified by the Constitution and the laws of the State of West Virginia to vote in the City and who satisfy the requirements for registration prescribed by law shall be qualified voters of the City within the meaning of this Charter.

(b) Every qualified voter shall be entitled to vote for as many candidates as there are districts - but for only one candidate from each district.
(Approved by Voters 11-4-80)

Section 7.05 Council Ballots.

(a) The full names of all candidates seeking membership in the City Council, except those who have withdrawn, died, or become ineligible, shall be placed on the official ballots without party designation or symbol under a heading reading: "Candidates for Councilmember" and also stating the district in which the candidate resides. If there are two or more candidates from the same district, the voter shall be instructed to vote for only one of them. The failure of a voter to cast a ballot for any candidate from one or more districts shall not invalidate his votes cast for candidates from any other districts.

(b) If two or more candidates for the same office have the same surnames or surnames so similar as to be likely to cause confusion, their residence addresses shall be placed with their names on the ballot.

(c) The names on the ballots shall be listed in the numerical order of the districts, and the ballots shall otherwise be in accordance with the requirements of general law. (Approved by Voters 11-4-80)

Section 7.06 Determination of Election Results.

(a) Every voter shall be entitled to cast one vote for one candidate seeking office from each of the nine districts in the City.

(b) The candidate in each district who receives the greatest number of the total votes cast by the qualified voters of the City at large shall be declared elected. All ties between two candidates receiving the highest number of votes cast for that office shall be decided by lot in the presence of the candidates concerned by the persons under whom the supervision of the election is held.
(Approved by Voters 11-4-80)

Section 7.07 Terms.

(a) The terms of councilmembers shall be four (4) years.

(b) At the election to be held in November of 1980, councilmembers will be elected from Districts Numbers 2, 4, 6, and 7. At the election to be held in November of 1982, councilmembers will be elected from Districts Numbers 1, 3, 5, 8, and 9

(c) The councilmembers elected at each regular municipal election shall assume office at the first regular meeting of Council in January of the year immediately following their election, and the term of each shall expire as soon as his successor has assumed office. (Approved by Voters 11-4-80)

ARTICLE VIII-Initiative and Referendum

Section 8.01 General Authority.

(a) Initiative. The qualified voters of the City shall have power to propose ordinances to the Council and, if the Council fails to adopt an ordinance so proposed without any change in substance, to adopt or reject it at a City election, provided that such power shall not extend to the budget or capital program or any ordinance relating to appropriation of money, levy of taxes or salaries of City officers or employees.

(b) Referendum. The qualified voters of the City shall have power to require reconsideration by the Council of any adopted ordinance and, if the Council fails to repeal an ordinance so reconsidered, to approve or reject it at a City election, provided that such power shall not extend to the budget or capital program or any emergency ordinance or ordinance relating to appropriation of money or levy of taxes.

Section 8.02 Commencement of Proceedings; Petitioners' Committee; Affidavit.

Any five qualified voters may commence initiative or referendum proceedings by filing with the City Clerk an affidavit stating that they will constitute the petitioners' committee and be responsible for circulating the petition and filing it in proper form, stating their names and addresses and specifying the address to which all notices to the committee are to be sent, and setting out in full the proposed initiative ordinance or citing the ordinance sought to be reconsidered.

Promptly after the affidavit of the petitioners' committee is filed, the Clerk shall issue the appropriate petition blanks to the petitioners' committee.

Section 8.03 Petitions.

(a) Number of Signatures. Initiative and referendum petitions must be signed by qualified voters of the City equal in number to at least 15 percent of the total number of qualified voters registered to vote at the last regular City election.

(b) Form and Content. All papers of a petition shall be uniform in size and style and shall be assembled as one instrument for filing. Each signature shall be executed in ink or indelible pencil and shall be followed by the address of the person signing. Petitions shall contain or have attached thereto throughout their circulation the full text of the ordinance proposed or sought to be reconsidered.

(c) Affidavit of Circulator. Each paper of a petition shall have attached to it when filed an affidavit executed by the circulator thereof stating that he personally circulated the paper, the number of signatures thereon, that all the signatures were affixed in his presence, that he believes them to be genuine signatures of the persons whose names

they purport to be and that each signer had an opportunity before signing to read the full text of the ordinance proposed or sought to be reconsidered.

(d) Time for Filing Referendum Petitions. Referendum petitions must be filed within 30 days after adoption by the Council of the ordinance sought to be reconsidered.

Section 8.04 Procedure After Filing.

(a) Certificate of Clerk; Amendment. Within twenty days after the petition is filed, the City Clerk shall complete a certificate as to its sufficiency, specifying, if it is insufficient, the particulars wherein it is defective and shall promptly send a copy of the certificate to the petitioners' committee by registered mail. A petition certified insufficient for lack of the required number of valid signatures may be amended once if the petitioners' committee files a notice of intention to amend it with the Clerk within two days after receiving the copy of his certificate and files a supplementary petition upon additional papers within ten days after receiving the copy of such certificate. Such supplementary petition shall comply with the requirements of subsections (b) and (c) of Section 8.03, and within five days after it is filed, the Clerk shall complete a certificate as to the sufficiency of the petition as amended and promptly send a copy of such certificate to the petitioners' committee by registered mail as in the case of an original petition. If a petition or amended petition is certified insufficient and the petitioners' committee does not elect to amend or request Council review under subsection (b) of this section within the time required, the Clerk shall promptly present his certificate to the Council and the certificate shall then be a final determination as to the sufficiency of the petition.

(b) Council Review. If a petition has been certified insufficient and the petitioners' committee does not file notice of intention to amend it or if an amended petition has been certified insufficient, the committee may, within two days after receiving the copy of such certificate, file a request that it be reviewed by the Council. The Council shall review the certificate at its next meeting following the filing of such request and approve or disapprove it, and the Council's determination shall then be a final determination as to the sufficiency of the petition.

(c) Court Review, New Petition. A final determination as to the sufficiency of a petition shall be subject to court review. A final determination of insufficiency, even if sustained upon court review, shall not prejudice the filing of a new petition for the same purpose.

Section 8.05 Referendum Petitions; Suspension of Effect of Ordinance.

When a referendum petition is filed with the City Clerk, the ordinance sought to be reconsidered shall be suspended from taking effect. Such suspension shall terminate when:

(1) There is a final determination of insufficiency of the petition, or
(2) The petitioners' committee withdraws the petition, or
(3) The Council repeals the ordinance, or
(4) Thirty days have elapsed after a vote of the City on the ordinance.

Section 8.06 Action on Petitions.

(a) Action by Council. When an initiative or referendum petition has been finally determined sufficient, the Council shall promptly consider the proposed initiative ordinance in the manner provided in Article II or reconsider the referred ordinance by voting its repeal. If the Council fails to adopt a proposed initiative ordinance without any change in

(b) Submission to Voters. The vote of the City on a proposed or referred ordinance shall be held not less than 30 days and not later than one year from the date of the final Council vote thereon. If no regular City election is to be held within the period prescribed in this subsection, the Council shall provide for a special election; otherwise, the vote shall be held at the same time as such regular election, except that the Council may in its discretion provide for a special election at an earlier date within the prescribed period. Copies of the proposed or referred ordinance shall be made available at the polls.

(c) Withdrawal of Petitions. An initiative or referendum petition may be withdrawn at any time prior to the fifteenth day preceding the day scheduled for a vote of the City by filing with the City Clerk a request for withdrawal signed by at least four members of the petitioners' committee. Upon the filing of such request the petition shall have no further force or effect and all proceedings thereon shall be terminated.

Section 8.07 Results of Election.

(a) Initiative. If a majority of the qualified electors voting on a proposed initiative ordinance vote in its favor, it shall be considered adopted upon certification of the election results and shall be treated in all respects in the same manner as ordinances of the same kind adopted by the Council. If conflicting ordinances are approved at the same election, the one receiving the greatest number of affirmative votes shall prevail to the extent of such conflict.

(b) Referendum. If a majority of the qualified electors voting on a referred ordinance vote against it, it shall be considered repealed upon certification of the election results.

ARTICLE IX-General Provisions

Section 9.01 Personal Financial Interest.

Any City officer or employee who has a substantial financial interest, direct or indirect or by reason of ownership of stock in any corporation, in any contract with the City or in the sale of any land, material, supplies or services to the City or to a contractor supplying the City, shall make known that interest and shall refrain from voting upon or otherwise participating in his capacity as a City officer or employee in the making of such sale or in the making or performance of such contract. Any City officer or employee who willfully conceals such a substantial financial interest or willfully violates the requirements of this section shall be guilty of malfeasance in office or position and shall forfeit his office or position. Violation of this section with the knowledge expressed or implied of the person or corporation contracting with or making a sale to the City shall render the contract or sale voidable by the City Manager or the City Council.

Section 9.02 Prohibitions.

(a) Activities Prohibited.

(1) No person shall be appointed to or removed from, or in any way favored or discriminated against with respect to any City position or appointive City administrative office because of race, sex, political or religious opinions or affiliations.

(2) No person shall willfully make any false statement, certificate, mark, rating or report in regard to any test, certification or appointment under the personnel provisions of this Charter or the rules and regulations made there-

(3) No person who seeks appointment or promotion with respect to any City position or appointive City administrative office shall directly or indirectly give, render or pay any money, service or other valuable thing to any person for or in connection with his test, appointment, proposed appointment, promotion or proposed promotion.

(4) No person, group, organization or corporation shall orally, by letter or otherwise solicit or assist in soliciting any assessment, subscription or contribution for any City election from any person holding any compensated appointive City position.

(5) No person who holds any compensated appointive City position shall make, solicit or receive any contribution to the campaign funds for City elections of any political party or any candidate for City office or take any part in management, affairs or political campaign for City elections of any political party, but he may exercise his rights as a citizen to express his opinions and to cast his vote.

(b) Penalties.

(1) Any person who by himself or with others willfully and/or knowingly violates any of the provisions of paragraphs (1) through (4) shall be guilty of a misdemeanor and upon conviction thereof shall be punishable by a fine of not more than five hundred dollars ($500) or less than fifty dollars ($50).

(2) Any person who by himself or with others willfully and/or knowingly violates any of the provisions of paragraph (5) shall be guilty of an offense and upon conviction thereof shall be punishable by a fine of not less than fifty dollars ($50) or more than five hundred dollars ($500).

(3) Any person convicted under this section (9.02) shall be ineligible for a period of five years thereafter to hold any City office or position and, if an officer or employee of the City, shall immediately forfeit his office or position.

Section 9.03 Separability.

If any provision of this Charter is held invalid, the other provisions of the Charter shall not be affected thereby. If the application of the Charter or any of its provisions to any person or circumstance is held invalid, the application of the Charter and its provisions to other persons or circumstances shall not be affected thereby.

ARTICLE X-Transitional Provisions

Section 10.01 Officers and Employees.

(a) Rights and Privileges Preserved. Except as otherwise specifically provided in this Charter, nothing shall impair the rights or privileges of persons who are City officers or employees at the time of its adoption.

(b) Continuance of Office or Employment. Except as specifically provided by this Charter, if at the time this Charter takes full effect a City administrative officer or employee holds any office or position which is or can be abolished by or under this Charter, he shall continue in such office or position until the taking effect of some specific provision under this Charter directing that he vacate the office or position.

(c) Personnel System. An employee holding a City position at the time this Charter takes

Section 10.02 Departments, Offices and Agencies.

(a) Transfer of Powers. If a City department, office or agency is abolished by this Charter, the powers and duties given it by law shall be transferred to the City department, office or agency designated in this Charter or, if the Charter makes no provision, designated by the City Council.

(b) Property and Records. All property, records and equipment of any department, office or agency existing when this Charter is adopted shall be transferred to the department, office or agency assuming its powers and duties, but, in the event that the powers or duties are to be discontinued or divided between units or in the event that any conflict arises regarding a transfer, such property, records or equipment shall be transferred to one or more departments, offices or agencies designated by the Council in accordance with this Charter.

Section 10.03 Pending Matters.

All rights, claims, actions, orders, contracts and legal or administrative proceedings shall continue except as modified pursuant to the provisions of this Charter and in each case shall be maintained, carried on or dealt with by the City department, office or agency appropriate under this Charter.

FAIRMONT CITY COUNCIL

RULES OF ORDER AND PROCEDURE

MARCH, 1995

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CITY COUNCIL

RULES OF ORDER AND PROCEDURE

1. Council Meetings

1.1 Place for Meetings. The designated place for meetings of the Fairmont City Council (Council) shall be the Council Chambers, City Building, Fairmont, West Virginia unless otherwise provided by the Council.

1.2 Organization (City Charter Sec. 2.02). The City Council shall meet bi-annually on the second Tuesday in January at 7:00 p.m. prevailing time at the designated place for meetings of the Council. When the meeting falls on a national or legal holiday, the Organizational Meeting shall be held at the same hour on the next succeeding secular day not a holiday. The Council shall select from its membership, the Mayor and the Deputy Mayor. The Council shall also adopt its Rules of Order and Procedure for the organization and conduct of its business. (Amendment No. 5, adopted 02/03/87).

In electing the Mayor and Deputy Mayor, the following procedures shall be followed:

(1) The previously elected Mayor, or in his/her absence, the Deputy Mayor, shall be the presiding officer of the organization meeting and shall preside until the election of the Mayor has been accomplished;

(2) Nominations for and election of the Mayor and Deputy Mayor shall take place separately;

(3) Nominations for Mayor shall be the first order of business;

(4) Nominations for Mayor shall be made by and from the Council membership and shall not require a seconding motion;

(5) Nominations shall be closed by motion, duly seconded, and voted by a majority of the entire Council;

(6) The Council shall proceed with electing the Mayor by voice vote. The presiding officer shall request the City Clerk to take a roll call on the first nominee and if the nominee does not

receive a majority vote of the entire Council, the process shall be repeated for each nominee until one person is elected by the majority vote (Amendment No. 7, adopted 03/10/92);

(7) Upon election of the Mayor, the Council shall proceed with the election of the Deputy Mayor. The council shall use the same procedures for the election of Deputy Mayor as those required above for the election of the Mayor;

(8) The Mayor and the Deputy Mayor shall be sworn to the duties of the respective offices by the City Clerk;

(9) The offices of Mayor and/or Deputy Mayor shall become vacant upon death, sickness, resignation or removal from office by a two-thirds (2/3) majority vote of the entire Council. Vacancies shall be filled for the remainder of the term at the next regularly scheduled meeting of the Council following the occurrence of the vacancy. (Amendment No. 2, adopted 05/03/83).

1.3 Regular Meetings (City Charter Sec. 2.11(a)). The Council shall meet in regular session on the second and fourth Tuesday of each month at 7:00 p.m. prevailing time unless another day and hour be fixed by resolution of the Council. When the meeting falls on a national or legal holiday, the regular meeting shall be held at the same hours on the next succeeding secular day not a holiday. On the first Tuesday in January of each year, the City Clerk shall prepare and post, and leave posted throughout the year to which is applies, at a conspicuous place in the City Hall, a notice setting forth the times and places of the Council's regularly scheduled meetings for the ensuing year. Such notice shall be of size and style sufficient to give notice and shall be of quality sufficient to withstand deterioration throughout the year to which it applies.

Concurrently with the posting of such notice, the City Clerk shall mail or otherwise distribute to all newspapers of general local distribution and to other available news media customarily covering news of the City notices identical to that posted.

In the event of any modification in the time or place of a regularly schedule meeting of the Council, notice of such modification shall be given to the public and news media by posting at the place and distributing to the news media in the manner set forth above, not less than forty-eight (48) hours prior to the time of such regularly scheduled meeting, or, if such regularly scheduled meeting has been rescheduled for an earlier time, prior to the time of such rescheduled meeting, notices setting

forth such modification in the time or place of such regularly scheduled meeting (Amendment No. 5, adopted 02/03/87).

1.4 **Special Meetings (City Charter Sec. 2.11(a))**. Special meetings may be called by written request of five or more members of the Council, or by the Mayor. The City Clerk shall prepare a notice of the special session stating the time, place, and purpose of the special meeting, and this notice shall be served personally upon each member of the Council and the City Manager, or left at their usual place of residence at least forty-eight (48) hours before the time of the meeting. It shall also be the duty of the City Clerk, immediately upon receipt of written request, to make every diligent effort to notify each member of the Council in person, either by telephone or otherwise, of such special session. Concurrently, with notifying the members of Council, the City Clerk shall also post the notice of the special meeting in a conspicuous place in the City Hall and shall mail or otherwise distribute to all newspapers of general local distribution and to other available news media customarily covering news of the City notices identical to that posted.

Only matters set forth in the notice of the meeting shall be discussed and/or acted upon. This provision of this rule may not be suspended (Amendment No. 3, adopted 05/03/83).

1.5 **Adjourned Meeting**. Any session of the Council may be continued or adjourned from day to day, or for more than one day, but no adjournment shall be for a longer period than until the next regular meeting thereafter. Notice of the adjournment of a meeting and of the time and place for the continuation or reconvening thereof publicly given during such adjourned meeting shall be adequate notice to the public and news media of the time and place thereof (Amendment No. 3, adopted 05/03/83).

1.6 **Conference Meeting**. The Council may meet in conference session at 7:00 p.m. prevailing time on the first and third Tuesdays of each month. When either Tuesday falls on a holiday, the conference shall be on Wednesday.

The conference session shall be devoted primarily to any matters regarding which the interchange of information is deemed desirable by the Council and/or the City Manager, and particularly preliminary to discussion and action at the regular meetings of the Council. No formal vote shall be taken on any matter under discussion nor shall any Council member enter into a commitment with another respecting the vote to be taken subsequently in a regular meeting of the

Council; provided, however, that nothing herein shall prevent a polling of the Council or the taking of any informal vote on any matter under discussion.

Agenda procedures shall be the same as for regular meetings except that matters not included on a conference session agenda shall be taken up by the Council only after listed agenda matters have been considered. No vote of the Council shall be required to consider a non-agenda item.

Additional conference sessions may be held at the request of the Mayor, or of a majority of the Council. It shall be the responsibility of Mayor to advise all other members of the Council and the City Manager of any additional conference sessions (Amendment No. 5, adopted 02/03/87).

1.7 Executive Session (City Charter Sec. 2.11(a)). An executive session may be convened at the request of the City Manager or by a majority vote of the Council as part of any Council meeting. Attendance at the executive session shall be limited to the members of the Council and the City Manager; provided however, that the Council and/or the City Manager may invite such persons as may be required for advice and information.

Executive sessions may be called for the purpose of discussing any matter which would tend to defame or prejudice the character or reputation of any person, or the purpose of discussing purchases of real estate provided that the general subject matter for consideration is expressed in the motion calling for such session and that final action thereon shall not be taken by the Council until the matter is placed on the agenda.

1.8 Quorum (City Charter Sec. 2.11(6)). Five members of the Council shall constitute a quorum. In the event that a quorum is not obtained, the member(s) present may adjourn the meeting "sine die" or to a specific date and time.

No action of the Council, except as provided above and by Section 2.06(c) of the City Charter shall be valid or binding unless adopted by the affirmative vote of five or more members of the Council.

1.9 Open Meetings. All meetings of the Council shall be public except as provided by Section 1/7 of these rules and Section 2.11(a) of the City Charter.

2. Duties of Council Officers and Other City Officials

2.1 Presiding Officer. The Mayor, or in his absence, the Deputy Mayor, shall take the chair at the hour appointed for the Council to meet, and shall immediately call the members to order. The

roll shall then be called by the Clerk, who shall enter in the minutes of the meeting the names of the members present. The presiding officer shall preserve decorum and decide all questions or order, subject to appeal to Council.

The presiding officer may move, second and debate from the chair, subject only to such limitations as are by these rules imposed on all members and shall not be deprived of any of the rights and privileges of a Council member by reason of acting as presiding officer.

2.2 Presiding officer-Pro-tem. In case of the absence of the proper presiding officer, the clerk shall call the Council to order and call the roll of the members. If a quorum is found to be present, Council shall proceed to elect, by a majority vote of the Council, a presiding officer of the meeting to act until the proper presiding officer appears.

2.3 City Manager (City Charter Sec. 3.04(3). The City Manager shall attend all meetings of the Council and shall have the right to take part in discussions, but may not vote.

2.4 City Clerk. The City Clerk shall attend all meetings of the Council, keep the journal of its proceedings, authenticate by his or her signature and record in full in a book kept for this purpose, all ordinances and resolutions of the Council, prepare and keep up to date an index of all such ordinances and resolutions, and keep all such records available for public inspection.

2.5 City Attorney. The City Attorney, when requested by the City Manager or the Council, shall attend meetings of Council. The City Manager or any member of the Council may at the time call upon the City Attorney for an oral or written opinion to decide any question of law, or to advise the Chair upon any parliamentary rule.

2.6 Other City Officers and Employees - Officers and Employees to Attend. The head of any department or any officer of the City, when requested by the City Manager or at the request of the City Manager by the Council shall attend any regular, adjourned or special meeting of Council.

3. Council Procedure

3.1 Order of Business. The business of all regular meetings of the Council shall be transacted in the following order, unless the Council by a vote of at least two-third of the members present shall suspend the rules and change the order.

I. Call to Order

II. Roll Call of Members

III. Opening Ceremonies

A. Prayer/ Meditation

B. Pledge of Allegiance to the Flag

IV. Approval of Minutes of Previous Meeting (s)

V. Communications, Announcement, Public Hearings

VI. Citizens Petitions

VII. City Manager Reports

VIII. Consideration of Council Business

A. Pending

B. New

IX. Adjournment

3.2 Minutes Provided Council Members. Each member of Council shall be provided a copy of the minutes of the previous meeting in advance of the regular meeting whenever practicable. The presiding officer may inquire "whether or not there are any additions or corrections to the minutes as furnished Council members and as are set forth in the minute book of Council". If there are no corrections or additions such minutes shall stand approved and shall be signed by the presiding officer and validated by the Clerk.

3.3 Filing with City Clerk. Every ordinance, resolution and document or other matter to come before Council except as hereinafter provided, must be filed with the City Clerk and/or City Manager at least twenty-four (24) business hours prior to each Council meeting.

3.4 Preparation of Agenda. The City Manager shall arrange or cause to be arranged a list of all matters to come before the Council according to the Order of Business. The City Manager shall deliver to each member of the Council, the City Clerk and the City Attorney a copy of the agenda at least sixteen (16) business hours prior to the Council meeting, or as far in advance of the meeting as time for preparation will permit.

3.5 Supporting Information. All matters included on the agenda unless clearly self-explanatory, shall have been preceded by or shall be accompanied by written explanations or descriptive material, such information to be provided by the sponsor of the agenda item.

3.6 Copies of Agenda. Copies of the agenda shall be made available to the media and the

public after its delivery to the members of the City Council. A sufficient number of copies of the agenda shall also be available to the public at Council meetings.

3.7 City Manager Recommendations. All agenda matters relating to the administration of the City shall be acted upon by the Council only when accompanied by recommendations of the City Manager, said recommendations to be made in writing or orally and made a part of the official record of the Council.

4. Duties and Privileges of Council Members

4.1 Seating Arrangement. Members shall occupy the seats in Council Chamber around the Council table as designated by the Mayor.

4.2 Right of Floor. When recognized by the Chair, a member shall confine himself to the question under debate, avoid personalities, and refrain from impugning the motives of any other member's argument or vote.

4.3 Right of Appeal. Any member may appeal to the Council from a ruling of the presiding officer. If the appeal is seconded, the member making the appeal may briefly state his reason for the same, and the presiding officer may briefly explain his ruling; but there shall be no debate on the appeal and no other member shall participate in the discussion. The presiding officer shall then put the question: "Shall the decision of the Chair be sustained:? If a majority of the members present vote "Aye", the ruling of the Chair is sustained; otherwise, it is overruled.

4.4 Limitation of Debate. No member shall be allowed to speak more than once upon any subject until every other member choosing to speak thereon shall have spoken.

4.5 Voting. Every member present when a question is put shall vote either "aye" or "nay", provided, however, that if any member of the Council does not desire to vote on any question, he may be shown on the record as having "abstained". The record shall show whenever the vote is unanimous. In all other cases, the vote shall be called and recorded. No member shall vote or engage in any discussion or debate on any matter in which he has a personal interest other than as a taxpayer of the City.

4.6 Personal Privilege. The right of a member to address the Council on a question of personal privilege shall be limited to cases in which his integrity, character, or motives are assailed, questioned, or impugned.

4.7 Excusal During Meeting. No member may leave the Council Chamber while in regular session without permission from the presiding officer.

4.8 Motions.

4.81 Precedence of Motions. When a question is before the Council, no motion shall be entertained except: (a) to lay on the table, (b) for the previous question, (c) to postpone to a certain day, (d) to amend, and (e) to postpone indefinitely. These motions shall have precedence in the order indicated. All said motions, except the motion to amend, shall be put to a vote without debate.

4.82 Motions to be Stated by Chair - Withdrawal. When a motion is made and seconded, it shall be stated by the Chair before debate. A motion may not be withdrawn by the mover without the consent of the member seconding it.

4.83 Motion to Lay on Table. A motion to lay on the table shall preclude all amendments or debate of the subject under consideration. If the motion shall prevail, the consideration of the subject may be resumed at the same meeting, or at the next meeting, by a majority vote, after some business has been transacted after the original laying on the table.

4.84 The Previous Question. When the previous questions is moved, and seconded by one other member, it shall be put as follows: "Shall the main question be considered?" There shall then be no further amendments or debate; but pending amendments shall be put in their order before the main question. If the question "Shall the main question be considered?" be decided in the negative, the main question remains before Council.

4.85 Division of Question. If the question contains two or more divisible propositions, the presiding officer may, and upon request of a member shall, divide the same.

4.86 Amendments. It shall be in order to amend any motion at any time before a final vote.

4.87 Amend an Amendment. A motion to amend an amendment shall be in order, but one to amend an amendment to an amendment shall not be introduced. An amendment modifying the intention of a motion shall be in order, but an amendment relating to a different matter shall not be in order

4.88 Reconsideration. After the question on any question, any member who voted with the majority may move a reconsideration of any action at the same or the next succeeding meeting,

provided, however, that a resolution authorizing or relating to any contract may be reconsidered at any time before the final execution thereof. A motion to reconsider shall require the same number of votes as is required to adopt an ordinance or resolution. After a motion for reconsideration has once been acted on, no other motion for a reconsideration thereof shall be made without unanimous consent.

4.9 Procedure in Absence of Rule. In the absence of a rule to govern a point or procedure, reference shall be made to Roberts Rules of Order - Revised.

4.95 Anonymous Communications. Unsigned communications shall not be introduced in Council.

5. Ordinance

5.1 Action Requiring an Ordinance (City Charter Sec. 2.12). In addition to other acts required by law or by specific provisions of this charter to be done by ordinance, those acts of the City Council shall be by ordinance which:

(1) Adopt or amend an administrative code or establish, alter or abolish any city department, office or agency;

(2) Provide for a fine and other penalty or establish a rule or regulation for violation of which a fine or other penalty is imposed;

(3) Grant, renew or extend a franchise;

(4) Regulate the rate charged for its services by a public utility;

(5) Authorize the borrowing of money;

(6) Convey or lease or authorize the conveyance or lease of any lands of the city;

(7) Adopt with or without amendment ordinances proposed under the initiative power; and

(8) Amend or repeal any ordinance previously adopted, except as otherwise provided in ArticleVIII with respect to repeal of ordinances reconsidered under the referendum power.

5.2 Ordinances in General (City Charter Sec. 2.13).

(a) Form. Every proposed ordinance shall be introduced in writing and the form required for final adoption. No ordinance shall contain more than one subject which shall be clearly expressed in its title. The enacting clause shall be "the City of Fairmont hereby ordains..." Any ordinance which repeals or amends an existing ordinance or part of the city code shall set out in full the ordinance,

sections or subsections to be repealed or amended, and shall indicate matter to be omitted by enclosing it in brackets or by strikeout type and shall indicate new matter by underscoring or by italics.

(b) Procedure. An ordinance may be introduced by any member at any regular or special meeting of the council. Upon introduction of any ordinance, the city clerk (1) shall read fully and distinctly the proposed ordinance in its entirety, (2) shall distribute a copy to each council member and to the manager, (3) shall file a reasonable number of copies in the office of the City Clerk, and (4) shall publish the ordinance together with a notice setting out the time and place for a public hearing thereon and for its consideration by the Council. At the commencement of the public hearing, the clerk shall read fully and distinctly the proposed ordinance by title. Any person present shall then have the right to have the ordinance read in its entirety (Amendment No. 4, adopted 07/19/83).

The public hearing shall follow the publication by at least seven (7) days, may be held separately or in connection with a regular or special council meeting and may be adjourned from time to time; all persons interested shall have an opportunity to be heard.

After the hearing, the Council may adopt the ordinance with or without amendment or reject it, but if it is amended as to any matter of substance, the Council may not adopt it until the ordinance or its amended sections have been subjected to all the procedures hereinbefore required in the case of a newly introduced ordinance.

(c) Effective Date. Except as otherwise provided in the charter, every adopted ordinance shall become effective at the expiration of thirty (30) days after adoption or at any later date specified therein.

(d) "Published" Defined. As used in this section, the term "publish" means to print in one or more newspapers of general circulation in the City; (1) the title of the ordinance and a brief summary thereof, and (2) the places where copies of it have been filed and the times when they are available for public inspection.

5.3 Emergency Ordinances (City Charter Sec. 2.14). To meet a public emergency affecting life, health, property or the public peace, the council may adopt one or more emergency ordinances, but such ordinances may not levy taxes, grant, renew or extend a franchise, regulate the rate charged by any public utility for its services or authorize the borrowing of money except as

provided in subsection 5.09(b).

An emergency ordinance shall be introduced in the form and manner prescribed for ordinances general, except that it shall be plainly designated as an emergency ordinance and shall contain, after the enacting clause, a declaration stating that an emergency exists and describing it in clear and specific terms.

An emergency ordinance may be adopted with or without amendment or rejected at the meeting at which it is introduced, but the affirmative vote of at least six members shall be required for adoption. After its adoption, the ordinance shall be published and printed as prescribed for other adopted ordinances. It shall become effective upon adoption or at such later time as it may specify.

Every emergency ordinance except one made pursuant to subsection 5.09(b) of the City Charter shall automatically stand repealed as of the 61st day following the date on which it was adopted, but this shall not prevent re-enactment of the ordinance in the manner specified in this section if the emergency still exists. An emergency ordinance may also be repealed by adoption of a repealing ordinance in the same manner specified in this section for adoption of emergency ordinances.

5.4 **Codes of Technical Regulations (City Charter Sec. 2.15).** The council may adopt any standard code of technical regulations by reference thereto in an adopting ordinance. The procedure and requirements governing such an adopting ordinance shall be as prescribed for ordinances generally, except that:

(1) The requirements of Section 2.13 for distribution and filing of copies of the ordinance shall be construed to included copies of the code of technical regulations, as well as the adopting ordinance, and

(2) A copy of each adopted code of technical regulations, as well as of the adopting ordinances shall be authenticated and recorded by the City Clerk pursuant to subsection 2.16(a).

Copies of any adopted code of technical regulations shall be made available by the City Clerk for distribution or for purchase at a reasonable price.

6. **Miscellaneous**

6.1 **Decorum of Employees of the City.** Members of the administrative staff and employees

shall observe the same rules of procedure and decorum applicable to members of the Council. While the presiding officer shall have the authority to preserve decorum in meetings as far as staff members and city employees are concerned, the City Manager also shall be responsible for the orderly conduct and decorum of all city employees under his direction and control. The City Manager shall take such action as may be necessary to insure that such decorum is preserved at all times by the city employees in council meetings.

6.2 Public Attending Council Meetings.

(a) Public members attending council meetings also shall observe the same rules of propriety, decorum, and good conduct applicable to members of the Council. Any person making personal, impertinent, and/or slanderous remarks or who becomes boisterous while addressing the Council or while attending the Council meeting shall be removed from the room as directed by the presiding officer, and such person shall be barred from further audience, stamping of feet, whistles, yells, and similar demonstrations shall not be permitted by the presiding officer, who shall direct such offenders to be removed from the room. Aggravated cases shall be prosecuted on appropriate complaint signed by the presiding officer. In case the presiding officer shall fail to act, any member of the Council may move to require him to act to enforce the rules, and the affirmative vote of the majority of the Council shall require the presiding officer to act.

(b) Citizen Petitions. Any member of the public desiring to address the Council on matters of city business shall complete the petition provided by the City Clerk immediately before the start of the regular council meeting. Each person shall be recognized by the chair, shall state their name and address clearly, and be limited to a five minute presentation (Amendment No. 7, adopted 03/10/92).

All remarks and questions addressed to the administration of the City shall be addressed to the City Manager through the chair and not to any individual city employee. No person other than members of the Council and the person having the floor shall enter into any discussion either directly or through a member of the Council without permission of the presiding officer.

6.3 Complaints. The procedures for complaints shall be:

(a) .All complaints involving municipal policies shall be referred to the Council for appropriate action and, except in the most unusual cases, such action should be preceded by report and

recommendation of the City Manager who shall have been given ample opportunity and time in which to investigate and to render a report.

(b) All complaints involving charges of unfair hearings before boards and/or commissions concerned; provided, however, that such referral shall be accompanied by a written statement from the person complaining of such improper hearing which statement shall delineate the specific charges in order that the particular board of commission concerned may be able to take appropriate action.

(c) All complaints with respect to the management of the City shall be referred to the City Manager for the necessary or appropriate action in each individual case. In the case of those complaints involving the management of the City wherein the Council desires further information, then the City Manager, when so requested by a majority of the Council shall be given adequate time in which to make the necessary investigation and report.

6.4 The Council Meeting Room. The meeting room shall be under the supervision and control of the City Manager when the Council is not in session. Except as herein provided, it shall be used solely by the Council and its committees for the transaction of public business of the City. If not required for such use, the Manager may permit its use by agencies of the federal, state, or municipal governments for the transaction of public business. Application for such use must be made to the City Manager in such manner as may be prescribed by him. Any permission so granted may be cancelled or revoked by the City Manager forthwith where necessary for the protection of City property, the preservation of order or other sufficient reason.

6.5 Suspension of Rules. Any provision of these rules not governed by State Statue, the City Charter, the City Administrative Code may be temporarily suspended by a two-thirds (2/3) majority vote of all members elected. The vote on any such suspension shall be taken by ayes and nays and entered upon the records.

6.6 To Amend Rules. These rules may be amended or new rules adopted by a majority vote of all members of the City Council. Any such alterations or amendments shall be submitted in the manner required for City Council business and included on any agenda for a regular Council meeting. This requirement shall be waived only by unanimous consent of all members.

6.7 Roberts Rules of Order Revised shall govern the proceedings of the Council in all cases, unless they are in conflict with these rules or the City Charter.

6.8 **Council Appointments.** Except as may be otherwise required by City ordinance or State statute, specifically as to terms of office, all appointments made by the City Council from the Council to City boards or commissions, shall be for two (2) years, and shall be made at the second regular meeting of Council in January of each year. Appointments to fill vacancies shall be made as they occur and shall be for the unexpired portion of the two (2) year term (Amendment No. 6, adopted 11/27/90).

OATH

STATE OF WEST VIRGINIA,
COUNTY OF MARION,
CITY OF FAIRMONT, TO-WIT:

I, William Gerald Ragen, a resident of 830 East Park Avenue, in the City of Fairmont, having been duly elected on November 8, 1994, as the Councilmember from the First District of the City of Fairmont, Marion County, for a term commencing on the 1st day of January, 1995, and expiring on the 31st day of December, 1998, do solemnly swear, that I will support the Constitution of the United States, the Constitution of the State of West Virginia, and the Charter of the City of Fairmont, and that I will faithfully discharge the duties of the office of Councilmember of the City of Fairmont, to the best of my skill and judgment, so help me God.

W G Ragen

Taken, subscribed and sworn to before me, in said City, County and State on this the 28th day of November, 1994.

Mary P. D'Aralmi
Asst. City Clerk

OATH

STATE OF WEST VIRGINIA,
COUNTY OF MARION,
CITY OF FAIRMONT, TO-WIT:

I, Marcella Yaremchuk, a resident of 107 Vine Street, in the City of Fairmont, having been duly elected on November 5, 1996, as the Councilmember from the Second District of the City of Fairmont, Marion County, for a term commencing on the 1st day of January, 1997, and expiring on the 31st day of December, 2000, do solemnly swear, that I will support the Constitution of the United States, the Constitution of the State of West Virginia, and the Charter of the City of Fairmont, and that I will faithfully discharge the duties of the office of Councilmember of the City of Fairmont, to the best of my skill and judgment, so help me God.

Marcella Yaremchuk
Marcella Yaremchuk

Taken, subscribed and sworn to before me, in said City, County and State on this the 26th day of November, 1996.

Janet L. Keller
City Clerk

OATH

STATE OF WEST VIRGINIA,
COUNTY OF MARION,
CITY OF FAIRMONT, TO-WIT:

I, Nick L. Fantasia, a resident of 625 Columbia Street, in the City of Fairmont, having been duly elected on November 8, 1994, as the Councilmember from the Third District of the City of Fairmont, Marion County, for a term commencing on the 1st day of January, 1995, and expiring on the 31st day of December, 1998, do solemnly swear, that I will support the Constitution of the United States, the Constitution of the State of West Virginia, and the Charter of the City of Fairmont, and that I will faithfully discharge the duties of the office of Councilmember of the City of Fairmont, to the best of my skill and judgment, so help me God.

Nick L. Fantasia

Taken, subscribed and sworn to before me, in said City, County and State on this the 28 day of November, 1994.

Mary P. D'Anselmo
Asst. City Clerk

OATH

STATE OF WEST VIRGINIA,
COUNTY OF MARION,
CITY OF FAIRMONT, TO-WIT:

I, Manuel Garcia, a resident of 205 Naomi Street, in the City of Fairmont, having been duly elected on November 5, 1996, as the Councilmember from the Fourth District of the City of Fairmont, Marion County, for a term commencing on the 1st day of January, 1997, and expiring on the 31st day of December, 2000, do solemnly swear, that I will support the Constitution of the United States, the Constitution of the State of West Virginia, and the Charter of the City of Fairmont, and that I will faithfully discharge the duties of the office of Councilmember of the City of Fairmont, to the best of my skill and judgment, so help me God.

Manuel Garcia

Taken, subscribed and sworn to before me, in said City, County and State on this the 19th day of November, 1996.

Janet L. Keller
City Clerk

OATH

STATE OF WEST VIRGINIA,
COUNTY OF MARION,
CITY OF FAIRMONT, TO-WIT:

I, Robert L. Allen, Jr., a resident of 110 Wheeling Street, in the City of Fairmont, having been duly elected on November 8, 1994, as the Councilmember from the Fifth District of the City of Fairmont, Marion County, for a term commencing on the 1st day of January, 1995, and expiring on the 31st day of December, 1998, do solemnly swear, that I will support the Constitution of the United States, the Constitution of the State of West Virginia, and the Charter of the City of Fairmont, and that I will faithfully discharge the duties of the office of Councilmember of the City of Fairmont, to the best of my skill and judgment, so help me God.

Robert L. Allen Jr.

Taken, subscribed and sworn to before me, in said City, County and State on this the 22nd day of November, 1994.

Janet L. Keller
City Clerk

OATH

STATE OF WEST VIRGINIA,
COUNTY OF MARION,
CITY OF FAIRMONT, TO-WIT:

I, Kay Francis Meade, a resident of 600 Benoni Avenue, in the City of Fairmont, having been duly elected on November 5, 1996, as the Councilmember from the Sixth District of the City of Fairmont, Marion County, for a term commencing on the 1st day of January, 1997, and expiring on the 31st day of December, 2000, do solemnly swear, that I will support the Constitution of the United States, the Constitution of the State of West Virginia, and the Charter of the City of Fairmont, and that I will faithfully discharge the duties of the office of Councilmember of the City of Fairmont, to the best of my skill and judgment, so help me God.

Kay Francis Meade

Kay Francis Meade

Taken, subscribed and sworn to before me, in said City, County and State on this the 18 day of November, 1996.

Teresa A. Brumage

Deputy City Clerk

OATH

STATE OF WEST VIRGINIA,
COUNTY OF MARION,
CITY OF FAIRMONT, TO-WIT:

I, Rosemary C. Phillips, a resident of 1359 College Park, in the City of Fairmont, having been duly elected on November 5, 1996, as the Councilmember from the Seventh District of the City of Fairmont, Marion County, for a term commencing on the 1st day of January, 1997, and expiring on the 31st day of December, 2000, do solemnly swear, that I will support the Constitution of the United States, the Constitution of the State of West Virginia, and the Charter of the City of Fairmont, and that I will faithfully discharge the duties of the office of Councilmember of the City of Fairmont, to the best of my skill and judgment, so help me God.

Rosemary C. Phillips
Rosemary C. Phillips

Taken, subscribed and sworn to before me, in said City, County and State on this the 26th day of November, 1996.

Janet L. Keller
City Clerk

OATH

STATE OF WEST VIRGINIA,
COUNTY OF MARION,
CITY OF FAIRMONT, TO-WIT:

I, Charles G. Manly, a resident of 946 Coleman Avenue, in the City of Fairmont, having been duly elected on November 8, 1994, as the Councilmember from the Eighth District of the City of Fairmont, Marion County, for a term commencing on the 1st day of January, 1995, and expiring on the 31st day of December, 1998, do solemnly swear, that I will support the Constitution of the United States, the Constitution of the State of West Virginia, and the Charter of the City of Fairmont, and that I will faithfully discharge the duties of the office of Councilmember of the City of Fairmont, to the best of my skill and judgment, so help me God.

Charles G. Manly

Taken, subscribed and sworn to before me, in said City, County and State on this the 21st day of November, 1994.

Mary L. D'Anselmi
Deputy City Clerk

OATH

STATE OF WEST VIRGINIA,
COUNTY OF MARION,
CITY OF FAIRMONT, TO-WIT:

I, Earl C. West, a resident of 130 Gilbob Street, in the City of Fairmont, having been duly elected on November 8, 1994, as the Councilmember from the Ninth District of the City of Fairmont, Marion County, for a term commencing on the 1st day of January, 1995, and expiring on the 31st day of December, 1998, do solemnly swear, that I will support the Constitution of the United States, the Constitution of the State of West Virginia, and the Charter of the City of Fairmont, and that I will faithfully discharge the duties of the office of Councilmember of the City of Fairmont, to the best of my skill and judgment, so help me God.

Earl C. West III

Taken, subscribed and sworn to before me, in said City, County and State on this the 28th day of November, 1994.

Mary L. D'Andrea
asst. City Clerk

ORDINANCE NO. 1069

AN ORDINANCE AMENDING AND REVISING THE CITY OF FAIRMONT'S WATER TARIFF'S, RATES AND CHARGES FOR GENERAL DOMESTIC, COMMERCIAL AND INDUSTRIAL SERVICE; TAP FEE; RECONNECTION SERVICE CHARGE; DELAYED PAYMENT PENALTY; RESALE; PUBLIC AND PRIVATE FIRE PROTECTION

WHEREAS, Chapter 24, Article 2, Section 4(b) of the Code of the State of West Virginia 1931 as amended authorizes the fixing of all rates and charges of municipally operated utilities by the adoption of appropriate ordinances;

WHEREAS, the City of Fairmont in 1891 undertook to provide and has long provided quality potable water and fire protection services to its citizens and further has undertaken to provide quality potable water to several local public service districts for distribution to unincorporated areas of Marion County outside the City's corporate limits;

WHEREAS, the City of Fairmont's water distribution system and filtration plant have greatly aged and are no longer adequate to provide for and meet the needs of the City's expanding service area nor to provide adequate fire protection to its citizens or to meet the water needs of its customers;

WHEREAS, it is proposed that the filtration plant and the distribution system be renewed, rehabilitated and/or replaced to meet the water needs of the City's expanding service area; to provide better fire protection; to generally meet the water needs of its customers; and to permit the City to continue to provide quality potable water into the Twenty-first Century;

WHEREAS, the City of Fairmont proposes to fund the renewal, replacement and rehabilitation of its water filtration plant and its distribution system (the Project) through the issuance and sale of bank qualified waterworks revenue bonds;

WHEREAS, the City's project engineer, Chapman Technical Group, has estimated the cost of the project to be $24,000,000.00, to be completed in two phases and it is anticipated that the second and final phase will be substantially complete in December 2001;

WHEREAS, the present water rates or tariffs of the City of Fairmont were established by order of the Public Service Commission of West Virginia on June 14, 1989, in PSC Case No. 89-111-W-MA and made effective July 4, 1989, and do not provide sufficient revenues to fund the Project;

WHEREAS, the Council for the City of Fairmont, West Virginia hereby finds that increased rates and charges for water service are necessary and reasonable to provide sufficient revenue to continue to pay for current operating expenses, existing debt service, and to provide sufficient revenues to fund the Project; and

NOW, THEREFORE, THE CITY OF FAIRMONT HEREBY ORDAINS THAT:

The water rates or tariffs of the City of Fairmont issued by order of the Mayor of the City of Fairmont on June 14, 1989, by authority of an Order of the Public Service Commission of West Virginia in Case No. 89-111-W-MA dated June 14, 1989, and made effective July 4, 1989, be and are hereby amended and revised as follows: (New matter double underlined; matter to be deleted bracketed)

WATER: SCHEDULE 1.

APPLICABILITY

Applicable in entire territory or area served.

AVAILABILITY

Available for general domestic, commercial and industrial service.

RATE

Water Consumption (gallons used per month)		Rate (Per 1000 gallons)
First	25,000	$ [2.38] 3.75
Next	25,000	$ [1.88] 2.96
Next	25,000	$ [1.65] 2.60
All Over	75,000	$ [1.36] 2.14

MINIMUM RATES No bill shall be rendered for less than the following amounts, according to size of meter installed:

Size of Meter (inches)	Rate (per month)	
5/8 or less	$ [5.95]	9.37
3/4	$ [8.95]	14.08
1	$ [14.90]	23.45
1-3/4	$ [21.70]	34.15
1-½	$ [29.75]	46.81
2	$ [47.60]	74.90
3	$ [89.25]	140.44

4	$ [148.75]	234.07
6	$ [297.50]	468.15
8	$ [476.00]	749.03

TAP FEE

[Two Hundred Fifty Dollars ($250.00)] Three Hundred Dollars ($300.00)

RECONNECTION SERVICE CHARGE

Twenty-Five Dollars ($25.00)

DELAYED PAYMENT PENALTY

The above tariff is net. On all current usage billings not paid within twenty (20) days, ten percent (10%) will be added to the net current amount unpaid. This delayed payment penalty is not interest and is to be collected only once for each bill where it is appropriate.

SCHEDULE NO. 2

APPLICABILITY

Applicable in the entire territory served.

AVAILABILITY

Available for resale.

RATE

The rate under this schedule is [$.895] $1.93 per thousand gallons per month. The tap fee, connection and reconnection charges and delayed payment penalty set forth in Schedule No. 1 are applicable to Schedule No. 2.

SCHEDULE NO. 3

APPLICABILITY

Applicable in the entire territory served.

AVAILABILITY

Available for public fire protection.

RATE

The monthly rate for public fire protection will be [Eight Dollars and Ninety ($8.90)] Thirteen Dollars and 53/100 ($13.53) per hydrant or connection. The tap fee, connection and reconnection charges and delayed payment penalty set forth in Schedule 1 are applicable to Schedule No. 3.

SCHEDULE NO. 4

APPLICABILITY

Applicable in the entire territory where private fire service is provided.

AVAILABILITY

Available for private fire protection service.

MINIMUM RATES

No bill will be rendered for less than the following amounts, according to size of line installed:

Size of Line (inches)	Rate	
2 or less	$ [20.00]	31.47
3	$ [30.00]	47.21
4	$ [40.00]	62.94
6	$ [50.00]	78.68
8	$ [75.00]	118.02

The tap fee, connection and reconnection charges and delayed payment penalty set forth in Schedule No. 1 are applicable to schedule No. 4.

SECTION 4. SEVERABILITY: The provisions of this Ordinance are severable, and if any provisions or part thereof shall be deemed invalid or unconstitutional or inapplicable to any person or circumstances, such invalidity, unconstitutionality or inapplicability shall not affect or impair the remaining provisions of this Ordinance.

SECTION 5. EFFECTIVE DATE: Such charges, rates or tariffs herein established shall be effective on December 01, 2001 or the substantial completion of the project as certified by the project engineer, whichever shall first occur; however under no circumstances shall the charges, rates or tariff's herein established be effective until after at least forty-five days from the adoption of this Ordinance.

PASSED this the 22nd day of September, 1998.

MAYOR

ATTEST:

Janet L. Kellen
CITY CLERK

WE, the undersigned officials of the City of Fairmont, West Virginia, do hereby certify that **Ordinance No. 1069** entitled:

AN ORDINANCE AMENDING AND REVISING THE CITY OF FAIRMONT'S WATER TARIFF'S, RATES AND CHARGES FOR GENERAL DOMESTIC, COMMERCIAL AND INDUSTRIAL SERVICE; TAP FEE; RECONNECTION SERVICE CHARGE; DELAYED PAYMENT PENALTY; RESALE; PUBLIC AND PRIVATE FIRE PROTECTION

was introduced and publicly read in its entirety at the Regular Meeting of Council held September 8, 1998 and was published in the Times-West Virginian on September 14, 1998, pursuant to Charter provisions Section 2.13(d); a public hearing was held on September 22, 1998. There being no request that the proposed Ordinance be read in its entirety for a second time, the Clerk read the title only and copies were available to the public as required by Ordinance No. 499. The Ordinance was duly adopted pursuant to the Charter of the City of Fairmont and West Virginia Code; signed by the undersigned officials and filed in the office of the City Clerk.

Adopted by Council of the City of Fairmont, West Virginia, this the 22nd day of September, 1998.

Nick L. Santoro
MAYOR

ATTEST:

Janet L. Keller
CITY CLERK

A TRUE COPY:

Nick L. Santoro
MAYOR, CITY OF FAIRMONT, WEST VIRGINIA

Janet L. Keller
CLERK, CITY OF FAIRMONT, WEST VIRGINIA

APPROVED AS TO FORM:

ATTORNEY, CITY OF FAIRMONT, WEST VIRGINIA

CERTIFICATION

STATE OF WEST VIRGINIA,
COUNTY OF MARION,
CITY OF FAIRMONT, TO-WIT:

I, Janet L. Keller, Clerk of the City of Fairmont, West Virginia, keeper of the official records of said City, do hereby certify that the attached is a true copy of **Ordinance No. 1069** being **AN ORDINANCE AMENDING AND REVISING THE CITY OF FAIRMONT'S WATER TARIFF'S, RATES AND CHARGES FOR GENERAL DOMESTIC, COMMERCIAL AND INDUSTRIAL SERVICE; TAP FEE; RECONNECTION SERVICE CHARGE; DELAYED PAYMENT PENALTY; RESALE; PUBLIC AND PRIVATE FIRE PROTECTION.**

The Ordinance was passed and adopted by the Council of the City of Fairmont, West Virginia, at its regular meeting held September 22, 1998.

Given under my hand and seal this the 29th day of October, 1998.

Janet L. Keller
CITY CLERK

CITY OF FAIRMONT
NOTICE OF PUBLIC HEARING ON WATER REVENUE BOND ORDINANCE

A public hearing will be held on the following-entitled Ordinance at a regular meeting of the Council of the City of Fairmont (the "City") to be held on November 10, 1998 at 7:00 p.m. in the Council chambers at the Fairmont City Hall, Fairmont, West Virginia, and at such hearing any person interested may appear before the Council and present protests, and all protests and suggestions shall be heard by the Council and it shall then take such actions as it shall deem proper in the premises upon an Ordinance entitled:

ORDINANCE AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING PUBLIC WATERWORKS SYSTEM OF THE CITY OF FAIRMONT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE CITY OF NOT MORE THAN $31,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 1998; 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 RELATING THERETO.

The above-entitled Ordinance was adopted by the Council of the City on October 27, 1998.

The above-quoted title of the Ordinance describes generally the contents thereof and the purposes of the Bonds contemplated thereby, the City contemplates the issuance of the Bonds described in said Ordinance. The proceeds of the Bonds will be used to provide permanent financing of a portion of the costs of acquisition and construction of additions, betterments and improvements to the existing public waterworks system of the City. The Bonds are payable solely from revenues to be derived from the ownership and operation of the waterworks system of the City. No taxes may at any time be levied for the payment of the Bonds or the interest thereon.

A certified copy of the above-entitled Ordinance is on file with the Council at the office of the City Clerk of the city for review by interested parties during regular office hours.

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

Dated: October 30, 1998.

Janet Keller
City Clerk

[illegible]nes: October 30 and [illegible]ember 6, 1998.

AFFIDAVIT OF PUBLICATION

№ 00438

State of West Virginia
County of Marion, to wit:

I, Beverly A. Miller, being first duly sworn upon my oath, do dispose and say that I am Legal Clerk of the **TIMES WEST VIRGINIAN** a corporation, publisher of the newspaper entitled the **TIMES WEST VIRGINIAN** an Independent newspaper:

that I have been duly authorized by the board of directors of such corporation to execute this affidavit of publication; that such newspaper has been published for more than one year prior to publication of the annexed notice described below, that such newspaper is regularly published daily except Saturday and Sunday, for at least fifty weeks during the calendar year, in the Municipality of Fairmont, Marion County, West Virginia; that such newspaper is a newspaper of "general circulation," as that term is defined in article three, chapter fifty-nine of the Code of West Virginia, 1931, as amended, within the publication area or areas of the aforementioned municipality and Marion County; that such newspaper averages in length four or more pages, exclusive of any cover, per issue; that such newspaper is circulated to the general public at a definite price or consideration; that such newspaper is a newspaper to which the general public resorts for passing events of a political, religious, commercial or social nature, and for current happenings, announcements, miscellaneous reading matter, advertisements and other notices.

that the annexed notice of Public Hearing was duly published in said newspaper once week for 2 successive weeks (Class II), commencing with the issue of the 30 day of October, 1998, and ending with the issue of the 6 day of November, 1998, and was posted at the front door of the Marion County Courthouse on the 30 day of ____ day of October, 1998; that said annexed notice was published on the following dates: October 30, November 6, 1998

and the cost of publishing said annexed noticed as aforesaid was $ 96.46.

Beverly A. Miller

Taken, subscribed and sworn to before me in said county this 6 day of November, 1998,

My commission expires Jan 24, 2000.

OFFICIAL SEAL
NOTARY PUBLIC
STATE OF WEST VIRGINIA
Sherry L. Gillett
305 Quincy St.
Fairmont, WV 26554
My Commission Expires Jan. 24 2000

Sherry L. Gillett
Notary Public of Marion County, West Virginia

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October 20, 1998

A Special Meeting of the City Council of the City of Fairmont was held at 4:30 p.m. on the 20th day of October, 1998, at the J. Harper Meredith Building, Fairmont, West Virginia.

Mayor Fantasia called the meeting to order.

Councilmembers present were:

First District	Jerry Ragen
Second District	Marcella Yaremchuk
Third District	Nick L. Fantasia
Fourth District	Manuel Garcia
Fifth District	Robert L. Allen, Jr.
Sixth District	Kay Francis Meade
Seventh District	Rosemary C. Phillips
Ninth District	John R. West, Jr.

Absent:

Eighth District	Charles G. Manly

Also present were:

City Manager	Bruce McDaniel
City Clerk	Janet L. Keller
Management Services Director	Robert B. Ashcraft

CONSIDERATION OF COUNCIL BUSINESS

IN RE: INTRODUCTION, FIRST READING, SET PUBLIC HEARING, AN ORDINANCE AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING PUBLIC WATERWORKS SYSTEM OF THE CITY OF FAIRMONT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF, THROUGH THE ISSUANCE BY THE CITY OF NOT MORE THAN $31,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 1998; 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 RELATING THERETO

Mayor Fantasia entertained a motion for the introduction of an ordinance authorizing the financing of Water Revenue Bonds, Series 1998.

Motion:

Councilmember Phillips moved for the introduction of the proposed ordinance and the reading of a synopsis in lieu of the entire ordinance. Councilmember Ragen seconded the motion.

The Clerk read the proposed ordinance by synopsis for the first time.

The Mayor stated that the second reading will be at the next meeting, October 27.

Discussion:

Councilmember West stated that he thought the amount of the bonds was $24,000,000 and not the $31,000,000 as was introduced in the ordinance.

Mr. McDaniel stated that the project Council has authorized along with the rate ordinance, authorizes $24,000,000 worth of construction improvements to the water system. He went on to explain that the aggregate total of the bonds as contained in the bond ordinance is not to exceed $31,000,000 to cover cost of issuance, other costs and capitalized interest plus you have to set a number now that will take you in case of interest rate changes between now and the time you go to market with the bonds.

VINCE COLLINS stated that if Council would want some more detail on what constitutes capitalized interest, which is a major component of this issue amount, he would be glad to address that.

The Mayor asked Mr. Collins to explain.

Mr. Collins stated that the estimated construction cost is $24,000,000. He said that was still estimated, it could go up or it could go down. He said that they put what they considered to be a safe maximum amount of bonds that will cover any escalation and construction cost plus the cost of issuance and the cost of the capitalized interest, the debt service reserve and other things. He went on to say what those components are. He said that the cost of issuance will be the cost or the amount to have to pay the underwriters and with a large bond issue like this, that is a substantial amount. He noted that it will also include all legal fees, publication cost, cost for registering the bonds with DTC and any other transaction costs to do the bond issue. He went on to say that there will be bond insurance to enable you to get an AAA rating, as was on the last bond issue in 1997. He said that requires a payment of a substantial premium based upon the total amount of payback on the bonds. He then stated that will be a very large chunk, better part of $500,000 to $600,000. He noted that it was worth it because you get a much lower interest rate on your bonds which allows your total payback to be less even taking into account that premium. He stated that the debt service reserve fund will also have to be funded from bond proceeds and that is usually equal to one year's debt service

which will also be a substantial amount, in excess of $1,000,000. He said that the capitalized interest in this particular project is going to be very substantial because you passed a rate increase that would require increased rates for water to pay for these bonds but the rates do not take effect until the construction is done. He said that in the mean time, there will be interest payable on these bonds and the only way that you have to pay that interest is basically by borrowing the money up-front to pay the interest during the construction period, which will last approximately three years. He added that is going to be $1,000,000 or $2,000,000 at least. He noted that was how they got to the $31,000,000 and they consider that to be a safe maximum. He also mentioned that the bonds may be issued at separate times. He said that they may issue part of them this year and part of them next year or the year after. He added that it was not clear yet how that will be done. He noted that the intention, however, was to do all of them this year depending upon the engineer's determination of when the projects can be bid. He said that we have a large project here and you cannot do it all at once. He said that they cannot bid it all at once because it will not even be ready to go to bid or at least part of it until late 1999. He added that it all depends on where the markets are as to if the issue is split or done all at once.

Mr. McDaniel stated that regarding the debt service reserve fund, currently our debt service reserve fund is funded with a letter of credit. He said that this was put together in such a way that it will fully fund not only the new debt service but the existing debt service. He added that the new debt service will be something in the neighborhood of $2.6 million per year. He went on to say that we will be putting $2.6 million from this issue over into a debt service reserve fund. He said that the difference between the amount of bonds that we sell and the $24,000,000 are all of the additional costs to which Mr. Collins alluded. Mr. McDaniel then said that the rate was designed to take all of those costs into consideration.

The Mayor said that whether it is going to be a single issue or done over a period of increments based upon the engineer's construction timetable. . .

Mr. Collins said that it was based upon a combination of factors including the engineer's determination of when certain projects will be ready to go to construction. He added that there were certain limitations under the Internal Revenue Code as to how long it can be before you can spend all of your proceeds. He added that the basic rule was that you are supposed to spend most of your proceeds within three years. He noted that we have to be careful about that. He then said that the other consideration was whether you can do some of these bonds as bank qualified bonds which will give you a slightly lower interest rate. He went on to explain that there are limitations on how much bank qualified bonds you can do each year, basically $10,000,000 each calendar year. He noted that it gives you a slight interest rate advantage to do them as bank qualified bonds. He said that we may or may not want to do say $10,000,000 this year and $10,000,000 next year or maybe do $15,000,000 this year and forget about bank qualified and do the rest next year as bank qualified under $10,000,000.

Mr. McDaniel said that it depends on how the numbers work.

Councilmember Ragen asked what bank qualified means.

Mr. Collins replied that it simply means that banks would be willing to buy the bonds as opposed to just individuals or institutions. He added that it makes the market broader because banks are now able to buy the bonds. He went on to say that we have one very important thing going right now, and that is that the interest rates are so low and interest rates on municipal securities are around 4.9% for AAA insured securities.

Mayor Fantasia said that was why he was asking right now what the criteria is for how the issuance occurs because the current bond market is a favorable market and 12 months from now it may be less but chances are it will not be more.

Mr. Collins noted that nobody will know where interest rates will go a year from now and that is a very important consideration and that may kind of swing it to "let's do it all now and grab these low rates and forget about it."

Councilmember Ragen asked if all bonds are sold in December or January or whenever, do we get all of the money.

Mr. Collins stated that we get all of the money at the date of closing. He added that it will be invested to the hilt while the construction period commences and that is factored into the financing through the project. He said that if the bonds are at 5%, the most you are allowed to earn on the investment of the proceeds is 5% and if you can get more, you basically have to give it back to the IRS. He said there are going to be substantial earnings during the construction period and that is being factored into this.

Mr. McDaniel noted that if you take that money in one chunk and invest it very close to the bond yield, you are theoretically covering your capitalized interest on these bonds.

Mr. Collins agreed. He then said to remember that you will be spending that money during the three-year period and you will have less and less to invest as the period commences and at the end of the three years, there will be nothing to invest. He added that you will not get the advantage of investing the whole $31,000,000 for three years, it will decline.

The Manager said that this was analyzed when the rate ordinance was put together to determine if it was better for our customers to implement the rate immediately or to wait three years down the road and pay the interest on bonds with capitalized interest. He said that our accountant, Steve Holbert, told him that it was essentially a wash. He stated that if you take the money that the customers pay over that three-year period of time, they are saving that money during the construction phase.

The Mayor stated that Steptoe and Johnson is local, Steve Holbert is local, and the majority of the out sourcing for consultation has been done with Marion County and City of Fairmont firms. He then said that all of the soft costs, as much as could be expected, have been kept home.

Mr. Collins then thanked Council for having this special meeting. He said that it really needed to be done so we can accelerate the schedule. He added that the next two readings will be at the next two regular meetings so we will not have to have any more special meetings.

Mr. McDaniel noted that we are really trying to go to market with this. He said that it depends on how the numbers work out, but we can go to market with the first $10,000,000 bank qualified before the end of the year and shortly after January 1st, do the next $10,000,000 and then you have $10,000,000 sitting out there to worry about in year 2000.

ADJOURNMENT

Mayor Fantasia entertained a motion for adjournment.

Motion:

Councilmember Ragen moved to adjourn the meeting. Councilmember Allen seconded the motion.

Mayor Fantasia declared the meeting adjourned by voice vote of Council at 4:45 p.m.

MAYOR

ATTEST:

Janet L. Yellen
CITY CLERK

October 27, 1998

The regular meeting of the City Council of the City of Fairmont was held at 7:00 p.m. on the 27th day of October, 1998, at the J. Harper Meredith Building, Fairmont, West Virginia.

Mayor Fantasia called the meeting to order.

Councilmembers present were:

First District	Jerry Ragen
Second District	Marcella Yaremchuk
Third District	Nick L. Fantasia
Fourth District	Manuel Garcia
Fifth District	Robert L. Allen, Jr.
Sixth District	Kay Francis Meade
Seventh District	Rosemary C. Phillips
Eighth District	Charles G. Manly
Ninth District	John R. West, Jr.

Also present were:

City Manager	Bruce McDaniel
City Clerk	Janet L. Keller
Deputy City Clerk	Paula M. Friend
Management Services Director	Robert B. Ashcraft

IN RE: OPENING CEREMONIES

Rev. David Rockwood of Grace Lutheran Church gave the invocation followed by the Pledge of Allegiance to the Flag led by Councilmember Allen.

APPROVAL OF MINUTES

Mayor Fantasia noted that each member of Council had received a copy of the minutes from the Regular Meeting held on October 13, 1998 and from the Special Meeting held on October 20, 1998. He asked if there were any corrections, deletions, or amendments.

Councilmember Phillips moved for the adoption of the minutes as submitted. Councilmember West seconded the motion.

Mayor Fantasia declared the minutes approved as submitted by voice vote of Council.

ANNOUNCEMENTS

IN RE: ARTS AND HUMANITIES AWARD BANQUET

Councilmember Meade stated that she was glad to see that Councilmember Yaremchuk and Councilmember Ragen attended the Arts and Humanities Awards Banquet.

IN RE: AIRPORT AUTHORITY WORK SESSION

Councilmember Yaremchuk stated that she enjoyed the work session at the Airport. She noted that it was very informative.

IN RE: OIC GRADUATION CEREMONY

Mayor Fantasia stated that he got to take part in the OIC ceremonies of their graduation and annual dinner. He noted that Councilmember Meade was part of that function as well.

COMMUNICATIONS WITH CITY MANAGER

IN RE: FIRE HYDRANTS

Councilmember Meade asked about the fire hydrants on Circle Drive. She then asked if the hydrants had been serviced.

Mr. McDaniel stated that he will check.

IN RE: CANVASS VOTES FROM ELECTION

The Mayor stated that on Monday, November 9, Council will need to start to canvass votes from the Election. He then polled Council and it was decided to have the canvass start at 4:30 p.m.

Councilmember Manly noted that he will not be able to attend.

CITIZENS PETITIONS

There were no petitions for this meeting.

CITY MANAGER'S REPORT

IN RE: PRIVATE CLUB APPLICATION
AQUARIUM LOUNGE, 620 GASTON AVENUE

Mr. McDaniel reported that we have received a private club application for the Aquarium Lounge at 620 Gaston Avenue. He reported that this was a change of ownership and the report from the Police Department was fine. He noted that Chief Wimer said that the fire inspection was fine, however, if he expands the business, he will have to do some modifications. He then asked the Clerk to forward the application to the ABC Commissioners.

CONSIDERATION OF COUNCIL BUSINESS

IN RE: INTRODUCTION, SECOND READING, SET PUBLIC HEARING, AN ORDINANCE AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING PUBLIC WATERWORKS SYSTEM OF THE CITY OF FAIRMONT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF, THROUGH THE ISSUANCE BY THE CITY OF NOT MORE THAN $31,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 1998; 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 RELATING THERETO

The Mayor entertained a motion for the introduction and second reading of an ordinance authorizing the financing of Water Bonds, Series 1998.

Motion:

Councilmember Phillips moved for the introduction and the second reading by synopsis. Councilmember Allen seconded the motion.

The Clerk read the proposed ordinance by synopsis for the second time.

The Mayor asked the Clerk to set a public hearing for November 10, 1998.

Mr. McDaniel mentioned that today he had a weekly project meeting on the water system improvement project. He noted that he also met with the representative from the West Virginia Public Service Commission and went over the pre-filing of our certificate case for the Commission. He said that they will be filing the certificate by November 1, 1998 and will follow that filing with actual plans and specifications on December 1, 1998. He added that the Commission felt that all of our information was in order.

The Mayor asked Council if they had any questions for Vince Collins, Bond Counsel, who was present.

There were no questions.

IN RE: INTRODUCTION, FIRST READING, SET PUBLIC HEARING, AND ORDINANCE AMENDING CITY ORDINANCE NO. 478, AS AMENDED, BEING THE PERSONNEL RULES AND REGULATIONS OF THE CITY OF FAIRMONT, PARTICULARLY TO PROVIDE FOR THE REPEAL OF RULE 3.3, RULE 3.4, RULE 17.36 AND RULE 17.37 WHICH RULES PROVIDE FOR CERTAIN BONUSES TO BE PAID TO THE CITY EMPLOYEES AND TO FURTHER PROVIDE FOR THE REENACTMENT OF A LONGEVITY BONUS BASED UPON THE NUMBER OF HOURS PAID

The Mayor entertained a motion for the introduction of an ordinance amending the Personnel Rules and Regulations regarding a longevity bonus.

Motion:

Councilmember Ragen moved for the introduction of the proposed ordinance and the reading of a synopsis instead of the entire ordinance. Councilmember Allen seconded the motion.

The Clerk read the proposed ordinance by synopsis for the first time.

The Mayor asked the Clerk to set a public hearing for November 10, 1998.

IN RE: ADOPTION, A RESOLUTION OF THE COUNCIL FOR THE CITY OF FAIRMONT, WEST VIRGINIA, AUTHORIZING EXECUTION OF AN AGREEMENT WITH ALLEGHENY POWER TO PROVIDE INSTALLATION AND LIGHTING SERVICE FOR FORTY-SEVEN (47) DECORATIVE STREET LIGHT FIXTURES IN THE CITY'S DOWNTOWN HISTORICAL DISTRICT

Mayor Fantasia entertained a motion for the adoption of a Resolution authorizing an agreement with Allegheny Power for the service of 47 decorative street lights in the downtown district.

Motion:

Councilmember Ragen moved for the adoption of the proposed Resolution. Councilmember Allen seconded the motion.

The Clerk read the proposed Resolution in its entirety for the first time.

Discussion:

Mayor Fantasia asked if this had already been done.

Mr. McDaniel replied no. He explained that we did a resolution authorizing the financing with Comvest, however, we never did a resolution authorizing him to sign the agreement with Allegheny Power to maintain the lights once they were installed.

Roll call was taken by the Clerk.

Mayor Fantasia declared the Resolution adopted by unanimous vote of Council.

IN RE: ADJOURN TO EXECUTIVE SESSION

Mayor Fantasia entertained a motion to adjourn to Executive Session.

Motion:

Councilmember Phillips moved to adjourn to Executive Session to discuss matters which might tend to defame or prejudice the character or reputation of another. Councilmember West seconded the motion.

Roll call was taken by the Clerk.

Mayor Fantasia declared the meeting adjourned to Executive Session at 7:20 p.m.

IN RE: MEETING RECONVENED

Mayor Fantasia declared the meeting reconvened at 7:45 p.m.

IN RE: TWO APPOINTMENTS, FAIRMONT BUILDING COMMISSION, ONE FIVE YEAR TERM TO END OCTOBER 31, 2002 AND ONE FIVE YEAR TERM TO END OCTOBER 31, 2003

Mayor Fantasia entertained a motion for two appointments to the Fairmont Building Commission.

Motion:

Councilmember Ragen moved to appoint Walter "Butch" Osborne to the term to end October 31, 2002 and Jim Law to the term to end October 31, 2003. Councilmember Allen seconded the motion.

Roll call was taken by the Clerk.

Mayor Fantasia declared Walter "Butch" Osborne appointed to the term ending October 31, 2002 and Jim Law appointed to the term ending October 31, 2003 by unanimous vote of Council.

IN RE: ONE APPOINTMENT, HISTORIC LANDMARK COMMISSION, TERM TO END SEPTEMBER 30, 2001

Mayor Fantasia entertained a motion for an appointment to the Historic Landmark Commission for a term to end September 30, 2001.

Motion:

Councilmember Phillips moved to re-appoint George Sprowls to this term. Councilmember Ragen seconded the motion.

Roll call was taken by the Clerk.

Mayor Fantasia declared George Sprowls re-appointed to the Historic Landmark Commission for a term ending September 30, 2001 by unanimous vote of Council.

IN RE: NINE APPOINTMENTS, FAIRMONT AIRPORT AUTHORITY, TERMS TO END OCTOBER 1, 2001

Mayor Fantasia entertained a motion for appointments to the Fairmont Airport Authority for terms to end October 1, 2001.

Motion:

Councilmember Yaremchuk moved to re-appoint Thomas W. May, Sr., Barry W. Parks, Dale E. Kennedy, David Floyd, E. Robert Smith, David A. Garcia, Dr. James Valentine, Thomas Mainella and Joseph Manchin, III. The motion was seconded by Councilmember West.

Roll call was taken by the Clerk and the following votes were recorded:

Councilmember Ragen	Yes	Councilmember Allen	Yes
Councilmember Manly	Yes	Councilmember West	Yes
Councilmember Phillips	No	Councilmember Garcia	Yes
Councilmember Yaremchuk	Yes	Councilmember Meade	Yes
Mayor Fantasia	Yes		

Mayor Fantasia declared Tom May, Barry Parks, Dave Kennedy, David Floyd, Bob Smith, David Garcia, Dr. James Valentine, Tom Mainella, and Joe Manchin re-appointed by majority vote of Council for terms to end October 1, 2001.

ADJOURNMENT

Mayor Fantasia entertained a motion for adjournment.

Motion:

Councilmember Phillips moved to adjourn the meeting. Councilmember Ragen seconded the motion.

Mayor Fantasia declared the meeting adjourned by voice vote of Council at 7:47 p.m.

MAYOR

ATTEST:

CITY CLERK

RESOLUTION OF THE COUNCIL FOR THE CITY OF FAIRMONT, WEST VIRGINIA, AUTHORIZING EXECUTION OF AN AGREEMENT WITH ALLEGHENY POWER TO PROVIDE INSTALLATION AND LIGHTING SERVICE FOR FORTY-SEVEN (47) DECORATIVE STREETLIGHT FIXTURES IN THE CITY'S DOWNTOWN HISTORICAL DISTRICT

WHEREAS, in order to promote the safety and good order of the community; to improve the aesthetic appearance of the City's central business district; and to foster and to promote the revitalization of its downtown historical district, the City has caused the installation of certain street lighting, namely forty-seven (47) decorative street light fixtures.

WHEREAS, the City Council of the City of Fairmont has determined that it is in the best interest of the City to enter into an agreement with Allegheny Power for the purpose of providing installation and lighting service for said street light fixtures.

NOW, THEREFORE, BE IT RESOLVED by the City of Fairmont that:

Section 1. Authorization. The City Council for the City of Fairmont hereby finds that it is in the best interest of the City to enter into an agreement with Allegheny Power for the purpose of providing installation and lighting service for forty-seven (47) decorative street light fixtures in the City's downtown historical district and that the City Manager for the City be and is hereby authorized to execute that certain agreement by and between said City and Allegheny Power, dated June 15, 1998, a copy of which is attached hereto and made a part hereof.

Section 2. Effective Date. This Resolution shall take effect immediately.

Passed this the 27th day of October, 1998.

MAYOR

ATTEST:

CITY CLERK

November 10, 1998

The regular meeting of the City Council of the City of Fairmont was held at 7:00 p.m. on the 10th day of November, 1998, at the J. Harper Meredith Building, Fairmont, West Virginia.

Mayor Fantasia called the meeting to order.

Councilmembers present were:

First District	Jerry Ragen
Second District	Marcella Yaremchuk
Third District	Nick L. Fantasia
Fourth District	Manuel Garcia
Fifth District	Robert L. Allen, Jr.
Sixth District	Kay Francis Meade
Seventh District	Rosemary C. Phillips
Eighth District	Charles G. Manly
Ninth District	John R. West, Jr.

Also present were:

City Manager	Bruce McDaniel
City Clerk	Janet L. Keller
Management Services Director	Robert B. Ashcraft
Councilmember-Elect	Anthony Talerico
Councilmember-Elect	Thomas Mainella
Councilmember-Elect	Fran Warner

IN RE: OPENING CEREMONIES

Lt. Philip Wise of the Salvation Army gave the invocation followed by the Pledge of Allegiance to the Flag led by Councilmember Yaremchuk.

APPROVAL OF MINUTES

Mayor Fantasia noted that each member of Council had received a copy of the minutes from the Regular Meeting held on October 27, 1998. He asked if there were any corrections, deletions, or amendments.

Councilmember West moved for the adoption of the minutes as submitted. Councilmember Yaremchuk seconded the motion.

Mayor Fantasia declared the minutes approved as submitted by voice vote of Council.

IN RE: ADJOURN TO EXECUTIVE SESSION

Councilmember Phillips moved to adjourn to Executive Session to discuss matters which tend to defame or prejudice the character or reputation of another. Councilmember Ragen seconded the motion.

Roll call was taken by the Clerk.

Mayor Fantasia declared the meeting adjourned to Executive Session at 7:04 p.m.

IN RE: MEETING RECONVENED

Mayor Fantasia declared the meeting reconvened at 7:11 p.m.

PUBLIC HEARINGS

IN RE: AN ORDINANCE AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING PUBLIC WATERWORKS SYSTEM OF THE CITY OF FAIRMONT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF, THROUGH THE ISSUANCE BY THE CITY OF NOT MORE THAN $31,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 1998; 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 RELATING THERETO

Pursuant to a notice duly published in the Times-West Virginian on October 30, 1998 and November 6, 1998, a public hearing was convened to obtain citizen input on an Ordinance providing for the refinancing of Water Revenue Bonds, Series 1998.

Mayor Fantasia asked if anyone present desired to speak to the proposed Ordinance.

Mr. McDaniel stated that this is the last step in the adoption procedure for the Ordinance that authorizes the sale of the Waterworks Revenue Bonds for our upcoming improvement project. He explained that we are currently on schedule to price bonds in mid December, close on the first $9.5 million by December 30 and the other $20.5 million by mid January. He said that we are opting to sell these at one time because of the favorable market conditions and we will invest the proceeds and proper securities and finance the project accordingly. He went on to say that we will have one special meeting in December to pass the bond purchase resolution.

There being no one else to speak, the public hearing was called to a close at 7:15 p.m.

IN RE: AN ORDINANCE AMENDING CITY ORDINANCE NO. 478, AS AMENDED, BEING THE PERSONNEL RULES AND REGULATIONS OF THE CITY OF FAIRMONT, PARTICULARLY TO PROVIDE FOR THE REPEAL OF RULE 3.3, RULE 3.4, RULE 17.36 AND RULE 17.37 WHICH RULES PROVIDE FOR CERTAIN BONUSES TO BE PAID TO THE CITY EMPLOYEES AND TO FURTHER PROVIDE FOR THE REENACTMENT OF A LONGEVITY BONUS BASED UPON THE NUMBER OF HOURS PAID

Pursuant to a notice duly published in the Times-West Virginian on November 2, 1998, a public hearing was convened to obtain citizen input on an Ordinance amending the Personnel Rules and Regulations regarding certain bonuses paid to employees.

Mayor Fantasia asked if anyone present desired to speak to the proposed Ordinance.

Mr. McDaniel stated that there has been one minor amendment to this ordinance since it had been introduced. He said that instead of the ordinance being effective 30 days after adoption, it will be effective January 1, 1999. He added that this enables us to administer the bonuses on a six-month basis as they now exist.

There being no one else to speak, the public hearing was called to a close at 7:16 p.m.

ANNOUNCEMENTS

IN RE: WELCOME TO COUNCILMEMBERS-ELECT

Councilmember Phillips extended a welcome to the newly elected Councilmembers who were in attendance.

Mayor Fantasia stated that an orientation meeting will be held in December for the new Councilmembers.

COMMUNICATIONS WITH CITY MANAGER

IN RE: DEMOLITION REQUEST

Councilmember Allen asked Mr. McDaniel what was happening with the demolition of 105 Wheeling Street.

Mr. McDaniel replied that we have a price on the demolition as well as another demolition. He said that currently city staff were trying to determine which one of the structures should be done first. He noted that we have a price on the Wheeling Street demolition and also for a demolition on Chicago Street.

IN RE: FIRE HYDRANT UPDATE

Councilmember Meade asked for a progress report on the fire hydrants on Circle Drive.

Mr. McDaniel stated that he asked the Utility Manager for a report. He noted that as soon as he receives it, he will forward it to Council.

IN RE: STREET LIGHT REQUEST

Councilmember Phillips stated that she received a call about a street light on Union Street. She said that apparently they had talked to the City Garage and were told that they had to come before Council.

Mr. McDaniel said that was not correct.

Councilmember Phillips then asked if it was based on distance.

Mr. McDaniel stated that the Public Works Director goes out and evaluates whether or not the street light is needed based on distance between street lights, closeness to intersections, and other factors in the neighborhood. He then told Councilmember Phillips that the person should call the Public Works Director again. He then asked for the lady's name and he would get in contact with her.

IN RE: FAIRMONT AVENUE PROPERTY

Councilmember Phillips asked about the property on Fairmont Avenue. She said that for the last two months the property has been sitting with a gapping hole. She said that it was the old Traugh property across from Giant Eagle. She noted that she had turned it in a couple of months ago.

IN RE: PLANNING RETREAT

Councilmember Phillips asked if Council was polled about the Planning Retreat.

Mr. McDaniel replied no.

Councilmember Phillips then asked if the new Councilmembers were invited.

Mr. McDaniel said yes, they have been invited.

Councilmember Phillips then asked if Council was going to get a report on the Strategic Roundtable.

Mr. McDaniel noted that he will give Council a report.

The Mayor noted that Council was not polled about the November 17 date because that is the date that Blackman and Associates are in town.

He stated that they were doing something in Clarksburg the night before and the Chamber that morning and then with us. He added that if the majority of Council cannot attend, we will regroup.

IN RE: CITY'S 100TH BIRTHDAY CELEBRATION AND ANNUAL DINNER

Councilmember Phillips asked if the City has begun anything on the plans for what we are going to be doing for the City's birthday celebration and also for the annual dinner.

Mr. McDaniel replied that the annual dinner will probably be held on the evening of our anniversary. He added that a committee was being appointed to try to do something about the centennial celebration. He then said that a few weeks ago, in the weekly update, he had asked Council for ideas.

IN RE: SAW HORSE SIGNS

Councilmember Manly reported that he received a couple of calls about the saw horse type signs that he thought were being dealt with.

Mr. McDaniel said that he asked the Planning Department to look into that and they have not reported back.

IN RE: POLICE SUBSTATION ON MAPLE AVENUE

Councilmember West stated that the Housing Authority wishes to thank the City Manager and Police Chief for beginning to utilize the police substation on Maple Avenue.

CITIZENS PETITIONS

IN RE: FAIRMONT GENERAL HOSPITAL NEGOTIATIONS

Kevin Sansalone, City Attorney, stated that the City recognizes Ms. Patton's right as a citizen to address this group before Council and welcomes and invites her to do so. He then told Ms. Patton that she must understand that Council will not engage in any discussion regarding the subject matter of her citizen petition which is the hospital negotiations. He went on to say that all parties involved have selected designated representatives to speak for them, the Union and the Administration. He explained that the City does not want to interfere or interrupt that process in any manner whatsoever. He then asked Ms. Patton not to ask or expect the Council to answer any questions, make statements, or take a position regarding any of the matters which are presently on the bargaining table and which are subject to upcoming negotiations.

LORRAINE PATTON, 819 Emerson Street, stated that she was attending as a representative of District 1199 health care workers union and union of our hospital. She said that they had been in negotiations for quite sometime and that their contract had expired October 31, 1998 and have been working without a contract since that time. She said that they are appealing for Council's assistance. She then asked that the Councilmembers that are on the Board of Directors at the hospital to get the workers a workable contract between the union and the administration. She went on to say that the union workers have been reporting to work while their negotiating team and the administration have been working on a contract that would provide good, safe quality patient care. She added that the union workers want the community to know that they are very concerned about this situation and they want a workable contract.

AL BACON, the union's district representative, stated that he represents the union in these contract talks and has been at the table in most of the sessions. He said that there are misconceptions in most communities about unions. He said that the union at this hospital are the people that are sitting in this room and the people working at the hospital. He went on to say that the City Council has a responsibility to care about what happens to the hospital. He said that the administration was only concerned about how to work a nurse an extra eight hour shift with more patients assigned to them, which cuts into quality health care. He added that one thing that this hospital needs to recognize is that we have to change but the way to change is not to cut quality care from this community. He then asked Council to take an active participation part as citizens of this community in encouraging both sides to get back to the table and get this thing resolved.

CITY MANAGER'S REPORT

IN RE: BEER APPLICATION, 302 PUB, 302 MERCHANT STREET

Mr. McDaniel reported that we received a beer application for The 302 Pub at 302 Merchant Street. He said that Chief Wimer stated that the license should be pending upon the compliance of the existing fire codes. He added that a compliance inspection will be held before any issuance of license. He went on to say that the applicant had a previous offense but there is no reason that we should send a letter to the ABC Commissioner denying this application.

CONSIDERATION OF COUNCIL BUSINESS

IN RE: ADOPTION, AN ORDINANCE AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING PUBLIC WATERWORKS SYSTEM OF THE CITY OF FAIRMONT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF, THROUGH THE ISSUANCE BY THE CITY OF NOT MORE THAN $31,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 1998; 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 RELATING THERETO

Mayor Fantasia entertained a motion for the adoption of an Ordinance authorizing the sale of Water Revenue Bonds, Series 1998.

Motion:

Councilmember Phillips moved for the adoption of the proposed ordinance. Councilmember Ragen seconded the motion.

Roll call was taken by the Clerk.

Mayor Fantasia declared the ordinance adopted by unanimous vote of Council and the ordinance designated as Ordinance No. 1072 was duly adopted.

IN RE: ADOPTION, AN ORDINANCE AMENDING CITY ORDINANCE NO. 478, AS AMENDED, BEING THE PERSONNEL RULES AND REGULATIONS OF THE CITY OF FAIRMONT, PARTICULARLY TO PROVIDE FOR THE REPEAL OF RULE 3.3, RULE 3.4, RULE 17.36 AND RULE 17.37 WHICH RULES PROVIDE FOR CERTAIN BONUSES TO BE PAID TO THE CITY EMPLOYEES AND TO FURTHER PROVIDE FOR THE REENACTMENT OF A LONGEVITY BONUS BASED UPON THE NUMBER OF HOURS PAID

Mayor Fantasia entertained a motion for the adoption of an Ordinance amending the Personnel Rules to provide for a longevity bonus based upon the number of hours paid.

Motion:

Councilmember Manly moved for the adoption of the proposed ordinance with the effective date being set to January 1, 1999. Councilmember West seconded the motion.

Roll call was taken by the Clerk.

Mayor Fantasia declared the ordinance adopted by unanimous vote of Council and the ordinance designated as Ordinance No. 1073 was duly adopted.

IN RE: INTRODUCTION, FIRST READING, SET PUBLIC HEARING, AN ORDINANCE AMENDING AND SUPPLEMENTING PART SEVEN OF THE CODE FOR THE CITY OF FAIRMONT, CHAPTER ONE, BUSINESS REGULATION, TO PROVIDE FOR THE REGULATION OF YARD OR GARAGE SALES WITHIN THE CORPORATE LIMITS BY PROVIDING FOR A PERMIT, AND LIMITATION AND CONDITIONS THEREON, TO BE CODIFIED AS PART SEVEN, CHAPTER ONE, ARTICLE 731 OF SAID CODE

Mayor Fantasia entertained a motion for the introduction of an ordinance providing for the regulation of yard or garage sales.

Motion:

Councilmember Allen moved for the introduction of the proposed ordinance and the reading of a synopsis. Councilmember Yaremchuk seconded the motion.

The Clerk read the proposed ordinance by synopsis for the first time.

The Mayor asked the Clerk to set a public hearing for November 24, 1998.

Discussion:

Councilmember Ragen asked why we are doing this.

Councilmember Phillips asked who was going to enforce this ordinance.

Mr. McDaniel replied the Building Inspection Department along with our Police Department will enforce it. He added that it was being done because we have sales that are construed to be sidewalk sales but are really perpetual businesses disguised as sidewalk sales and there is no regulation now.

Councilmember Meade asked what about the people who have garage sales or yard sales. She then asked if the ordinance had anything to do with the "on the street regular sales" all the time. We have some businesses that have businesses that are right on the street all of the time.

Mr. McDaniel said that this would be the enforcement tool.

Councilmember Meade said that she did not understand how we could limit people from having yard sales and garage sales. She added that it was not good sense.

Mr. McDaniel said that we need to have another tool so that we can regulate these businesses that are disguised as yard sales.

Councilmember Meade said those should be separate from yard sales and garage sales. She went on to say that if you were talking about the businesses on the street that you see quite often, can those be done separately.

Councilmember Manly asked about looking at the possibility of investigating the delineation between those who have a business license and are actually using the sidewalks to retail as opposed to private citizens who are having a standard garage sale or yard sale. He then suggested to exclude the later from the ordinance.

Councilmember Ragen asked if you could do it if you are having it for one day or a weekend and if it goes beyond that . . .

Councilmember Manly asked if that was the problem. He asked if it was a business that is expanding its floor, so to speak, out onto the sidewalk.

Mr. McDaniel replied exactly. He said that we have businesses even in neighborhoods disguised as yard sales.

Councilmember Manly asked if these were people who held a business license.

Mr. McDaniel responded by saying that they should not hold business licenses, they are in a residential area.

Councilmember Manly noted that we already have an ordinance against that. He stated that we need to enforce the ordinance if they are doing a business in a residential area.

The City Manager said that was covered but if they do not have a business license, the fine is 10% of the cost of the license which is very minimal.

Councilmember Manly said that most reasonable people would concur with the idea that if we make it difficult or over regulated to have simple garage and yard sales, we are asking for a lot of trouble.

Councilmember Meade said that it would cause hard feelings in the community.

Councilmember Manly then asked if our legal counsel could come up with a way to divide out these issues.

The Mayor said that we have sister communities that are regulating one time events. He added that it was occurring elsewhere. He noted that it was something for our legal counsel to work out as to how you can differentiate the regulation but you have to have something on the books to penalize the people who are taking advantage of the system.

Councilmember Ragen asked if we were trying to regulate one time events.

The Mayor replied no.

Mr. McDaniel said that you would have to get a permit but there is no charge for that permit. He said that it would allow us to control and monitor yard sales.

Councilmember Ragen then asked if we were going to imprison someone for not getting a permit. He said that was in the ordinance.

Councilmember Allen said that if a person does not want to pay for a business license, you will fine them 50 cents. He added that our business licenses were only $5.00. He said that the State charges $15.00. He went on to say that our licenses have been in effect since 1957 and we do not have any rules or laws on the books where it says that you have to get a license. He said that if you cannot afford $5.00 or $10.00 or $15.00, he does not even want your business. He went on to say that what we need to put on the books is where we have a law that if you do not get a business license and you are operating in the City limits, you will have so many days or we are going to close your business. He said that if we raise our fees up to what the State charges, this will generate revenue to pave streets or do whatever we need to do so we do not have to raise taxes. He added that we have to get that on the books because we cannot do anything to anybody if they do not want to get a business license.

Councilmember Ragen asked if we can make this so that if it is more than two days then you need to get a permit. He said that takes care of the problem.

The Mayor noted that we can make it whatever we want.

Councilmember Phillips said that she understood the fine, but regarding the signs, there are already laws on the books that says that signs cannot be posted on utility poles. She then asked if we were going to be fining people for having the sale without the permit or are we going to fine them for putting the signs on poles.

Mr. McDaniel replied both.

Councilmember Phillips noted that she did not think that was real clear. She went on to say that she thought Council needs to talk about this in more detail.

The Mayor stated that Council stated on many times that they had problems with people who are running a business out of their garage, without a license, in a residential "A" zone. He went on to say that Council has made it clear to the administration, so the City Manager and City Attorney have put a document together and now we have a motion to have a public hearing on it. He added that we have two weeks before that occurs. He then suggested to Council, for those Councilmembers who do not like components in it, to sit down with the Manager and he can convey those interests to the City Attorney. He added that if the amendments were not substantial, we can go ahead with the document with minor amendments and if the amendments are substantial, we can draft a new ordinance. He went on to say that obviously there is a problem that needs addressed and we have been talking about it for two years and the City Manager is trying to get something done.

Councilmember Ragen said that he agreed with what he is doing. He said that we are just creating a monster here.

The City Manager said that between now and the time the public hearing occurs, Councilmembers need to meet with the City Manager and discuss their concerns.

IN RE: INTRODUCTION, FIRST READING, SET PUBLIC HEARING, AN ORDINANCE PROVIDING FOR THE VACATION AND ABANDONMENT OF A PORTION OF AN UNOPENED ALLEY, LYING BETWEEN THOSE CERTAIN LOTS OR PARCELS IDENTIFIED AS LOT NO. 1, IN BLOCK NO. 9, AND AN UNNUMBERED CORNER LOT ADJACENT THERETO, SITUATE IN THE BELLVIEW HEIGHTS ADDITION TO THE CITY OF FAIRMONT, WHICH LOTS FRONT ON PENNSYLVANIA AVENUE AND BELLVIEW AVENUE, RESPECTIVELY, AND BEING PARCEL NOS. 158 AND 157 OF TAX MAP 01-40, AND OWNED BY WILLIAM B. WARD OR PATRICIA L. WARD AND DAVID A WADDELL, RESERVING UTILITY RIGHTS

Councilmember Phillips stated that she thought this had already been done.

Mr. McDaniel explained that it was done by a quitclaim easement, however, the Planning Department wants it done now by a right-of-way

abandonment. He added that the quitclaim easement allowed the conveyance of the property and the right-of-way abandonment takes care of it legally without any problems.

Mayor Fantasia entertained a motion for the introduction of an ordinance providing for an abandonment of an unopened alley on Pennsylvania Avenue owned by David A. Waddell.

Motion:

Councilmember Phillips moved for the introduction of the proposed ordinance and the reading of a synopsis. The motion was seconded by Councilmember Ragen.

The Clerk read the proposed ordinance by synopsis for the first time.

The Mayor asked the Clerk to set a public hearing for November 24, 1998.

IN RE: ADOPTION, A RESOLUTION STATING THE REASONABLE EXPECTATION OF THE CITY COUNCIL OF THE CITY OF FAIRMONT TO REIMBURSE THE CITY FOR CAPITAL EXPENDITURES IN CONNECTION WITH THE ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING PUBLIC WATERWORKS SYSTEM OF THE CITY MADE PRIOR TO THE ISSUANCE OF TAX-EXEMPT REVENUE BONDS

Mayor Fantasia entertained a motion for the adoption of a resolution to reimburse the City for capital expenditures in connection with the Water Revenue Bonds.

Motion:

Councilmember Ragen moved for the adoption of the proposed Resolution and the reading of a synopsis. Councilmember Yaremchuk seconded the motion.

The Clerk read the proposed Resolution by synopsis for the first time.

Roll call was taken by the Clerk.

Mayor Fantasia declared the Resolution adopted by unanimous vote of Council.

IN RE: ONE APPOINTMENT, PLANNING AND ZONING COMMISSION, TERM TO END SEPTEMBER 17, 2001

Mayor Fantasia explained that Planning Commission Chairperson Doug Wise moved outside the City limits and had to resigned due to the fact that he will no longer be a City resident. He then entertained a motion for an appointment to the Planning and Zoning Commission for a term to end September 17, 2001.

Motion:

Councilmember Phillips moved to appoint William Oliver to the Planning and Zoning Commission for a term to end September 17, 2001. Councilmember Ragen seconded the motion.

Roll call was taken by the Clerk.

Mayor Fantasia declared William Oliver appointed to the Planning and Zoning Commission for a term to end September 17, 2001 by unanimous vote of Council.

ADJOURNMENT

Mayor Fantasia entertained a motion for adjournment.

Motion:

Councilmember Ragen moved to adjourn the meeting. The motion was seconded by Councilmember Phillips.

Mayor Fantasia declared the meeting adjourned by voice vote of Council at 7:45 p.m.

Nick J. Fantasia
MAYOR

ATTEST:

Janet L. Keller
CITY CLERK

RESOLUTION STATING THE REASONABLE EXPECTATION OF THE CITY COUNCIL OF THE CITY OF FAIRMONT TO REIMBURSE THE CITY FOR CAPITAL EXPENDITURES IN CONNECTION WITH THE ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING PUBLIC WATERWORKS SYSTEM OF THE CITY MADE PRIOR TO THE ISSUANCE OF TAX-EXEMPT REVENUE BONDS

WHEREAS, the City Council (the "Council") of the City of Fairmont (the "City") has heretofore determined that the acquisition and construction of certain additions, betterments and improvements to the existing public waterworks system of the City (collectively, the "Project") will be undertaken at an estimated aggregate cost not to exceed $31,000,000;

WHEREAS, the Council reasonably expects that the City will reimburse itself for a portion of the cost of the acquisition and construction of the Project, estimated not to exceed $200,000, from the proceeds of sale of tax-exempt revenue bonds (the "Bonds") to be issued by the City;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF FAIRMONT, AS FOLLOWS:

Section 1. The Council reasonably expects that the City will reimburse itself for certain capital expenditures made not more than 60 days prior to the date of adoption of this resolution (and after the date of such adoption, but prior to issuance of the Bonds), in connection with the acquisition and construction of the Project, such capital expenditures to be undertaken or incurred prior to the execution and delivery of the Bonds, from the proceeds of such Bonds, which are reasonably expected to be executed and delivered within 18 months from the later of (i) the expenditure for payment of said costs or (ii) the placing of the Project in service.

Section 2. This Resolution is intended to constitute a "declaration of official intent" pursuant to Section 1.150-2 of the Treasury Regulations promulgated under the Internal Revenue Code of 1986, as amended (the "Reimbursement Regulations").

Section 3. The source of payment for such capital expenditures will be the City's Water Construction Account, and upon issuance of the Bonds, proceeds thereof not to exceed the amount of such capital expenditures will be applied to reimbursement of such Water Construction Account.

Section 4. The maximum principal amount of Bonds to be used for the Project (including costs of issuance of the Bonds and related costs) is $31,000,000, of which $200,000 will be used to reimburse the City for certain capital expenditures.

Section 5. The City shall provide written evidence of all reimbursement allocations within 30 days following issuance of the Bonds.

Section 6. The City does not intend to use the reimbursed funds to create a sinking fund or any other form of replacement proceeds.

Section 7. This Resolution shall become effective on the date of its adoption.

Adopted this the 10th day of November, 1998.

MAYOR

ATTEST:

Janet L. Keller
CITY CLERK

December 17, 1998

A Special Meeting of the City Council of the City of Fairmont was held at 4:30 p.m. on the 17th day of December, 1998, at the J. Harper Meredith Building, Fairmont, West Virginia.

Mayor Fantasia called the meeting to order.

Councilmembers present were:

First District	Jerry Ragen
Second District	Marcella Yaremchuk
Third District	Nick L. Fantasia
Fourth District	Manuel Garcia
Seventh District	Rosemary C. Phillips
Eighth District	Charles G. Manly
Ninth District	John R. West, Jr.

Absent:

Fifth District	Robert L. Allen, Jr.
Sixth District	Kay Francis Meade

Also present were:

City Manager	Bruce McDaniel
City Clerk	Janet L. Keller
Management Services Director	Robert B. Ashcraft
Utility Manager	Doug Amos
Steptoe & Johnson, Bond Counsel	Vince Collins
Jackson & Kelly, Underwriter's Counsel	Paul E. Parker, III
Underwriter, Ferris, Baker & Watts (on speaker phone)	Marie Prezioso

CONSIDERATION OF COUNCIL BUSINESS

Mr. McDaniel explained that this meeting was called for one specific purpose and that was to pass a supplemental resolution authorizing the bond purchase agreement.

Mr. Collins noted that the title of the resolution is to serve as the synopsis.

Mr. McDaniel asked Mr. Collins to make a few comments about the bonds.

Mr. Collins stated that the purpose of this meeting was to adopt the supplemental resolution that was

to set forth all of the terms and provisions regarding the bond insurer and also some amendments to the ordinance. He then said that the bonds were successfully sold yesterday and today and the amount of the bonds that we ended up with was . . .

Ms. Prezioso said that the total was $29,545,000.

Mr. Collins said that $9,600,000 in Series 1998 bonds which will be issued on December 30, 1998 and $19,945,000 in the Series 1999 Bonds which will be issued on January 14, 1999. He then asked if anyone had any questions. He said that we are going to be issuing the bonds in two separate series at two different times but he was going to ask Council to authorize all of that tonight. He said that the reason for doing it this way was to take advantage of part of the issue being bank qualified and doing it this year before the end of the year. He added that the next issue will not be bank qualified because since it was over $10,000,000 but at least we get approximately one-third of this issue as bank qualified which lowers the interest rate slightly. He then asked Council if they had any questions.

Ms. Prezioso said that they went to the market yesterday to price bonds and she was glad they did because the market is off a little bit this afternoon. She said that on the 1998 Series Bonds, the true interest cost is about 4.90% which is really good for a 30-year bond. She noted that on the ones that were not bank qualified, was about 5.06%. She said that they were pleased to get this insured by AMBAC and the fee that we had to pay to get the bonds insured was almost half of what it was on the issue last year. She stated that the City should be pleased with the water revenue bond issue. She then asked Council if they had any questions.

Mr. McDaniel asked Ms. Prezioso to go over the use of funds and what is being deposited in the construction account and what is going to capitalized interest.

Ms. Prezioso said the bonds were issued in total of $29.5 million, $29,545,000. She said of that, $22,341,000 will be deposited in the project construction fund and with the earnings that will be earned, this will give us $24,000,000 that we need to do the projects. She said that they also capitalized interest so the rates will not have to be put in effect until the project was substantially done or almost completely done. She said that the interest was capitalized until the year 2002, January 1, 2002. She noted that the principle does not start until July 1, 2002, therefore, during the construction period, the interest will be taken care of and won't be any principle to pay. She explained that they also funded the debt service reserve fund to $2.6 million and that is the reserve account that will be invested and the earnings from that will offset the debt service each year that you have to pay on the bonds and if you never have to use it, at the end when the bonds are completely paid off, it will go back to the City to use. Ms. Prezioso said that they also had to pay the bond insurance premium and the cost of issuance is $85,000 and that goes to pay legal fees and rating agency fees, bond counsel, and various bank fees that have to be paid. She said that they only used one rating agency so they were able to save some money. She said that with the underwriter's discount which is the fees that is paid to Ferris, Baker & Watts, they also pay people who sell the bonds and their management fee and the expenses that they have on the bond issue and their

counsel. She then asked Council if they had any questions on the bonds, the sources, or the uses of funds. She then thanked everyone involved for a job well done in order to get this done in a timely manner.

The Mayor asked the Clerk to read the proposed resolution by synopsis for the first time.

IN RE: **ADOPTION, A SUPPLEMENTAL RESOLUTION PROVIDING AS TO AMOUNT, MATURITIES, INTEREST RATES, REDEMPTION PROVISIONS, PURCHASE PRICE AND OTHER DETAILS AS TO THE WATER REVENUE BONDS, SERIES 1998 AND SERIES 1999 OF THE CITY; AMENDING THE ORDINANCE TO REFLECT THE ISSUANCE OF THE BONDS IN TWO SERIES; AMENDING THE PARITY BOND PROVISIONS OF THE ORDINANCE FOR THE SERIES 1997 BONDS; AUTHORIZING AND APPROVING A BOND PURCHASE AGREEMENT, COMMITMENTS FOR BOND INSURANCE, AN OFFICIAL STATEMENT, CONTINUING DISCLOSURE AGREEMENTS AND OTHER INSTRUMENTS RELATING TO THE BONDS; IMPLEMENTING PROVISIONS REQUIRED AS A CONDITION TO OBTAINING MUNICIPAL BOND INSURANCE POLICIES INSURING THE BONDS FROM AMBAC ASSURANCE CORPORATION; APPOINTING A REGISTRAR, A PAYING AGENT, AND A DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS**

Mayor Fantasia entertained a motion for the adoption of the proposed resolution.

Motion:

Councilmember Phillips moved for the adoption of the proposed resolution. Councilmember Ragen seconded the motion.

Roll call was taken by the Clerk.

Mayor Fantasia declared the resolution adopted by unanimous vote of those Councilmembers present.

ADJOURNMENT

Mayor Fantasia entertained a motion for adjournment.

Motion:

Councilmember Ragen moved to adjourn the meeting. Councilmember Phillips seconded the

motion.

Mayor Fantasia declared the meeting adjourned by voice vote of Council at 4:45 p.m.

MAYOR

ATTEST:

CITY CLERK

STEPTOE & JOHNSON

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WRITER'S DIRECT DIAL NUMBER

December 30, 1998

$9,600,000
City of Fairmont
(West Virginia)
Water Revenue Bonds, Series 1998

City of Fairmont
Fairmont, West Virginia

Crews & Associates, Inc.
Charleston, West Virginia

Ferris, Baker Watts, Incorporated
Charleston, West Virginia

AMBAC Assurance Corporation
New York, New York

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance by the City of Fairmont (West Virginia) (the "Issuer") of its $9,600,000 aggregate principal amount Water Revenue Bonds, Series 1998 (the "Bonds").

The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 8, Article 19 of the West Virginia Code of 1931, as amended (the "Act"), and a Bond Ordinance duly enacted by the Issuer on November 10, 1998, as supplemented by a Supplemental Resolution duly adopted by the Issuer on December 17, 1998 (collectively, the "Ordinance"), and are subject to all the terms and conditions of the Ordinance. All capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Ordinance.

The Bonds are issued in fully registered form, are dated December 15, 1998 upon original issuance, mature on July 1 in the years and amounts and bear interest payable each January 1 and July 1, commencing July 1, 1999, as set forth in the Ordinance.

The Bonds are subject to mandatory sinking fund and optional redemption prior to maturity on the dates, in the amounts and at the redemption prices set forth in the Ordinance.

The Ordinance provides that the Bonds are issued for the purposes of paying a portion of the costs necessary (1) for acquisition and construction of additions, betterments and improvements (the "Project") for the Issuer's water treatment and distribution system (the "System"), (2) capitalizing interest on the Bonds during the period of acquisition and construction of the Project and for a period not to exceed six months thereafter, (3) to fund a reserve account for the Bonds, and (4) to pay costs of issuance thereof.

The Bonds have been sold to Ferris, Baker Watts, Incorporated and Crews & Associates, Inc. (collectively, the "Purchasers") pursuant to a Contract of Purchase dated December 17, 1998, and accepted by the Issuer (the "Contract of Purchase").

As to questions of fact material to our opinion, we have relied upon representations of the Issuer and others contained in the Ordinance and in the certified proceedings and other certifications of certain officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, and assuming compliance with the covenants and representations of the Issuer and others set forth in the Ordinance and the Registrar's Agreement and such certifications, we are of the opinion, under existing law, that:

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

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

3. Assuming due authorization, execution and delivery by the other parties thereto, the Contract of Purchase constitutes a valid, legal, binding and enforceable instrument of the Issuer in accordance with its terms.

4. The Bonds have been duly authorized, executed and delivered by the Issuer and, assuming proper authentication, constitute valid and legally enforceable limited obligations of the Issuer, payable and enforceable in accordance with their terms and the terms of the Ordinance, and are entitled to the benefits of the Ordinance and the Act. The Bonds are issued on a parity with respect to liens, pledge and source of and security for payment, and in all respects, with the Issuer's Waterworks Refunding Revenue Bonds, Series 1997, dated June 1, 1997, issued in the original aggregate principal amount of $10,260,000 and the Issuer's Water Revenue Bonds, Series 1999, to be dated January 1, 1999 and anticipated to be issued on January 14, 1999, in the original aggregate principal amount of $19,945,000.

5. Under existing laws, regulations, published rulings and judicial decisions of the United States of America, as presently written and applied, the interest on the Bonds (including original issue discount properly allocable to owners of the Bonds) is excludable from gross income of the holders thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed upon individuals and corporations. It should be noted, however, that for the purpose of computing the alternative minimum tax on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. Ownership of tax-exempt obligations, including the Bonds, may result in collateral federal income tax consequences to certain taxpayers, including without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry such obligations. We offer no opinion as to such collateral tax consequences or any other federal tax consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors as to such consequences. The opinions set forth above are subject to the condition that the Issuer comply, on a continuing basis, with all

requirements of the Internal Revenue Code of 1986, as amended, and regulations thereunder (collectively, the "Code") that must be satisfied subsequent to issuance of the Bonds for interest thereon to be or continue to be excludable from gross income for federal income tax purposes and with all certifications, covenants and representations which may affect the excludability from gross income of the interest on the Bonds set forth in the Ordinance, and the certifications of the Issuer and others. Failure to comply with such Code provisions or such certifications, covenants and representations could cause the interest on the Bonds to be includable in gross income retroactive to the date of issuance of the Bonds.

6. The Issuer has designated the Bonds as "qualified tax-exempt obligations" for purposes of the Code, and has covenanted that it does not reasonably expect to issue, together with subordinate entities, more than $10,000,000 of tax-exempt obligations (other than certain private activity bonds) during the calendar year 1998. Therefore, the Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code, and, in the case of certain financial institutions (within the meaning of Section 265(b)(5) of the Code), a deduction is allowed for 80% of that portion of such financial institutions' interest expense allocable to interest on the Bonds.

7. Under the Act, the interest on the Bonds is exempt from all taxation by the State of West Virginia, or any county, municipality or county commission, political subdivision or agency thereof, except inheritance, estate and transfer taxes.

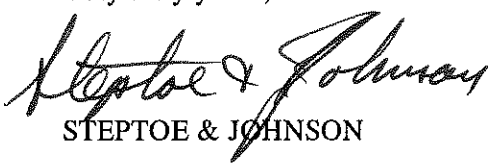
8. The Bonds are exempted securities within the meaning of Section 3(a)(2) of the Securities Act of 1933, as amended, and the West Virginia Uniform Securities Act, as amended, and it is not necessary, in connection with the public offering and sale of the Bonds, to register any securities under said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

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

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

We have examined the executed and authenticated Bonds of said issue, and in our opinion, said Bonds are in proper form and have been duly executed and authenticated.

Very truly yours,



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WRITER'S DIRECT DIAL NUMBER

January 14, 1998

$19,945,000
City of Fairmont
(West Virginia)
Water Revenue Bonds, Series 1999

City of Fairmont
Fairmont, West Virginia

Crews & Associates, Inc.
Charleston, West Virginia

Ferris, Baker Watts, Incorporated
Charleston, West Virginia

AMBAC Assurance Corporation
New York, New York

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance by the City of Fairmont (West Virginia) (the "Issuer") of its $19,945,000 aggregate principal amount Water Revenue Bonds, Series 1999 (the "Bonds").

The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 8, Article 19 of the West Virginia Code of 1931, as amended (the "Act"), and a Bond Ordinance duly enacted by the Issuer on November 10, 1998, as supplemented by a Supplemental Resolution duly adopted by the Issuer on December 17, 1998 (collectively, the "Ordinance"), and are subject to all the terms and conditions of the Ordinance. All capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Ordinance.

The Bonds are issued in fully registered form, are dated January 1, 1999 upon original issuance, mature on July 1 in the years and amounts and bear interest payable each January 1 and July 1, commencing July 1, 1999, as set forth in the Ordinance.

The Bonds are subject to mandatory sinking fund and optional redemption prior to maturity on the dates, in the amounts and at the redemption prices set forth in the Ordinance.

The Ordinance provides that the Bonds are issued for the purposes of paying a portion of the costs necessary (1) for acquisition and construction of additions, betterments and improvements (the "Project") for the Issuer's water treatment and distribution system (the "System"), (2) capitalizing interest

on the Bonds during the period of acquisition and construction of the Project and for a period not to exceed six months thereafter, (3) to fund a reserve account for the Bonds, and (4) to pay costs of issuance thereof.

The Bonds have been sold to Ferris, Baker Watts, Incorporated and Crews & Associates, Inc. (collectively, the "Purchasers") pursuant to a Contract of Purchase dated December 17, 1998, and accepted by the Issuer (the "Contract of Purchase").

As to questions of fact material to our opinion, we have relied upon representations of the Issuer and others contained in the Ordinance and in the certified proceedings and other certifications of certain officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, and assuming compliance with the covenants and representations of the Issuer and others set forth in the Ordinance and the Registrar's Agreement and such certifications, we are of the opinion, under existing law, that:

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

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

3. Assuming due authorization, execution and delivery by the other parties thereto, the Contract of Purchase constitutes a valid, legal, binding and enforceable instrument of the Issuer in accordance with its terms.

4. The Bonds have been duly authorized, executed and delivered by the Issuer and, assuming proper authentication, constitute valid and legally enforceable limited obligations of the Issuer, payable and enforceable in accordance with their terms and the terms of the Ordinance, and are entitled to the benefits of the Ordinance and the Act. The Bonds are issued on a parity with respect to liens, pledge and source of and security for payment, and in all respects, with the Issuer's Waterworks Refunding Revenue Bonds, Series 1997, dated June 1, 1997, issued in the original aggregate principal amount of $10,260,000 and the Issuer's Water Revenue Bonds, Series 1998, dated December 15, 1998, issued in the original aggregate principal amount of $9,600,000.

5. Under existing laws, regulations, published rulings and judicial decisions of the United States of America, as presently written and applied, the interest on the Bonds (including original issue discount properly allocable to owners of the Bonds) is excludable from gross income of the holders thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed upon individuals and corporations. It should be noted, however, that for the purpose of computing the alternative minimum tax on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. Ownership of tax-

exempt obligations, including the Bonds, may result in collateral federal income tax consequences to certain taxpayers, including without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry such obligations. We offer no opinion as to such collateral tax consequences or any other federal tax consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors as to such consequences. The opinions set forth above are subject to the condition that the Issuer comply, on a continuing basis, with all requirements of the Internal Revenue Code of 1986, as amended, and regulations thereunder (collectively, the "Code") that must be satisfied subsequent to issuance of the Bonds for interest thereon to be or continue to be excludable from gross income for federal income tax purposes and with all certifications, covenants and representations which may affect the excludability from gross income of the interest on the Bonds set forth in the Ordinance and the certifications of the Issuer and others. Failure to comply with such Code provisions or such certifications, covenants and representations could cause the interest on the Bonds to be includable in gross income retroactive to the date of issuance of the Bonds.

6. Under the Act, the interest on the Bonds is exempt from all taxation by the State of West Virginia, or any county, municipality or county commission, political subdivision or agency thereof, except inheritance, estate and transfer taxes.

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

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

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

We have examined the executed and authenticated Bonds of said issue, and in our opinion, said Bonds are in proper form and have been duly executed and authenticated.

Very truly yours,

STEPTOE & JOHNSON

12/21/98
268460/98001

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WRITER'S DIRECT DIAL NUMBER

December 30, 1998

$9,600,000
City of Fairmont
(West Virginia)
Water Revenue Bonds, Series 1998

City of Fairmont
Fairmont, West Virginia

Crews & Associates, Inc.
Charleston, West Virginia

Ferris, Baker Watts, Incorporated
Charleston, West Virginia

AMBAC Assurance Corporation
New York, New York

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance and sale by the City of Fairmont, West Virginia (the "City") of $9,600,000 aggregate principal amount of its Water Revenue Bonds, Series 1998 (the "Series 1998 Bonds"). In our capacity as Bond Counsel, we are delivering an opinion of even date herewith concerning the legality of the Series 1998 Bonds and the exclusion of interest on the Series 1998 Bonds from gross income for federal income tax purposes (the "Bond Opinion"). We have examined the documents and instruments as described in the Bond Opinion, the Official Statement and such other matters as we have deemed necessary or appropriate to render this opinion. Words and terms used in this opinion shall have the meanings assigned to them in the Bond Purchase Agreement (the "Purchase Agreement") dated December 17, 1998, between the City and the Underwriter.

Based upon the foregoing, we are of opinion that:

(1) The Purchase Agreement has been authorized, executed and delivered by the City and, assuming due authorization, execution and delivery by the other parties thereto, is a legal, valid, binding and enforceable obligation of the City (except to the extent that enforceability may be limited by bankruptcy, insolvency or other laws or equitable principles affecting creditors' rights generally).

(2) The City, under the Act, has full power and authority to enact the Ordinance, enter into the Purchase Agreement and the Undertaking and perform its obligations thereunder.

(3) The City has duly ratified the distribution of the Preliminary Official Statement, the Official Statement has been duly approved, signed and delivered by the City, and the City has authorized the distribution of the Official Statement and the use thereof by the Underwriter in connection with the public offering of the Series 1998 Bonds.

(4) The statements and information contained in the Official Statement (except for financial or statistical data therein as to which no opinion is hereby expressed) under the captions or subcaptions "Financing Plan," "The Bonds" (excluding information regarding DTC), "Security for the Bonds," "Legal Matters," "Tax Matters," and Appendices C and D thereto do not contain any untrue statement of a material fact or omit to state a material fact necessary to make such statements, in light of the circumstances under which they were made, not misleading in any material respect.

(5) The Series 1998 Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended, and the Ordinance is exempt from qualification as an indenture pursuant to the Trust Indenture Act of 1939, as amended.

We offer the following opinion with respect to original issue discount on certain maturities of the Series 1998 Bonds:

The initial public offering price of the Series 1998 Bonds maturing on July 1, 2029 (the "Discount Bonds"), is less than that amount payable on the Discount Bonds at maturity. The difference between the initial public offering price at which the Discount Bonds were sold and the amount payable at maturity constitutes an original issue discount ("OID"). In the case of any original Holder of a discount Bond, the amount of the OID which is treated as having accrued with respect to such Discount Bond is added to the cost basis of the Holder in determining, for federal income tax purposes, gain or loss upon its disposition (including its sale, redemption or payment at maturity). We are of the opinion that amounts received upon such disposition which are attributable to accrued OID will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Interest in the form of OID is treated as compounding semiannually on days which are determined by reference to the maturity date of the Discount Bonds. The amount of OID which is treated as having accrued in respect of a Discount Bond for any particular semiannual compounding period is equal to the difference between (i) the product of (a) one-half of the yield for the Discount Bonds (adjusted as necessary for an initial short period) and (b) the tax basis of the Discount Bond, and (ii) the amounts actually payable as interest on such Discount Bond during such period. For purposes of the preceding sentence, the tax basis of a Discount Bond, if held by an original purchaser, can be determined by adding to the initial public offering price of such Discount Bond the OID that is treated as having accrued during all prior semiannual compounding periods. If a Discount Bond is sold or otherwise disposed of between semiannual compounding dates, the OID which would have accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amount among the days in such compounding period.

Very truly yours,

STEPTOE & JOHNSON

12/28/98
268460/98001

STEPTOE & JOHNSON

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WRITER'S DIRECT DIAL NUMBER

January 14, 1999

$19,945,000
City of Fairmont
(West Virginia)
Water Revenue Bonds, Series 1999

City of Fairmont
Fairmont, West Virginia

Crews & Associates, Inc.
Charleston, West Virginia

Ferris, Baker Watts, Incorporated
Charleston, West Virginia

AMBAC Assurance Corporation
New York, New York

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance and sale by the City of Fairmont, West Virginia (the "City") of $19,945,000 aggregate principal amount of its Water Revenue Bonds, Series 1999 (the "Series 1999 Bonds"). In our capacity as Bond Counsel, we are delivering an opinion of even date herewith concerning the legality of the Series 1999 Bonds and the exclusion of interest on the Series 1999 Bonds from gross income for federal income tax purposes (the "Bond Opinion"). We have examined the documents and instruments as described in the Bond Opinion, the Official Statement and such other matters as we have deemed necessary or appropriate to render this opinion. Words and terms used in this opinion shall have the meanings assigned to them in the Bond Purchase Agreement (the "Purchase Agreement") dated December 17, 1998, between the City and the Underwriter.

Based upon the foregoing, we are of opinion that:

(1) The Purchase Agreement has been authorized, executed and delivered by the City and, assuming due authorization, execution and delivery by the other parties thereto, is a legal, valid, binding and enforceable obligation of the City (except to the extent that enforceability may be limited by bankruptcy, insolvency or other laws or equitable principles affecting creditors' rights generally).

(2) The City, under the Act, has full power and authority to enact the Ordinance, enter into the Purchase Agreement and the Undertaking and perform its obligations thereunder.

(3) The City has duly ratified the distribution of the Preliminary Official Statement, the Official Statement has been duly approved, signed and delivered by the City, and the City has authorized the distribution of the Official Statement and the use thereof by the Underwriter in connection with the public offering of the Series 1999 Bonds.

(4) The statements and information contained in the Official Statement (except for financial or statistical data therein as to which no opinion is hereby expressed) under the captions or subcaptions "Financing Plan," "The Bonds" (excluding information regarding DTC), "Security for the Bonds," "Legal Matters," "Tax Matters," and Appendices C and D thereto do not contain any untrue statement of a material fact or omit to state a material fact necessary to make such statements, in light of the circumstances under which they were made, not misleading in any material respect.

(5) The Series 1999 Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended, and the Ordinance is exempt from qualification as an indenture pursuant to the Trust Indenture Act of 1939, as amended.

We offer the following opinion with respect to original issue discount on certain maturities of the Series 1999 Bonds:

The initial public offering price of the Series 1999 Bonds maturing on July 1, 2024, and July 1, 2029 (the "Discount Bonds"), is less than that amount payable on the Discount Bonds at maturity. The difference between the initial public offering price at which the Discount Bonds were sold and the amount payable at maturity constitutes an original issue discount ("OID"). In the case of any original Holder of a discount Bond, the amount of the OID which is treated as having accrued with respect to such Discount Bond is added to the cost basis of the Holder in determining, for federal income tax purposes, gain or loss upon its disposition (including its sale, redemption or payment at maturity). We are of the opinion that amounts received upon such disposition which are attributable to accrued OID will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Interest in the form of OID is treated as compounding semiannually on days which are determined by reference to the maturity date of the Discount Bonds. The amount of OID which is treated as having accrued in respect of a Discount Bond for any particular semiannual compounding period is equal to the difference between (i) the product of (a) one-half of the yield for the Discount Bonds (adjusted as necessary for an initial short period) and (b) the tax basis of the Discount Bond, and (ii) the amounts actually payable as interest on such Discount Bond during such period. For purposes of the preceding sentence, the tax basis of a Discount Bond, if held by an original purchaser, can be determined by adding to the initial public offering price of such Discount Bond the OID that is treated as having accrued during all prior semiannual compounding periods. If a Discount Bond is sold or otherwise disposed of between semiannual compounding dates, the OID which would have accrued for that semiannual compounding

period for federal income tax purposes is to be apportioned in equal amount among the days in such compounding period.

Very truly yours,

Steptoe & Johnson

STEPTOE & JOHNSON

12/22/98
268460/98001

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Jackson & Kelly is a member of Lex Mundi, a global association of more than 120 independent law firms.

December 30, 1998

Ferris, Baker Watts, Incorporated
170 Laidley Tower
500 Lee Street, East
Charleston, West Virginia 25301

Crews & Associates, Inc.
2000 Union National Plaza
124 West Capitol
Little Rock, Arkansas 72201

Ambac Assurance Corporation
One State Street Plaza
New York, NY 10004

Re: $9,600,000 City of Fairmont, West Virginia
Water Revenue Bonds, Series 1998

Ladies and Gentlemen:

We have acted as counsel to you (the "Underwriter") in connection with the issuance and sale by the City of Fairmont, West Virginia (the "City") of its Water Revenue Bonds, Series 1998 (the "Series 1998 Bonds") in the aggregate principal amount of $9,600,000. In connection with rendering this opinion, we have examined the Official Statement dated December 17, 1998, the Bond Purchase Agreement dated December 17, 1998 (the "Purchase Agreement"), the Continuing Disclosure Agreement between you and the City dated as of the Closing Date (the "Undertaking"), and Rule 15c2-12 of the Securities Exchange Commission promulgated under the Securities Exchange Act of 1934, as amended (the "Rule"). Capitalized terms used but not defined herein shall have the meanings set forth in the Purchase Agreement.

Based upon the foregoing, we are of the opinion that the Undertaking complies as to form in all material respects with the requirements of paragraph (b)(5) of the Rule.

Without having undertaken to determine independently the accuracy or completeness of the statements contained in the Official Statement, but on the basis of our conferences with representatives of the City, counsel for the City, Bond Counsel and the Underwriter, and our examination of certain documents referred to in the Official Statement, nothing has come to our attention that would lead us to believe that the Official Statement (excluding therefrom the financial and statistical data included in the Official Statement, including Appendix B thereto as to which we express no opinion) contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

This opinion is solely for the benefit of, and may be relied upon only by, the Underwriter; and it is not to be used, circulated, quoted or otherwise referred to for any other purpose, except that a copy hereof may be included in its transcript of closing documents pertaining to the delivery of the Series 1998 Bonds.

Very truly yours,

Jackson & Kelly

137061

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TELEPHONE 202-973-0200

Jackson & Kelly is a member of Lex Mundi, a global association of more than 120 independent law firms.

January 14, 1999

Ferris, Baker Watts, Incorporated
170 Laidley Tower
500 Lee Street, East
Charleston, West Virginia 25301

Crews & Associates, Inc.
2000 Union National Plaza
124 West Capitol
Little Rock, Arkansas 72201

Ambac Assurance Corporation
One State Street Plaza
New York, NY 10004

Re: $19,945,000 City of Fairmont, West Virginia
Water Revenue Bonds, Series 1999

Ladies and Gentlemen:

We have acted as counsel to you (the "Underwriter") in connection with the issuance and sale by the City of Fairmont, West Virginia (the "City") of its Water Revenue Bonds, Series 1999 (the "Series 1999 Bonds") in the aggregate principal amount of $19,945,000. In connection with rendering this opinion, we have examined the Official Statement dated December 17, 1998, the Bond Purchase Agreement dated December 17, 1998 (the "Purchase Agreement"), the Continuing Disclosure Agreement between you and the City dated as of the Closing Date (the "Undertaking"), and Rule 15c2-12 of the Securities Exchange Commission promulgated under the Securities Exchange Act of 1934, as amended (the "Rule"). Capitalized terms used but not defined herein shall have the meanings set forth in the Purchase Agreement.

Based upon the foregoing, we are of the opinion that the Undertaking complies as to form in all material respects with the requirements of paragraph (b)(5) of the Rule.

Without having undertaken to determine independently the accuracy or completeness of the statements contained in the Official Statement, but on the basis of our

conferences with representatives of the City, counsel for the City, Bond Counsel and the Underwriter, and our examination of certain documents referred to in the Official Statement, nothing has come to our attention that would lead us to believe that the Official Statement (excluding therefrom the financial and statistical data included in the Official Statement, including Appendix B thereto as to which we express no opinion) contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

This opinion is solely for the benefit of, and may be relied upon only by, the Underwriter; and it is not to be used, circulated, quoted or otherwise referred to for any other purpose, except that a copy hereof may be included in its transcript of closing documents pertaining to the delivery of the Series 1999 Bonds.

Very truly yours,

Jackson & Kelly, PLLC

137705

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FRANK V. SANSALONE
(1931-1993)

KEVIN V. SANSALONE
MARY B. SANSALONE

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FAX NO. (304) 366-5038

December 30, 1998

$9,600,000
City of Fairmont
(West Virginia)
Water Revenue Bonds, Series 1998

City of Fairmont
Fairmont, West Virginia

Crews & Associates, Inc.
Charleston, West Virginia

Ferris, Baker Watts, Incorporated
Charleston, West Virginia

Steptoe & Johnson
Charleston, West Virginia

Ambac Assurance Corporation
New York, New York

Ladies and Gentlemen:

We have acted as counsel for the City of Fairmont, West Virginia (the "City") and have acted as such in connection with the sale of the above-referenced Bonds (the "Series 1998 Bonds"), which are being delivered and sold pursuant to a Bond Purchase Agreement dated as of December 17, 1998 (the "Purchase Agreement") between Ferris, Baker Watts, Incorporated, acting for and on behalf of itself and Crews & Associates, Inc., (the "Underwriter") and the City. Any capitalized term used herein and not defined shall have the meaning assigned to it in the Purchase Agreement.

In this connection, we have reviewed and examined certain proceedings and documents with respect to the Bonds, any such records, certificates and other documents as we have considered necessary or appropriate for the purposes of this opinion, including Chapter 8, Article 19 of the Code of West Virginia, 1931, as amended (the "Act"), the Ordinance of the City relating to the Bonds enacted on November 10, 1998, as supplemented by a supplemental resolution adopted by the Council of the City on December 17, 1998 (collectively, the "Ordinance"), the Undertaking, the Purchase Agreement, the Preliminary Official Statement dated December 8, 1998, and the Official Statement dated December 17, 1998, with respect to the issuance and offering of the Series 1998 Bonds (collectively, the "Official Statement"), and certifications of the City. Based on such review and such other considerations of law and fact as we believe to be relevant, we are of the opinion that:

1. The City is a municipal corporation duly organized and existing under the laws and Constitution of the State of West Virginia. The City is authorized by the laws of the State of West Virginia, as provided by the Act, to enter into and perform its obligations under the Ordinance, the Undertaking, and the Purchase Agreement.

2. The City has full power and authority to consummate all transactions contemplated by the Bonds, the Undertaking, the Purchase Agreement and any other agreements relating thereto, to which the City is a party.

3. The City has duly authorized all action necessary to be taken by it or on its behalf for (i) the acquisition and construction of the Project; (ii) the execution and delivery of the Undertaking and the Purchase Agreement; (iii) the approval of the distribution of the Official Statement; (iv) the ratification of the actions of the City and the issuance and delivery of the Bonds upon the terms set forth in the Ordinance; and (v) the carrying out, giving effect to and consummation of the transactions contemplated thereby.

4. The Purchase Agreement and Undertaking have been duly and validly authorized, executed and delivered by the City and the same are in full force and effect as of the date hereof and are valid and legally binding obligations of the City, enforceable against the City in accordance with their respective terms, except to the extent the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting creditors' rights generally.

5. The Ordinance has been duly adopted and enacted at meetings of the governing body (Council) of the City which were called and held pursuant to law and in accordance with all applicable open meeting laws and at which a quorum was present and acting at the time of the enactment of the Ordinance, and remains in full force and effect as of the date hereof.

6. The execution and delivery by the City of the Undertaking and the Purchase Agreement and the performance of its obligations thereunder do not and will not result in a violation of any provision of, or in default under, the West Virginia statutes organizing and governing the City or, to the best of my knowledge after diligent inquiry and review of the City's records, any agreement or other instrument to which the City is a party or by which it or its properties are bound.

7. All actions necessary to be taken by the City have been taken, and no additional approval, authorization, consent or other order of the City or any public board or body is legally required to allow the City to acquire and construct the Project, to enter into and perform its obligations under the Purchase Agreement and the Undertaking or as described in the Official Statement.

8. The City is not in violation of any provision of, or in default under, West Virginia statutes organizing and governing the City.

9. There are no legal or governmental actions, proceedings, inquiries or investigations pending or threatened by governmental authorities or to which the City is a party or of which any property of the City is subject, except as described in the Official Statement, which, if determined adversely to the City, would individually or in the aggregate (i) materially and adversely affect the validity or the enforceability of the Series 1998 Bonds, the Undertaking or the Purchase Agreement, (ii) otherwise materially or adversely affect the ability of the City to comply with its obligations under the Purchase Agreement or the Undertaking, or materially and adversely affect the transactions contemplated by the Official Statement to be engaged in by the City, including acquiring and constructing the Project.

10. All approvals, consents, authorizations, elections and orders of or filings or registrations with any governmental authority, legislative body, board, agency or commission having jurisdiction which would constitute conditions precedent to, or the absence of which would materially adversely affect, the due performance

by the City of its obligations under the Ordinance, the Bonds or the Contract of Purchase, have been duly obtained and are in full force and effect, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds, as to which no opinion is hereby expressed.

11. The Ordinance creates a legally valid and binding pledge of, and lien and charge upon, the security, for payment of the principal of, premium, if any, and interest on the Bonds as the same become due and for the other purposes provided in the Ordinance, subject only to the provisions of the Ordinance permitting application thereof on the terms and conditions set forth in the Ordinance.

12. Based upon our experience as counsel for the City and on our review of the Official Statement, and after diligent inquiry, the statements and information contained in the Official Statement under the captions or subcaptions "Financing Plan," "The Bonds," "Security for the Bonds," "The System," "Litigation," "Legal Matters" and "Continuing Disclosure" do not contain any untrue statement of a material fact or omit to state any material fact necessary to make such statements, in light of the circumstances under which they were made, not misleading in any material respect.

We hereby consent to the references made to us in the Official Statement.

All counsel to this transaction may rely upon the foregoing opinion as if specifically addressed to them.

Very truly yours,

SANSALONE & SANSALONE

12/22/98
268460/98001

SANSALONE & SANSALONE
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221 MONROE STREET
FAIRMONT, WEST VIRGINIA 26554

FRANK V. SANSALONE
(1931-1993)

KEVIN V. SANSALONE
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TELEPHONE (304) 366-3230
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January 14, 1999

$19,945,000
City of Fairmont
(West Virginia)
Water Revenue Bonds, Series 1999

City of Fairmont
Fairmont, West Virginia

Crews & Associates, Inc.
Charleston, West Virginia

Ferris, Baker Watts, Incorporated
Charleston, West Virginia

Steptoe & Johnson
Charleston, West Virginia

Ambac Assurance Corporation
New York, New York

Ladies and Gentlemen:

We have acted as counsel for the City of Fairmont, West Virginia (the "City") and have acted as such in connection with the sale of the above-referenced Bonds (the "Series 1999 Bonds"), which are being delivered and sold pursuant to a Bond Purchase Agreement dated as of December 17, 1998 (the "Purchase Agreement") between Ferris, Baker Watts, Incorporated, acting for and on behalf of itself and Crews & Associates, Inc., (the "Underwriter") and the City. Any capitalized term used herein and not defined shall have the meaning assigned to it in the Purchase Agreement.

In this connection, we have reviewed and examined certain proceedings and documents with respect to the Bonds, any such records, certificates and other documents as we have considered necessary or appropriate for the purposes of this opinion, including Chapter 8, Article 19 of the Code of West Virginia, 1931, as amended (the "Act"), the Ordinance of the City relating to the Bonds enacted on November 10, 1998, as supplemented by a supplemental resolution adopted by the Council of the City on December 17, 1998 (collectively, the "Ordinance"), the Undertaking, the Purchase Agreement, the Preliminary Official Statement dated December 8, 1998, and the Official Statement dated December 17, 1998, with respect to the issuance and offering of the Series 1999 Bonds (collectively, the "Official Statement"), and certifications of the City. Based on such review and such other considerations of law and fact as we believe to be relevant, we are of the opinion that:

1. The City is a municipal corporation duly organized and existing under the laws and Constitution of the State of West Virginia. The City is authorized by the laws of the State of West Virginia, as provided by the Act, to enter into and perform its obligations under the Ordinance, the Undertaking, and the Purchase Agreement.

2. The City has full power and authority to consummate all transactions contemplated by the Bonds, the Undertaking, the Purchase Agreement and any other agreements relating thereto, to which the City is a party.

3. The City has duly authorized all action necessary to be taken by it or on its behalf for (i) the acquisition and construction of the Project; (ii) the execution and delivery of the Undertaking and the Purchase Agreement; (iii) the approval of the distribution of the Official Statement; (iv) the ratification of the actions of the City and the issuance and delivery of the Bonds upon the terms set forth in the Ordinance; and (v) the carrying out, giving effect to and consummation of the transactions contemplated thereby.

4. The Purchase Agreement and Undertaking have been duly and validly authorized, executed and delivered by the City and the same are in full force and effect as of the date hereof and are valid and legally binding obligations of the City, enforceable against the City in accordance with their respective terms, except to the extent the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting creditors' rights generally.

5. The Ordinance has been duly adopted and enacted at meetings of the governing body (Council) of the City which were called and held pursuant to law and in accordance with all applicable open meeting laws and at which a quorum was present and acting at the time of the enactment of the Ordinance, and remains in full force and effect as of the date hereof.

6. The execution and delivery by the City of the Undertaking and the Purchase Agreement and the performance of its obligations thereunder do not and will not result in a violation of any provision of, or in default under, the West Virginia statutes organizing and governing the City or, to the best of my knowledge after diligent inquiry and review of the City's records, any agreement or other instrument to which the City is a party or by which it or its properties are bound.

7. All actions necessary to be taken by the City have been taken, and no additional approval, authorization, consent or other order of the City or any public board or body is legally required to allow the City to acquire and construct the Project, to enter into and perform its obligations under the Purchase Agreement and the Undertaking or as described in the Official Statement.

8. The City is not in violation of any provision of, or in default under, West Virginia statutes organizing and governing the City.

9. There are no legal or governmental actions, proceedings, inquiries or investigations pending or threatened by governmental authorities or to which the City is a party or of which any property of the City is subject, except as described in the Official Statement, which, if determined adversely to the City, would individually or in the aggregate (i) materially and adversely affect the validity or the enforceability of the Series 1999 Bonds, the Undertaking or the Purchase Agreement, (ii) otherwise materially or adversely affect the ability of the City to comply with its obligations under the Purchase Agreement or the Undertaking, or materially and adversely affect the transactions contemplated by the Official Statement to be engaged in by the City, including acquiring and constructing the Project.

10. All approvals, consents, authorizations, elections and orders of or filings or registrations with any governmental authority, legislative body, board, agency or commission having jurisdiction which would

constitute conditions precedent to, or the absence of which would materially adversely affect, the due performance by the City of its obligations under the Ordinance, the Bonds or the Contract of Purchase, have been duly obtained and are in full force and effect, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds, as to which no opinion is hereby expressed.

11. The Ordinance creates a legally valid and binding pledge of, and lien and charge upon, the security, for payment of the principal of, premium, if any, and interest on the Bonds as the same become due and for the other purposes provided in the Ordinance, subject only to the provisions of the Ordinance permitting application thereof on the terms and conditions set forth in the Ordinance.

12. Based upon our experience as counsel for the City and on our review of the Official Statement, and after diligent inquiry, the statements and information contained in the Official Statement under the captions or subcaptions "Financing Plan," "The Bonds," "Security for the Bonds," "The System," "Litigation," "Legal Matters" and "Continuing Disclosure" do not contain any untrue statement of a material fact or omit to state any material fact necessary to make such statements, in light of the circumstances under which they were made, not misleading in any material respect.

We hereby consent to the references made to us in the Official Statement.

All counsel to this transaction may rely upon the foregoing opinion as if specifically addressed to them.

Very truly yours,

SANSALONE & SANSALONE

12/22/98
268460/98001

Ambac Assurance Corporation
One State Street Plaza
New York, NY 10004
212.668.0340

A member of Ambac Financial Group, Inc.

December 30, 1998

City of Fairmont, West Virginia
200 Jackson Street
Fairmont, WV 26555

Crews & Associates, Inc.
128 Capital Street
Charleston, WV 25330

Jackson & Kelly
1600 Laidley Tower
Charleston, WV 25322

Steptoe & Johnson
P.O. Box 1588
Charleston, WV 25326

Ambac

Ferris, Baker, Watts, Incorporated
500 Lee Street
Charleston, WV 25301

Ladies and Gentlemen:

This opinion has been requested of the undersigned, a Vice President and an Assistant General Counsel of Ambac Assurance Corporation, a Wisconsin stock insurance company ("Ambac Assurance"), in connection with the issuance by Ambac Assurance of a certain Municipal Bond Insurance Policy, effective as of the date hereof (the "Policy"), insuring $9,600,000 in aggregate principal amount of City of Fairmont, West Virginia (the "Issuer"), Water Revenue Bonds, Series 1998, dated December 15, 1998 (the "Bonds").

In connection with my opinion herein, I have examined the Policy, such statutes, documents and proceedings as I have considered necessary or appropriate under the circumstances to render the following opinion, including, without limiting the generality of the foregoing, certain statements contained in the Official Statement of the Issuer dated December 17, 1998 relating to the Bonds (the "Official Statement") under the headings "BOND INSURANCE" and "APPENDIX E – FORM OF BOND INSURANCE POLICY".

Based upon the foregoing and having regard to legal considerations I deem relevant, I am of the opinion that:

1. Ambac Assurance is a stock insurance company duly organized and validly existing under the laws of the State of Wisconsin and duly qualified to conduct an insurance business in the State of West Virginia.

2. Ambac Assurance has full corporate power and authority to execute and deliver the Policy and the Policy has been duly authorized, executed and delivered by Ambac Assurance and constitutes a legal, valid and binding obligation of Ambac Assurance enforceable in accordance with its terms except to the extent that the enforceability (but not the validity) of such obligation may be limited by any applicable bankruptcy, insolvency, liquidation, rehabilitation or other similar law or enactment now or hereafter enacted affecting the enforcement of creditors' rights.

3. The execution and delivery by Ambac Assurance of the Policy will not, and the consummation of the transactions contemplated thereby and the satisfaction of the

terms thereof will not, conflict with or result in a breach of any of the terms, conditions or provisions of the Certificate of Authority, Articles of Incorporation or By-Laws of Ambac Assurance, or any restriction contained in any contract, agreement or instrument to which Ambac Assurance is a party or by which it is bound or constitute a default under any of the foregoing.

4. Proceedings legally required for the issuance of the Policy have been taken by Ambac Assurance and licenses, orders, consents or other authorizations or approvals of any governmental boards or bodies legally required for the enforceability of the Policy have been obtained; any proceedings not taken and any licenses, authorizations or approvals not obtained are not material to the enforceability of the Policy.

Ambac

5. The statements contained in the Official Statement under the heading "BOND INSURANCE", insofar as such statements constitute summaries of the matters referred to therein, accurately reflect and fairly present the information purported to be shown and, insofar as such statements describe Ambac Financial Group, Inc. and Ambac Assurance, fairly and accurately describe Ambac Financial Group, Inc. and Ambac Assurance.

6. The form of Policy contained in the Official Statement under the heading "APPENDIX E – FORM OF BOND INSURANCE POLICY" is a true and complete copy of the form of Policy.

The opinions expressed herein are solely for your benefit, and may not be relied upon by any other person.

Very truly yours,

Thomas L. Gallagher
Vice President and
Assistant General Counsel

/kd

wincore\15884be

Ambac Assurance Corporation
One State Street Plaza
New York, NY 10004
212.668.0340

A member of Ambac Financial Group, Inc.

Ambac

January 14, 1999

City of Fairmont, West Virginia
200 Jackson Street
Fairmont, WV 26555

Crews & Associates, Inc.
128 Capital Street
Charleston, WV 25330

Ferris, Baker, Watts, Incorporated
500 Lee Street
Charleston, WV 25301

Jackson & Kelly
1600 Laidley Tower
Charleston, WV 25322

Steptoe & Johnson
Bank One Center
P.O. Box 2190
Clarksburg, WV 26302

Ladies and Gentlemen:

This opinion has been requested of the undersigned, a Vice President and an Assistant General Counsel of Ambac Assurance Corporation, a Wisconsin stock insurance company ("Ambac Assurance"), in connection with the issuance by Ambac Assurance of a certain Municipal Bond Insurance Policy, effective as of the date hereof (the "Policy"), insuring $19,945,000 in aggregate principal amount of City of Fairmont, West Virginia (the "Issuer"), Water Revenue Bonds, Series 1999, dated January 1, 1999 (the "Bonds").

In connection with my opinion herein, I have examined the Policy, such statutes, documents and proceedings as I have considered necessary or appropriate under the circumstances to render the following opinion, including, without limiting the generality of the foregoing, certain statements contained in the Official Statement of the Issuer dated December 17, 1998 relating to the Bonds (the "Official Statement") under the headings "BOND INSURANCE" and "APPENDIX E – FORM OF BOND INSURANCE POLICY".

Based upon the foregoing and having regard to legal considerations I deem relevant, I am of the opinion that:

1. Ambac Assurance is a stock insurance company duly organized and validly existing under the laws of the State of Wisconsin and duly qualified to conduct an insurance business in the State of West Virginia.

2. Ambac Assurance has full corporate power and authority to execute and deliver the Policy and the Policy has been duly authorized, executed and delivered by Ambac Assurance and constitutes a legal, valid and binding obligation of Ambac Assurance enforceable in accordance with its terms except to the extent that the enforceability (but not the validity) of such obligation may be limited by any applicable bankruptcy, insolvency, liquidation, rehabilitation or other similar law or enactment now or hereafter enacted affecting the enforcement of creditors' rights.

Ambac

3. The execution and delivery by Ambac Assurance of the Policy will not, and the consummation of the transactions contemplated thereby and the satisfaction of the terms thereof will not, conflict with or result in a breach of any of the terms, conditions or provisions of the Certificate of Authority, Articles of Incorporation or By-Laws of Ambac Assurance, or any restriction contained in any contract, agreement or instrument to which Ambac Assurance is a party or by which it is bound or constitute a default under any of the foregoing.

4. Proceedings legally required for the issuance of the Policy have been taken by Ambac Assurance and licenses, orders, consents or other authorizations or approvals of any governmental boards or bodies legally required for the enforceability of the Policy have been obtained; any proceedings not taken and any licenses, authorizations or approvals not obtained are not material to the enforceability of the Policy.

5. The statements contained in the Official Statement under the heading "BOND INSURANCE", insofar as such statements constitute summaries of the matters referred to therein, accurately reflect and fairly present the information purported to be shown and, insofar as such statements describe Ambac Financial Group, Inc. and Ambac Assurance, fairly and accurately describe Ambac Financial Group, Inc. and Ambac Assurance.

6. The form of Policy contained in the Official Statement under the heading "APPENDIX E – FORM OF BOND INSURANCE POLICY" is a true and complete copy of the form of Policy.

The opinions expressed herein are solely for your benefit, and may not be relied upon by any other person.

Very truly yours,

Thomas L. Gallagher
Vice President and
Assistant General Counsel

/kd

wincore\15885be

PHILLIPS, GARDILL, KAISER & ALTMEYER
LAWYERS
61 FOURTEENTH STREET
WHEELING, WEST VIRGINIA 26003

JAMES C. GARDILL
CHARLES J. KAISER, JR.
H. BRANN ALTMEYER *
JOSEPH M. PALMER
WILLIAM A. KOLIBASH
EDWARD M. GEORGE, III
DENISE KNOUSE-SNYDER
TODD M. KILDOW **
JANETTE DEANE SIMMONS
MARY C. SCHAFFER

* ALSO ADMITTED IN OHIO
** ADMITTED IN OHIO ONLY

TELEPHONE
(304) 232-6810

FAX
(304) 232-4918

OF COUNSEL
JOHN D. PHILLIPS

December 30, 1998

$9,600,000
City of Fairmont
(West Virginia)
Water Revenue Bonds, Series 1998

City of Fairmont
Fairmont, West Virginia

Steptoe & Johnson
Clarksburg, West Virginia

Ferris, Baker, Watts, Incorporated
Charleston, West Virginia

Ambac Assurance Corporation
New York, New York

Crews & Associates, Inc.
Charleston, West Virginia

Ladies and Gentlemen:

We have served as counsel to Wesbanco Bank Wheeling, Wheeling, West Virginia, a state banking corporation with trust powers (the "Bank"), in its capacity as Registrar under an Ordinance of the Issuer enacted November 10, 1998, as supplemented by a supplemental resolution adopted December 17, 1998 (collectively, the "Ordinance"), and a Registrar Agreement dated December 30, 1998 (the "Registrar Agreement"), by and between the Issuer and the Bank. In that connection, we are familiar with the affairs of the Bank and have examined the Bank's charter and bylaws, both as amended to date and in full force and effect on the date thereof. In addition, we have examined a certified copy of the Ordinance and an executed counterpart of the Registrar Agreement.

Based on the foregoing and upon such other documents, certificates and information as we have considered relevant and necessary to enable us to render this opinion, we are of the opinion under existing law, that:

1. The Bank is a state banking corporation with trust powers, duly organized and validly existing under the laws of the United States of America, may lawfully conduct business in West Virginia and has corporate power to take all action required of it under the Ordinance and the Registrar Agreement.

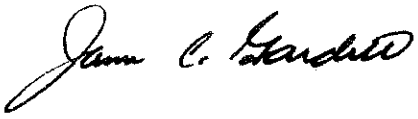
2. The execution and delivery by the Bank of the Registrar Agreement and the performance by the Bank of the duties of Registrar under the Ordinance have been duly authorized by all necessary corporate action on the part of the Bank.

3. The Registrar Agreement has been duly authorized, executed and delivered by the Bank, and assuming due authorization, execution and delivery by the other parties thereto, constitutes a legal, valid and binding agreement of the Bank enforceable against the Bank in accordance with its terms, except as the enforceability thereof may be limited by applicable bankruptcy, insolvency or other similar laws affecting the enforcement of creditors' rights generally and may also be subject to the exercise of judicial discretion in appropriate cases.

This opinion may be relied upon by all counsel to this transaction as if specifically addressed to them.

Yours very truly,

PHILLIPS, GARDILL, KAISER & ALTMEYER

By 

JCG/mmr

PHILLIPS, GARDILL, KAISER & ALTMEYER
LAWYERS
61 FOURTEENTH STREET
WHEELING, WEST VIRGINIA 26003

JAMES C. GARDILL
CHARLES J. KAISER, JR.
H. BRANN ALTMEYER *
JOSEPH M. PALMER
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JANETTE DEANE SIMMONS
MARY C. SCHAFFER

* ALSO ADMITTED IN OHIO
** ADMITTED IN OHIO ONLY

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(304) 232-6810

FAX
(304) 232-4918

OF COUNSEL
JOHN D. PHILLIPS

January 14, 1999

$19,945,000
City of Fairmont
(West Virginia)
Water Revenue Bonds, Series 1999

City of Fairmont
Fairmont, West Virginia

Steptoe & Johnson
Clarksburg, West Virginia

Ferris, Baker, Watts, Incorporated
Charleston, West Virginia

Ambac Assurance Corporation
New York, New York

Crews & Associates, Inc.
Charleston, West Virginia

Ladies and Gentlemen:

We have served as counsel to Wesbanco Bank Wheeling, Wheeling, West Virginia, a state banking corporation with trust powers (the "Bank"), in its capacity as Registrar under an Ordinance of the Issuer enacted November 10, 1998, as supplemented by a supplemental resolution adopted December 17, 1998 (collectively, the "Ordinance"), and a Registrar Agreement dated January 14, 1999 (the "Registrar Agreement"), by and between the Issuer and the Bank. In that connection, we are familiar with the affairs of the Bank and have examined the Bank's charter and bylaws, both as amended to date and in full force and effect on the date thereof. In addition, we have examined a certified copy of the Ordinance and an executed counterpart of the Registrar Agreement.

Based on the foregoing and upon such other documents, certificates and information as we have considered relevant and necessary to enable us to render this opinion, we are of the opinion under existing law, that:

1. The Bank is a state banking corporation with trust powers, duly organized and validly existing under the laws of the United States of America, may lawfully conduct business in West Virginia and has corporate power to take all action required of it under the Ordinance and the Registrar Agreement.

2. The execution and delivery by the Bank of the Registrar Agreement and the performance by the Bank of the duties of Registrar under the Ordinance have been duly authorized by all necessary corporate action on the part of the Bank.

3. The Registrar Agreement has been duly authorized, executed and delivered by the Bank, and assuming due authorization, execution and delivery by the other parties thereto, constitutes a legal, valid and binding agreement of the Bank enforceable against the Bank in accordance with its terms, except as the enforceability thereof may be limited by applicable bankruptcy, insolvency or other similar laws affecting the enforcement of creditors' rights generally and may also be subject to the exercise of judicial discretion in appropriate cases.

This opinion may be relied upon by all counsel to this transaction as if specifically addressed to them.

Yours very truly,

PHILLIPS, GARDILL, KAISER & ALTMEYER

By James C. Gardill

JCG/mmr

CITY OF FAIRMONT
(WEST VIRGINIA)

WATER REVENUE BONDS, SERIES 1998

GENERAL CERTIFICATE OF THE CITY OF FAIRMONT FOR SERIES 1998 BONDS ON:

1. TERMS
2. NO LITIGATION
3. GOVERNMENTAL APPROVALS AND BIDDING
4. LAND AND RIGHTS-OF-WAY
5. CONTRACTORS' INSURANCE, ETC.
6. RATES
7. PUBLICATION OF NOTICES
8. AWARD OF BONDS; SIGNATURES
9. DELIVERY AND PAYMENT
10. CERTIFICATION OF DOCUMENTS
11. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS
12. MEETINGS, ETC.
13. INCUMBENCY AND OFFICIAL NAME
14. PUBLICATION AND PUBLIC HEARING ON BOND ORDINANCE
15. PUBLIC SERVICE COMMISSION
16. PRIVATE USE OF FACILITIES
17. NO FEDERAL GUARANTY
18. IRS INFORMATION RETURN
19. OFFICIAL STATEMENT CERTIFICATION
20. CERTIFICATIONS REGARDING BOND PURCHASE AGREEMENT
21. DESIGNATION OF REGISTRAR, PAYING AGENT, ESCROW AGENT AND DEPOSITORY BANK
22. RELIANCE OF BOND INSURER
23. YEAR 2000 COMPLIANCE

We, the undersigned MAYOR, CITY MANAGER and CITY CLERK of the City of Fairmont, West Virginia (the "Issuer"), hereby certify in connection with the $9,600,000 aggregate principal amount of the City of Fairmont (West Virginia) Water Revenue Bonds, Series 1998 (the "Bonds"), as follows:

1. TERMS: All capitalized words and terms used in this General Certificate and not otherwise defined herein shall have the same meanings as set forth in the Bond Ordinance of the Issuer enacted November 10, 1998, as supplemented by a Supplemental Resolution adopted December 17, 1998 (collectively, the "Ordinance").

2. NO LITIGATION: No controversy or litigation of any nature is now pending or threatened, restraining, enjoining, or affecting in any manner the issuance and delivery of the Bonds or the collection of the Gross Revenues of the System or the pledge thereof to the payment of the principal of and interest on the Bonds, nor in any manner questioning the proceedings and authority by which the Issuer authorized the issuance and sale of the Bonds nor in any manner affecting the validity or enforceability of the Bonds, the Ordinance or the Bond Purchase Agreement or any agreement or instrument relating thereto, used or contemplated by the Bond Purchase Agreement or any provisions made or authorized for the payment of the Bonds; nor in any manner questioning the valid existence of the Issuer or the authority or titles of the City Manager, Mayor, City Clerk and the members of the Council and other officials of the Issuer to their respective offices; nor in any manner questioning any proceeding, procedure, action or thing followed, taken or done in connection with the Bonds which is not set forth in the Official Statement relating to the Bonds.

3. GOVERNMENTAL APPROVALS AND BIDDING: All applicable approvals and certificates required by law for construction of the Project, operation of the System and issuance of the Bonds have been obtained, or will be obtained prior to construction, and, to the extent such approvals and certificates have been obtained as of the date hereof, remain in full force and effect. Competitive bids for construction of the Project will be solicited in accordance with Chapter 5, Article 22, Section 1 of the Official West Virginia Code of 1931, as amended.

4. LAND AND RIGHTS-OF-WAY: All land in fee simple and all rights-of-way and easements necessary for the construction of the Project and operation and maintenance of the System have been acquired or can and will be acquired by purchase, or, if necessary, by condemnation by the Issuer and are adequate for such purposes and are not or will not be subject to any liens, encumbrances, reservations or exceptions which would adversely affect or interfere in any way with the use thereof for such purposes. The costs thereof, including costs of any properties which may have to be acquired by condemnation are, in the opinion of all the undersigned, within the ability of the Issuer to pay for the same without jeopardizing the security of or payments on the Bonds.

5. CONTRACTORS' INSURANCE, ETC.: All contractors will be required to maintain Worker's Compensation, public liability and property damage insurance, and builder's risk insurance where applicable, with commercially reasonable limits. All insurance for the System required by the Ordinance is in full force and effect. The System is not presently covered by policies of flood or business interruption insurance, but will be if such coverages are available at reasonable cost.

6. RATES: The Issuer has duly enacted a water rate ordinance setting rates and charges for the services of the System, which rates and charges shall go into effect upon completion of the Project. Such rate ordinance is presently in full force and effect, and the period for appeal of such rate ordinance has expired. Such rates meet the coverage requirements set forth in Section 6.04 of the Bond Ordinance.

7. PUBLICATION OF NOTICES: Notice of the public hearing upon the Ordinance was duly published as required by law. There was no protest to the enactment

of the Ordinance, and the Ordinance became fully effective December 10, 1998, and remains in full force and effect.

8. AWARD OF BONDS; SIGNATURES: The Bonds were awarded to Ferris, Baker Watts, Incorporated and Crews & Associates, Inc. (collectively, the "Underwriters"), upon a negotiated basis at the price $9,403,415.60 (par amount, less Underwriters' discount of $62,505.00, less original issue discount of $134,079.40), plus accrued interest to the date of delivery of the Bonds. As of the date hereof, the Bonds were duly signed by the manual signatures of the Mayor and City Manager, and the official seal of the Issuer, which seal is impressed upon this Certificate, was impressed or imprinted thereon and attested by the manual signature of the City Clerk.

9. DELIVERY AND PAYMENT: The undersigned City Manager did, on the date hereof, deliver to the Underwriters, the entire issue of the Bonds, in various denominations and numbered R-1 to R-15, inclusive. At the time of delivery of the Bonds, there was paid to, or on behalf of the Issuer, the agreed price therefor as follows:

Par Amount	$9,600,000.00
Less: Underwriters' Discount	(62,505.00)
Less: Original Issue Discount	(134,079.40)
Purchase Price	$9,403,415.60
Plus: Accrued Interest (December 15, 1998 - December 30, 1998)	18,752.92
TOTAL	$9,422,168.52

10. CERTIFICATION OF DOCUMENTS: There are delivered herewith true and correct copies of the following documents, all which remain in full force and effect and have not been amended, modified, supplemented or repealed unless changed by the terms of other documents listed below:

Bond Ordinance

Supplemental Resolution

Continuing Disclosure Agreement

City Charter

City Council Rules of Procedure

Oaths of Office of Councilmembers

Water Rate Ordinance

Affidavit of Publication of Abstract of Bond Ordinance

Certified Copies of Minutes on Enactment of Bond Ordinance and Adoption of Supplemental Resolution - (Meetings of October 20, October 27, November 10 and December 17, 1998)

Tax and Non-Arbitrage Certificate of City

Prior Bonds Ordinance and Supplemental Resolution

Ambac Assurance Corporation Policy of Municipal Bond Insurance and Related Documentation

Preliminary Official Statement

Official Statement

Bond Purchase Agreement

11. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS: There has been no adverse change in the financial condition of the Issuer or the System since June 3, 1998. The Bonds are issued on a parity with respect to liens, pledge and source of and security for payment and in all respects, with the Issuer's Waterworks Refunding Revenue Bonds, Series 1997, dated June 1, 1997, issued in the original aggregate principal amount of $10,260,000 (the "Prior Bonds") and the Issuer's Water Revenue Bonds, Series 1999, to be dated January 1, 1999, and issued in the original aggregate principal amount of $19,945,000 (the "Series 1999 Bonds"). Other than the Prior Bonds and the Series 1999 Bonds, there is not any indebtedness or obligation of the Issuer outstanding and unpaid or for which full and irrevocable provision for payment has not been made which has priority over or ranks on a parity with the Bonds as to the sources of and security for payment.

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

13. INCUMBENCY AND OFFICIAL NAME: The proper corporate title of the Issuer is "City of Fairmont" and it is a municipal corporation of the State of West Virginia, in Marion County of said state. The governing body of the Issuer is its Council consisting of 9 members. The names and terms of office of the members of Council, the City Manager, Mayor and the City Clerk are as follows:

Name and Office			Term of Office
Nick L. Fantasia	-	Mayor	January 1, 1995 - December 31, 1998
E. Bruce McDaniel	-	City Manager	Indeterminate
Janet L. Keller	-	City Clerk	Indeterminate

Councilmembers	Date of Commencement of Office	Date of Termination of Office
William Gerald Ragen	January 1, 1995	December 31, 1998
Nick L. Fantasia	January 1, 1995	December 31, 1998
Robert L. Allen, Jr.	January 1, 1995	December 31, 1998
Rosemary C. Phillips	January 1, 1997	December 31, 2000
John R. West, Jr.	January 1, 1995	December 31, 1998
Marcella Yaremchuk	January 1, 1997	December 31, 2000
Manuel Garcia	January 1, 1997	December 31, 2000
Kay Francis Meade	January 1, 1997	December 31, 2000
Charles G. Manly	January 1, 1995	December 31, 1998

The duly appointed and acting Counsel to the Issuer is Sansalone & Sansalone of Fairmont, West Virginia.

14. PUBLICATION AND PUBLIC HEARING ON BOND ORDINANCE: Upon adoption of the Bond Ordinance, an abstract thereof, determined by the Council of the Issuer to contain sufficient information as to give notice of the contents thereof, was published once each week for 2 successive weeks, with not less than 6 full days between each publication, the first such publication occurring not less than 10 days before the date stated below for the public hearing, in the Times-West Virginian, a newspaper published and of general circulation in the City of Fairmont, together with a notice to all persons concerned, stating that the Bond Ordinance had been adopted and that the Issuer contemplated the issuance of the Bonds described in such Ordinance, stating that any person interested may appear before the Council at the public hearing held at a public meeting of Council on the 10th day of November, 1998, at 7:00 p.m., in the Council Chambers of the City Hall of the City of Fairmont and present protests, and stating that a certified copy of the Ordinance was on file at the office of the City Clerk of the Issuer for review by interested parties during the office hours of the City Clerk. At such hearing all objections and suggestions were heard by the Council of the Issuer and the Bond Ordinance became finally adopted, enacted and effective as of the date of such public hearing, and remains in full force and effect.

15. PUBLIC SERVICE COMMISSION: The Issuer has applied to the Public Service Commission of West Virginia (the "PSC") for an order granting the City a Certificate of Convenience and Necessity for the construction of the first phase of the Project, as described in the Official Statement. The PSC has 270 days from the date of application in which to grant or deny the certificate. The City intends to apply for the certificate for the second phase of the Project, as described in the Official Statement, on or

about March 1, 1999, and anticipates that it will receive the certificate in time to complete construction of the second phase on or about September 1, 2001. The City estimates an 18 month construction schedule for the second phase.

16. PRIVATE USE OF FACILITIES: The Issuer shall at all times take, and refrain from taking, and shall not fail to take, any and all actions necessary in order to assure the initial and continued tax-exempt status of the Bonds and the interest thereon. Less than 10% of the proceeds of the Bonds will be used, directly or indirectly, for any private business use, and less than 10% of the payment of principal of, or the interest on, such issue, under the terms of such issue or any underlying arrangement, is, directly or indirectly, secured by any interest in property used or to be used for a private business use, payments in respect of such property, or to be derived from payments (whether or not to the Issuer) in respect of property, or borrowed money, used or to be used for a private business use. None of the proceeds of the Bonds will be used, directly or indirectly, for any private business use which is not related to the governmental use of the proceeds of the Bonds, including the disproportionate related business use of the proceeds of the Bonds, and none of the payment of principal of or interest on, or the interest on, such issue, under the terms of any underlying arrangement, is, directly or indirectly, secured by any interest in property used, or to be used for a private business use, payments in respect of such property or to be derived from payments (whether or not to the Issuer) in respect of property, or borrowed money, used or to be used for a private business use with respect to such private business use, which is not related to any government use of such proceeds, including the disproportionate business use of the issue of the Bonds. None of the proceeds of the issue of the Bonds will be used, directly or indirectly, to make or finance loans to persons other than governmental units. For purposes of this paragraph, private business use means use, directly or indirectly, in a trade or business carried on by any person other than a governmental unit, other than use as a member of the general public. All of the foregoing shall be determined in accordance with and within the meaning of the Internal Revenue Code of 1986, as amended, including any successor provisions and rules and regulations thereunder.

17. NO FEDERAL GUARANTY: The Bonds are not, in whole or part, and will not be, directly or indirectly, federally guaranteed within the meaning of Section 149(b) of the Code.

18. IRS INFORMATION RETURN: On the date hereof, the undersigned Mayor did officially sign a properly completed IRS Form 8038-G and will cause such executed Form 8038-G to be filed in a timely manner with the Internal Revenue Service Center, Philadelphia, Pennsylvania.

19. OFFICIAL STATEMENT CERTIFICATION: At and since the date of the Official Statement nothing has come to the attention of any signer hereof which would lead any such signer to believe that the Official Statement contains an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

20. CERTIFICATIONS REGARDING BOND PURCHASE AGREEMENT: In addition to the foregoing, the undersigned CITY MANAGER and MAYOR hereby certify, as follows: (i) the Issuer has duly performed all of its obligations to be performed at or prior to the Closing and each of the Issuer's representations and warranties contained in the Bond Purchase Agreement are true as of Closing; (ii) the Issuer has authorized, by all necessary action, the acquisition and construction of the Project, the execution, delivery, receipt and due performance of the Bonds, the Undertaking, the Ordinance and any and all such other agreements and documents as may be required to be executed, delivered and received by the Issuer in order to carry out, give effect to and consummate the transactions contemplated hereby and by the Official Statement; (iii) to our knowledge no litigation is pending, or to our knowledge threatened, to restrain or enjoin the acquisition and construction of the Project, the issuance or sale of the Bonds or on any way affecting any authority for or the validity of the Bonds or the Ordinance; (iv) the execution, delivery, receipt and due performance of the Bonds, the Undertaking, the Ordinance and the other agreements contemplated hereby and by the Official Statement under the circumstances contemplated thereby and the Issuer's compliance with the provisions thereof will not conflict with or constitute on the Issuer's part a breach of or a default under any existing law, court or administrative regulation, decree or order or any agreement, indenture, mortgage, lease or other instrument to which you are subject or by which the Issuer is or may be bound; and (v) the Issuer is obligated by the Undertaking and, except as set forth in the Official Statement, is in full compliance with all of its prior written continuing disclosure undertakings entered into pursuant to the provisions of Rule 15c2-12-(b)(5).

21. DESIGNATION OF REGISTRAR, PAYING AGENT, ESCROW AGENT AND DEPOSITORY BANK: The Issuer hereby confirms the appointment of (a) WesBanco Bank Wheeling, Wheeling, West Virginia, as Registrar, (b) the West Virginia Municipal Bond Commission, Charleston, West Virginia, as Paying Agent, and (c) One Valley Bank, Inc., Fairmont, West Virginia, as Depository Bank.

22. RELIANCE OF BOND INSURER: All certifications contained in this General Certificate, the Tax and Non-Arbitrage Certificate and any other certificate delivered by the Issuer in connection with issuance of the Bonds may be relied upon by Ambac Assurance Corporation ("AMBAC"), in accordance with its requirements for issuance of a bond insurance policy relating to the Bonds.

23. YEAR 2000 COMPLIANCE: The Issuer represents that it has undertaken or will undertake an investigation to determine whether the operations of the System, including but not limited to any billing, collection and inventory computer programs of the System and any electronic or mechanical components of the System's water treatment and distribution facilities, are Year 2000 Compliant. The Issuer further represents that if it determines as a result of this investigation that any Mission-Critical Component of the System is not Year 2000 Compliant, the Issuer (i) will take timely and affirmative action to repair or replace any such component, and (ii) will perform adequate testing to ensure the sound operation and Year 2000 Compliant status of the repaired or replaced component. For purpose of this paragraph, "Year 2000 Compliant" means, with respect to the information technology the Issuer uses or will use in the operation of the System (including any date-

sensitive microprocessors embedded in electronic or mechanical components of the System), the information technology is designed to be used prior to, during and after calendar Year 2000 A.D., and the information technology used during each such time period will accurately receive, provide and process data-time data (including, but not limited to, calculating, comparing and sequencing) from, into and between the twentieth and twenty-first centuries, including the years 1999 and 2000, and leap-year calculations, and will not malfunction, cease to function, or provide invalid or incorrect results as a result of date-time data. For purposes of this paragraph, "Mission-Critical Component" means any component of the System that would be critical to (a) the System's continued operation after January 1, 2000; (b) the Issuer's ability to continue to bill its customers and collect amounts billed from those customers after January 1, 2000; or (c) the Issuer's ability to make all principal and interest payments for the Series 1998 Bonds, Series 1999 Bonds and Prior Bonds contemplated by the Ordinance as and when they become due.

WITNESS our signatures and the official corporate seal of the CITY OF FAIRMONT on this 30th day of December, 1998.

[SEAL]

Signature	Official Title
Nick J. Gantasio	Mayor
Bruce [illegible]	City Manager
Janet L. Keller	City Clerk

12/29/98
268460/98001

CITY OF FAIRMONT
(WEST VIRGINIA)

WATER REVENUE BONDS, SERIES 1999

GENERAL CERTIFICATE OF THE CITY OF FAIRMONT FOR SERIES 1999 BONDS ON:

1. TERMS
2. NO LITIGATION
3. GOVERNMENTAL APPROVALS AND BIDDING
4. LAND AND RIGHTS-OF-WAY
5. CONTRACTOR'S INSURANCE, ETC.
6. RATES
7. PUBLICATION OF NOTICES
8. AWARD OF BONDS; SIGNATURES
9. DELIVERY AND PAYMENT
10. CERTIFICATION OF DOCUMENTS
11. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS
12. MEETINGS, ETC.
13. INCUMBENCY AND OFFICIAL NAME
14. PUBLICATION AND PUBLIC HEARING ON BOND ORDINANCE
15. PUBLIC SERVICE COMMISSION
16. PRIVATE USE OF FACILITIES
17. NO FEDERAL GUARANTY
18. IRS INFORMATION RETURN
19. OFFICIAL STATEMENT CERTIFICATION
20. CERTIFICATIONS REGARDING BOND PURCHASE AGREEMENT
21. DESIGNATION OF REGISTRAR, PAYING AGENT, AND DEPOSITORY BANK
22. RELIANCE OF BOND INSURER
23. YEAR 2000 COMPLIANCE

We, the undersigned MAYOR, CITY MANAGER and CITY CLERK of the City of Fairmont, West Virginia (the "Issuer"), hereby certify in connection with the $19,945,000 aggregate principal amount of the City of Fairmont (West Virginia) Water Revenue Bonds, Series 1999 (the "Bonds"), as follows:

1. TERMS: All capitalized words and terms used in this General Certificate and not otherwise defined herein shall have the same meanings as set forth in the Bond Ordinance of the Issuer enacted November 10, 1998, as supplemented by a Supplemental Resolution adopted December 17, 1998 (collectively, the "Ordinance").

2. NO LITIGATION: No controversy or litigation of any nature is now pending or threatened, restraining, enjoining, or affecting in any manner the issuance and delivery of the Bonds or the collection of the Gross Revenues of the System or the pledge thereof to the payment of the principal of and interest on the Bonds, nor in any manner questioning the proceedings and authority by which the Issuer authorized the issuance and sale of the Bonds nor in any manner affecting the validity or enforceability of the Bonds, the Ordinance or the Bond Purchase Agreement or any agreement or instrument relating thereto, used or contemplated by the Bond Purchase Agreement or any provisions made or authorized for the payment of the Bonds; nor in any manner questioning the valid existence of the Issuer or the authority or titles of the City Manager, Mayor, City Clerk and the members of the Council and other officials of the Issuer to their respective offices; nor in any manner questioning any proceeding, procedure, action or thing followed, taken or done in connection with the Bonds which is not set forth in the Official Statement relating to the Bonds.

3. GOVERNMENTAL APPROVALS AND BIDDING: All applicable approvals and certificates required by law for construction of the Project, operation of the System and issuance of the Bonds have been obtained, or will be obtained prior to construction, and, to the extent such approvals and certificates have been obtained as of the date hereof, remain in full force and effect. Competitive bids for construction of the Project will be solicited in accordance with Chapter 5, Article 22, Section 1 of the Official West Virginia Code of 1931, as amended.

4. LAND AND RIGHTS-OF-WAY: All land in fee simple and all rights-of-way and easements necessary for the construction of the Project and operation and maintenance of the System have been acquired or can and will be acquired by purchase, or, if necessary, by condemnation by the Issuer and are adequate for such purposes and are not or will not be subject to any liens, encumbrances, reservations or exceptions which would adversely affect or interfere in any way with the use thereof for such purposes. The costs thereof, including costs of any properties which may have to be acquired by condemnation are, in the opinion of all the undersigned, within the ability of the Issuer to pay for the same without jeopardizing the security of or payments on the Bonds.

5. CONTRACTORS' INSURANCE, ETC.: All contractors will be required to maintain Worker's Compensation, public liability and property damage insurance, and builder's risk insurance where applicable, with commercially reasonable limits. All insurance for the System required by the Ordinance is in full force and effect. The System is not presently covered by policies of flood or business interruption insurance, but will be if such coverages are available at reasonable cost.

6. RATES: The Issuer has duly enacted a water rate ordinance setting rates and charges for the services of the System, which rates and charges shall go into effect upon completion of the Project. Such rate ordinance is presently in full force and effect, and the period for appeal of such rate ordinance has expired. Such rates meet the coverage requirements set forth in Section 6.04 of the Bond Ordinance.

7. PUBLICATION OF NOTICES: Notice of the public hearing upon the Ordinance was duly published as required by law. There was no protest to the enactment

of the Ordinance, and the Ordinance became fully effective December 10, 1998, and remains in full force and effect.

8. AWARD OF BONDS; SIGNATURES: The Bonds were awarded to Ferris, Baker Watts, Incorporated and Crews & Associates, Inc. (collectively, the "Underwriters"), upon a negotiated basis at the price $19,803,753.55 (par amount, less Underwriters' discount of $128,447.50, less net original issue discount of $12,798.95), plus accrued interest to the date of delivery of the Bonds. As of the date hereof, the Bonds were duly signed by the manual signatures of the Mayor and City Manager, and the official seal of the Issuer, which seal is impressed upon this Certificate, was impressed or imprinted thereon and attested by the manual signature of the City Clerk.

9. DELIVERY AND PAYMENT: The undersigned City Manager did, on the date hereof, deliver to the Underwriters, the entire issue of the Bonds, in various denominations and numbered R-1 to R-15, inclusive. At the time of delivery of the Bonds, there was paid to, or on behalf of the Issuer, the agreed price therefor as follows:

Par Amount	$ 19,945,000.00
Less: Underwriters' Discount	(128,447.50)
Less: Net Original Issue Discount	(12,798.95)
Purchase Price	$ 19,803,753.55
Plus: Accrued Interest (January 1, 1999 - January 14, 1999)	36,178.37
TOTAL	$19,839,931.92

10. CERTIFICATION OF DOCUMENTS: There are delivered herewith true and correct copies of the following documents, all which remain in full force and effect and have not been amended, modified, supplemented or repealed unless changed by the terms of other documents listed below:

Bond Ordinance

Supplemental Resolution

Continuing Disclosure Agreement

City Charter

City Council Rules of Procedure

Oaths of Office of Councilmembers

Water Rate Ordinance

Affidavit of Publication of Abstract of Bond Ordinance

Certified Copies of Minutes on Enactment of Bond Ordinance and Adoption of Supplemental Resolution - (Meetings of October 20, October 27, November 10 and December 17, 1998)

Tax and Non-Arbitrage Certificate of City

Prior Bonds Ordinance and Supplemental Resolution

Ambac Assurance Corporation Policy of Municipal Bond Insurance and Related Documentation

Preliminary Official Statement

Official Statement

Bond Purchase Agreement

11. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS: There has been no adverse change in the financial condition of the Issuer or the System since June 3, 1998. The Bonds are issued on a parity with respect to liens, pledge and source of and security for payment and in all respects, with the Issuer's Waterworks Refunding Revenue Bonds, Series 1997, dated June 1, 1997, issued in the original aggregate principal amount of $10,260,000 (the "Prior Bonds") and the Issuer's Water Revenue Bonds, Series 1998, dated December 15, 1998, and issued in the original aggregate principal amount of $9,600,000 (the "Series 1999 Bonds"). Other than the Prior Bonds and the Series 1998 Bonds, there is not any indebtedness or obligation of the Issuer outstanding and unpaid or for which full and irrevocable provision for payment has not been made which has priority over or ranks on a parity with the Bonds as to the sources of and security for payment.

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

13. INCUMBENCY AND OFFICIAL NAME: The proper corporate title of the Issuer is "City of Fairmont" and it is a municipal corporation of the State of West Virginia, in Marion County of said state. The governing body of the Issuer is its Council consisting of 9 members. The names and terms of office of the members of Council, the City Manager, Mayor and the City Clerk are as follows:

Name and Office			Term of Office
Nick L. Fantasia	-	Mayor	January 1, 1995 - December 31, 1998
E. Bruce McDaniel	-	City Manager	Indeterminate
Janet L. Keller	-	City Clerk	Indeterminate

Councilmembers	Date of Commencement of Office	Date of Termination of Office
William Gerald Ragen	January 1, 1995	December 31, 1998
Nick L. Fantasia	January 1, 1995	December 31, 1998
Robert L. Allen, Jr.	January 1, 1995	December 31, 1998
Rosemary C. Phillips	January 1, 1997	December 31, 2000
John R. West, Jr.	January 1, 1995	December 31, 1998
Marcella Yaremchuk	January 1, 1997	December 31, 2000
Manuel Garcia	January 1, 1997	December 31, 2000
Kay Francis Meade	January 1, 1997	December 31, 2000
Charles G. Manly	January 1, 1995	December 31, 1998

The duly appointed and acting Counsel to the Issuer is Sansalone & Sansalone of Fairmont, West Virginia.

14. PUBLICATION AND PUBLIC HEARING ON BOND ORDINANCE: Upon adoption of the Bond Ordinance, an abstract thereof, determined by the Council of the Issuer to contain sufficient information as to give notice of the contents thereof, was published once each week for 2 successive weeks, with not less than 6 full days between each publication, the first such publication occurring not less than 10 days before the date stated below for the public hearing, in the Times-West Virginian, a newspaper published and of general circulation in the City of Fairmont, together with a notice to all persons concerned, stating that the Bond Ordinance had been adopted and that the Issuer contemplated the issuance of the Bonds described in such Ordinance, stating that any person interested may appear before the Council at the public hearing held at a public meeting of Council on the 10th day of November, 1998, at 7:00 p.m., in the Council Chambers of the City Hall of the City of Fairmont and present protests, and stating that a certified copy of the Ordinance was on file at the office of the City Clerk of the Issuer for review by interested parties during the office hours of the City Clerk. At such hearing all objections and suggestions were heard by the Council of the Issuer and the Bond Ordinance became finally adopted, enacted and effective as of the date of such public hearing, and remains in full force and effect.

15. PUBLIC SERVICE COMMISSION: The Issuer has applied to the Public Service Commission of West Virginia (the "PSC") for an order granting the City a Certificate of Convenience and Necessity for the construction of the first phase of the Project, as described in the Official Statement. The PSC has 270 days from the date of application in which to grant or deny the certificate. The City intends to apply for the certificate for the second phase of the Project, as described in the Official Statement, on or

about March 1, 1999, and anticipates that it will receive the certificate in time to complete construction of the second phase on or about September 1, 2001. The City estimates an 18 month construction schedule for the second phase.

16. PRIVATE USE OF FACILITIES: The Issuer shall at all times take, and refrain from taking, and shall not fail to take, any and all actions necessary in order to assure the initial and continued tax-exempt status of the Bonds and the interest thereon. Less than 10% of the proceeds of the Bonds will be used, directly or indirectly, for any private business use, and less than 10% of the payment of principal of, or the interest on, such issue, under the terms of such issue or any underlying arrangement, is, directly or indirectly, secured by any interest in property used or to be used for a private business use, payments in respect of such property, or to be derived from payments (whether or not to the Issuer) in respect of property, or borrowed money, used or to be used for a private business use. None of the proceeds of the Bonds will be used, directly or indirectly, for any private business use which is not related to the governmental use of the proceeds of the Bonds, including the disproportionate related business use of the proceeds of the Bonds, and none of the payment of principal of or interest on, or the interest on, such issue, under the terms of any underlying arrangement, is, directly or indirectly, secured by any interest in property used, or to be used for a private business use, payments in respect of such property or to be derived from payments (whether or not to the Issuer) in respect of property, or borrowed money, used or to be used for a private business use with respect to such private business use, which is not related to any government use of such proceeds, including the disproportionate business use of the issue of the Bonds. None of the proceeds of the issue of the Bonds will be used, directly or indirectly, to make or finance loans to persons other than governmental units. For purposes of this paragraph, private business use means use, directly or indirectly, in a trade or business carried on by any person other than a governmental unit, other than use as a member of the general public. All of the foregoing shall be determined in accordance with and within the meaning of the Internal Revenue Code of 1986, as amended, including any successor provisions and rules and regulations thereunder.

17. NO FEDERAL GUARANTY: The Bonds are not, in whole or part, and will not be, directly or indirectly, federally guaranteed within the meaning of Section 149(b) of the Code.

18. IRS INFORMATION RETURN: On the date hereof, the undersigned Mayor did officially sign a properly completed IRS Form 8038-G and will cause such executed Form 8038-G to be filed in a timely manner with the Internal Revenue Service Center, Philadelphia, Pennsylvania.

19. OFFICIAL STATEMENT CERTIFICATION: At and since the date of the Official Statement nothing has come to the attention of any signer hereof which would lead any such signer to believe that the Official Statement contains an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

20. CERTIFICATIONS REGARDING BOND PURCHASE AGREEMENT: In addition to the foregoing, the undersigned CITY MANAGER and MAYOR hereby certify, as follows: (i) the Issuer has duly performed all of its obligations to be performed at or prior to the Closing and each of the Issuer's representations and warranties contained in the Bond Purchase Agreement are true as of Closing; (ii) the Issuer has authorized, by all necessary action, the acquisition and construction of the Project, the execution, delivery, receipt and due performance of the Bonds, the Undertaking, the Ordinance and any and all such other agreements and documents as may be required to be executed, delivered and received by the Issuer in order to carry out, give effect to and consummate the transactions contemplated hereby and by the Official Statement; (iii) to our knowledge no litigation is pending, or to our knowledge threatened, to restrain or enjoin the acquisition and construction of the Project, the issuance or sale of the Bonds or on any way affecting any authority for or the validity of the Bonds or the Ordinance; (iv) the execution, delivery, receipt and due performance of the Bonds, the Undertaking, the Ordinance and the other agreements contemplated hereby and by the Official Statement under the circumstances contemplated thereby and the Issuer's compliance with the provisions thereof will not conflict with or constitute on the Issuer's part a breach of or a default under any existing law, court or administrative regulation, decree or order or any agreement, indenture, mortgage, lease or other instrument to which you are subject or by which the Issuer is or may be bound; and (v) the Issuer is obligated by the Undertaking and, except as set forth in the Official Statement, is in full compliance with all of its prior written continuing disclosure undertakings entered into pursuant to the provisions of Rule 15c2-12-(b)(5).

21. DESIGNATION OF REGISTRAR, PAYING AGENT, ESCROW AGENT AND DEPOSITORY BANK: The Issuer hereby confirms the appointment of (a) WesBanco Bank Wheeling, Wheeling, West Virginia, as Registrar, (b) the West Virginia Municipal Bond Commission, Charleston, West Virginia, as Paying Agent, and (c) One Valley Bank, Inc., Fairmont, West Virginia, as Depository Bank.

22. RELIANCE OF BOND INSURER: All certifications contained in this General Certificate, the Tax and Non-Arbitrage Certificate and any other certificate delivered by the Issuer in connection with issuance of the Bonds may be relied upon by Ambac Assurance Corporation ("AMBAC"), in accordance with its requirements for issuance of a bond insurance policy relating to the Bonds.

23. YEAR 2000 COMPLIANCE: The Issuer represents that it has undertaken or will undertake an investigation to determine whether the operations of the System, including but not limited to any billing, collection and inventory computer programs of the System and any electronic or mechanical components of the System's water treatment and distribution facilities, are Year 2000 Compliant. The Issuer further represents that if it determines as a result of this investigation that any Mission-Critical Component of the System is not Year 2000 Compliant, the Issuer (i) will take timely and affirmative action to repair or replace any such component, and (ii) will perform adequate testing to ensure the sound operation and Year 2000 Compliant status of the repaired or replaced component. For purpose of this paragraph, "Year 2000 Compliant" means, with respect to the information technology the Issuer uses or will use in the operation of the System (including any date-

technology the Issuer uses or will use in the operation of the System (including any date-sensitive microprocessors embedded in electronic or mechanical components of the System), the information technology is designed to be used prior to, during and after calendar Year 2000 A.D., and the information technology used during each such time period will accurately receive, provide and process data-time data (including, but not limited to, calculating, comparing and sequencing) from, into and between the twentieth and twenty-first centuries, including the years 1999 and 2000, and leap-year calculations, and will not malfunction, cease to function, or provide invalid or incorrect results as a result of date-time data. For purposes of this paragraph, "Mission-Critical Component" means any component of the System that would be critical to (a) the System's continued operation after January 1, 2000; (b) the Issuer's ability to continue to bill its customers and collect amounts billed from those customers after January 1, 2000; or (c) the Issuer's ability to make all principal and interest payments for the Series 1998 Bonds, Series 1999 Bonds and Prior Bonds contemplated by the Ordinance as and when they become due.

WITNESS our signatures and the official corporate seal of the CITY OF FAIRMONT on this 14th day of January, 1999.

[SEAL]

Signature	Official Title
Nick J. Santoro	Mayor
Bruce E. Dail	City Manager
Janet L. Keller	City Clerk

CITY OF FAIRMONT

(WEST VIRGINIA)

WATER REVENUE BONDS, SERIES 1998

TAX AND NON-ARBITRAGE CERTIFICATE

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TAX AND NON-ARBITRAGE CERTIFICATE

WHEREAS, the City of Fairmont (the "Issuer") has determined to issue its $9,600,000 Water Revenue Bonds, Series 1998, dated December 15, 1998 (the "Bonds"), to provide moneys, which, together with certain other moneys available to the Issuer, will be used for the purposes of (i) paying costs of acquisition and construction of additions, betterments and improvements (the "Project") to the existing public waterworks system (the "System") of the Issuer, (ii) capitalizing interest on the Bonds during the period of construction of the Project and up to 6 months thereafter; (iii) funding a debt service reserve account for the Bonds, and (iv) paying costs of issuance of the Bonds and related costs.

WHEREAS, the Bonds are intended to be issued as obligations of the Issuer upon which the interest thereon is excludable from the gross income of the owners thereof for federal income tax purposes;

WHEREAS, the Internal Revenue Code of 1986 and the Regulations promulgated with respect thereto, as amended (collectively, the "Code") prescribe restrictions on the Bonds, the activities of the Issuer and the application and expenditure of Bond proceeds and earnings thereon in order that interest on the Bonds not be includable in gross income of the owners thereof for federal income tax purposes, and compliance with the procedures in this Tax and Non-Arbitrage Certificate (the "Tax Certificate") is required in order to ensure that the requirements of the Code are and will continue to be met;

WHEREAS, this Tax Certificate sets forth such restrictions on the Bonds, the activities of the Issuer, the application, investment and expenditure of Bond proceeds and earnings thereon; and

WHEREAS, in order to ensure that interest on the Bonds will not be includable in gross income of the owners thereof for federal income tax purposes, such requirements must be met unless the Issuer is notified in writing to the contrary by Bond Counsel;

NOW THEREFORE, the undersigned Mayor and City Manager of the Issuer, being the officials of the Issuer duly charged with the responsibility for the issuance of the Bonds, hereby certify as follows, all capitalized terms used herein and not otherwise defined to have the same meanings as set forth in the Bond Ordinance enacted by the Issuer on November 10, 1998, as supplemented by a Supplemental Resolution adopted by the Issuer

on December 17, 1998 (collectively, the "Ordinance"), pursuant to which the Bonds are issued:

ARTICLE I

DEFINITIONS AND INTERPRETATION

Section 1.1. Definitions. For the purpose of this Tax Certificate, the following words and terms shall have the respective meanings set forth as follows, and any capitalized words or terms used but not defined herein shall have the meanings set forth in the Ordinance:

"**Average Economic Life**" shall mean the average reasonably expected economic life, within the meaning of Section 147(b) of the Code, of the assets financed or refinanced with the proceeds of the Bonds.

"**Average Maturity**" shall mean the average maturity of the Bonds within the meaning of Section 147(b) of the Code.

"**Bona Fide Debt Service Fund**" shall mean a fund which may include proceeds of an issue, that:

(a) Is used primarily to achieve a proper matching of revenues with principal and interest payments within each Bond Year; and

(b) Is depleted at least once each Bond Year, except for a reasonable carryover amount not to exceed the greater of:

(i) the earnings on the fund for the immediately preceding Bond Year; or

(ii) one-twelfth (1/12th) of the principal and interest payments on the issue for the immediately preceding Bond Year.

"**Bond Counsel**" shall mean any law firm or firms with expertise in public finance selected by the Issuer with respect to the issuance of or matters relating to the exclusion from federal income taxation of interest on the Bonds.

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

"**Bond Yield**" shall mean the yield of the Bonds, calculated in accordance with the provisions of Section 1.148-4 of the Regulations.

"**Bonds**" shall mean the Issuer's $9,600,000 Water Revenue Bonds, Series 1998, dated December 15, 1998.

"**Closing Date**" or "**Date of Issue**" means December 30, 1998, the date of this Tax Certificate, which is the date on which the Issuer has delivered the Bonds in exchange for the purchase price thereof.

"**Code**" shall mean the Internal Revenue Code of 1986, and the Regulations promulgated thereto, as amended.

"**Computation Date**" shall mean each Installment Computation Date and the Final Computation Date.

"**Computation Date Credit**" shall mean $1,000 for each Bond Year during which there are Proceeds subject to rebate, or such other amount as may then be permitted by the Regulations. Only one Computation Date Credit for each Computation Date is permitted for the Bonds.

"**Costs of Issuance**" shall mean all costs incurred in connection with the issuance of the Bonds.

"**Discharged**" shall mean with respect to any Bond, the date on which all amounts due with respect to such Bond are actually and unconditionally due if cash is available at the place of payment and no interest accrues with respect to the Bond after such date.

"**Eligible Investment**" shall mean a fixed rate investment that is not a SLG and is not in a restricted escrow; the payment taken into account with respect to which equals the outstanding par amount of the investment plus accrued interest (if any) for a period of less than one year; the interest on which accrues on the outstanding par amount of the investment and is actually and unconditionally due at periodic intervals of one year or less; the first payment of interest on which is due at the end of the first short compounding interval or the first whole compounding interval; and the maturity date of which is the highest yield date, i.e., the date on which the holder is entitled to require the investment to be purchased, redeemed or retired at a stated price that when used in computing the yield on the investment produces the highest yield.

"**Fair Market Value**" of an Investment shall mean as follows:

(a) In General. Except as specifically otherwise provided below, the Fair Market Value of an Investment is the price at which a willing buyer would purchase the Investment from a willing seller

in a bona fide arm's length transaction. The Fair Market Value of an Investment that is purchased directly from the United States Treasury is its purchase price.

(b) Investment Contracts. The purchase price of a guaranteed investment contract is treated as its Fair Market Value on the purchase date if -

(i) The institution makes a bona fide solicitation for a specified guaranteed investment contract and receives at least three (3) bona fide bids from providers that have no material financial interest in the issue (e.g. as underwriters or brokers);

(ii) The institution purchases the highest yielding guaranteed investment contract for which a qualifying bid is made (determined net of broker's fees);

(iii) The yield on the guaranteed investment contract (determined net of broker's fees) is not less than the yield then available from the provider on reasonably comparable guaranteed investment contracts, if any, offered to persons from a source of funds other than gross proceeds of tax exempt bonds;

(iv) The determination of the terms of the guaranteed investment contract takes into account as a significant factor the Issuer's reasonably expected draw down schedule for the amounts to be invested, exclusive of amounts deposited in debt service funds and reasonably required reserve or replacement funds;

(v) The terms of the guaranteed investment contract, including collateral security requirements, are reasonable; and

(vi) The obligor on the governmental investment contract certifies the administrative costs that it is paying (or expects to pay) to third parties in connection with the guaranteed investment contract.

(c) Certificates of Deposit. The Fair Market Value of a certificate of deposit is its purchase price if it has a fixed rate of interest, a fixed payment schedule, and a substantial penalty for early withdrawal and the yield on the certificate of deposit is not less than (1) the yield on comparable direct obligations of the United States, and (2) the highest yield published or posted by the provider to be currently available on reasonably comparable certificates of deposit.

"**Final Computation Date**" shall mean the date on which the last Bond is Discharged.

"**Fiscal Year**" means the fiscal year of the Issuer, which commences on July 1 of each year and ends on June 30 of the subsequent year.

"**Future Value**" shall mean the amount determined by using the following formula:

$$FV = PV(1+i)^n$$

where:

FV = The future value of the nonpurpose receipt or payment at the end of the interval. Each interval ends on the last day of a compounding interval. The compounding interval is the same compounding interval used in computing the Bond Yield.

PV = The future value of the nonpurpose receipt or payment at the beginning of the interval, or the amount thereof if the computation is for the first interval.

The first interval begins on the date the nonpurpose receipt or payment is actually or constructively received or paid (or otherwise is taken into account). The amount of every nonpurpose receipt and payment with respect to an issue that is taken into account at the beginning of the first interval may be rounded to the nearest whole dollar. The preceding sentence shall not apply to receipts and payments with respect to investments in a restricted escrow within the meaning of Section 1.148-8(g) of the Regulations.

i = The Bond Yield during the interval (expressed as a decimal) divided by the number of compounding intervals in a year.

^{n} = A fraction, the numerator of which is the length of the interval and the denominator of which is the length of a whole compounding interval.

"**Governmental Unit**" shall mean a state, a political subdivision or instrumentality of the foregoing within the meaning of Section 141(b)(6) of the Code.

"**Gross Proceeds**" shall mean Proceeds and Replacement Proceeds of the Bonds within the meaning of the Regulations.

"**Installment Computation Date**" shall mean the last day of the fifth Bond Year and each succeeding fifth Bond Year, until and excluding the Final Computation Date.

"**Investment**" shall mean any security, obligation, annuity contract, or investment type property as defined in section 148(b) of the Code.

"**Investment Proceeds**" shall mean any amounts actually or constructively received from investing Proceeds of an issue of bonds.

"**IRS**" shall mean the Internal Revenue Service.

"**Issue Price**" shall mean, with respect to the Bonds, $9,484,673.52 (par amount, less original issue discount, plus accrued interest) for all purposes other than IRS Form 8038-G.

"**Issuer**" shall mean the City of Fairmont, a municipal corporation and political subdivision of the State of West Virginia, in Marion County thereof, and, unless the context clearly indicates otherwise, includes the Council and any successor thereto.

"**Net Sale Proceeds**" shall mean Sale Proceeds less the amount of those proceeds invested in a reasonably required reserve or replacement fund under section 148(d) of the Code and as part of a minor portion under section 148(e) of the Code.

"**Nonpurpose Investment**" shall mean any Investment that is not acquired to carry out the governmental purpose of an issue.

"**Payment**" shall mean a payment as defined in section 1.148-3(d) of the Regulations for purposes of computing the rebate amount, and a payment as defined in section 1.148-5(b) of the Regulations for purposes of computing the yield on an investment.

"**Present Value**" shall mean the amount determined by using the following formula:

$$PV = \frac{FV}{(1+i)^n}$$

where i equals the discount rate divided by the number of compounding intervals in a year and n equals the sum of (i) the number of whole compounding intervals for the period ending on the date as of which the Future Value is determined and (ii) a fraction the numerator of which is the length of any short compounding interval during such period and the denominator of which is the length of a whole compounding interval.

"**Present Value of an Investment**" shall mean the value of an investment computed under the economic accrual method; using the same compounding interval and financial conventions used to compute the yield on the Bonds. On any valuation date, the Present Value of an Investment is equal to the Present Value of all unconditionally payable receipts to be received from the payments to be paid for the investment after that date, using the Yield on the Investment as the discount rate.

"**Proceeds**" shall mean Sale Proceeds, Investment Proceeds, and Transferred Proceeds of an issue of bonds. Proceeds do not include amounts that are actually or constructively received with respect to an investment that is acquired for the governmental purpose of an issue that are properly allocable to the immaterially higher yield under section 1.148-2(d) of the Regulations or section 143(g) of the Code or to qualified administrative cost recoverable under section 1.148-5(e).

"**Purchaser**" shall mean collectively, Ferris, Baker Watts, Incorporated and Crews & Associates, Inc., as the original purchasers of the Bonds directly from the Issuer.

"**Purpose Investment**" shall mean any investment that is acquired with the Gross Proceeds of an issue of obligations to carry out the governmental purpose for which such issue was issued.

"**Rebate Amount**" shall mean with respect to the Bonds, the amount computed as described in Section 3.5 hereof.

"**Rebate Analyst**" shall mean the entity or person chosen by the Issuer in accordance with Section 3.8 hereof to determine the Rebate Amount.

"**Rebate Payment Date**" shall mean the date following a Computation Date on which the Rebate Amount is mailed or otherwise filed with the IRS. The Rebate Payment Date cannot be a date which is more than 60 days after a Computation Date.

"**Rebate Yield**" shall mean the yield on the Bonds for purposes of determining the Rebate Amount, computed as described in Section 3.3(B) hereof.

"**Receipt**" shall mean a receipt as defined in section 1.148-3(d) of the Regulations for purposes of computing the Rebate Amount, and a receipt as defined in section 1.148-5(b) for purposes of computing Yield on an Investment.

"**Regulation**" or "**Regulations**" shall mean the temporary, proposed or final Income Tax Regulations promulgated by the Department of the Treasury that are applicable to the Bonds.

"**Related Person**" shall mean any person related to any beneficiary of the Bonds within the meaning of Section 144(a)(3) of the Code.

"**Replacement Proceeds**" shall mean amounts that are treated as replacement proceeds of an issue of bonds under section 1.148-1(c) of the Regulations. Generally, amounts are Replacement Proceeds of an issue if the amounts have a sufficiently direct nexus to the governmental purpose of the issue to conclude that the amounts would have been used for that governmental purpose if the proceeds of the issue were not used or to be used for that governmental purpose. Replacement Proceeds include, but are not limited to, sinking funds or pledged funds to the extent that those funds are held by or derived from a substantial beneficiary of the issue (which, for this purpose includes the issuer and any related party to the issuer).

"**Sale Proceeds**" shall mean amounts actually or constructively received from the sale of an issue of bonds (including amounts used to pay underwriter's discount and compensation and accrued interest other than pre-issuance accrued interest).

"**SLG**" or "**SLGS**" shall mean a time deposit security issued by the United States Treasury pursuant to the Time Deposit State and Local Government Series Program described in 31 C.R.F. part 344.

"**State**" shall mean the State of West Virginia.

"**Tax-Exempt Bond**" shall mean any tax-exempt bond within the meaning of section 103 of the Code and section 1.150-1 of the Regulations that is not investment property within the meaning of section 148(b)(3) of the Code.

"**Tax Certificate**" shall mean this Tax and Non-Arbitrage Certificate of the Issuer as the same may be amended, modified or supplemented from time to time in accordance with the terms hereof.

"**Treasury**" shall mean the United States Department of Treasury.

"**Universal Cap**" shall mean the maximum value of Nonpurpose Investments which may be allocated to the Bonds under section 1.148-6 of the Regulations and is determined by reference to the Value of all outstanding Bonds of the issue. For purposes of this determination Nonpurpose Investments include cash, Tax-Exempt Bonds (i.e., any tax-exempt bond that is not investment property under section 148(b)(3) of the Code), qualified mortgage loans, and qualified student loans.

"**Valuation Date**" shall mean the date on which the value of the Universal Cap and the Nonpurpose Investments allocable to the Bonds thereunder must be determined under section 1.148-6 of the Regulations. In general, beginning with the first Bond Year beginning after second year anniversary of the Issue Date, the first day of each Bond Year constitutes a Valuation Date. In addition, the Regulations provide with respect to a refunded issue (e.g., the Prior Bonds) and a refunding issue (i.e., the Series 1998 Bonds) each date on which proceeds of the refunded issue would become transferred proceeds of the refunding issue, e.g., each date on which principal of the refunded issue is paid with proceeds of the refunding bonds, constitutes a Valuation Date.

"**Value of a Bond**" shall mean the value of a bond determined under section 1.148-4(e) of the Regulations. Under those Regulations, value generally means:

> (a) In the case of a plain par bond (within the meaning of section 1.148-1(b) of the Regulations), its outstanding stated principal amount, plus accrued unpaid interest or in the case of a plain par bond actually redeemed, or that is treated as redeemed, its stated redemption price on the redemption date plus accrued unpaid interest; and
>
> (b) In the case of a bond other than a plain par bond, the value on a date of such a bond is generally its Present Value on that date, using the yield on the issue of which the bonds are a part as the discount factor. In determining the Present

Value of a variable rate bond, the initial interest rate on the bond established by the index or other rate setting mechanism is used to determine the interest payments on that bond.

"**Value of an Investment**" means the value of an investment determined under section 1.148-5(d) of the Regulations. Under those Regulations, value as of any date generally means, for any fixed rate investment (within the meaning of section 1.148-1(b) of the Regulations) or Yield Restricted Investment, Present Value on that date, and for any plain par investment (within the meaning of section 1.148-1(b) of the Regulations), the outstanding stated principal amount, plus accrued unpaid interest, as of that date.

"**Yield**" or "**yield**" shall mean the yield computed under section 1.148-4 of the Regulations for the Bonds, and the yield computed under Section 1.148-5 of the Regulations for an Investment.

"**Yield Restricted Investments**" shall mean any Investments which either (1) bear a yield that is no greater than the Bond Yield, or (2) are investments in one or more Tax-Exempt Bonds.

Section 1.2. Interpretation. In this Tax Certificate:

(A) The terms "hereby," "hereof," "hereto," "herein," "hereunder" and any similar terms, as used in this Tax Certificate, refer to this Tax Certificate, and the term "hereafter" means after, and the term "heretofore" means before the date of this Tax Certificate.

(B) Unless the context requires otherwise, words of the masculine gender mean and include correlative words of the feminine and neuter genders and words importing the singular number mean and include the plural number and vice versa.

(C) Words importing persons include firms, associations, partnerships, trusts, corporations and other legal entities, including public bodies, as well as natural persons.

(D) Any headings preceding the texts of the several Articles and Sections of this Tax Certificate, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Tax Certificate, nor shall they affect its meaning, construction or effect.

(E) All certifications, documents and instructions required to be given or made by any person or party hereunder shall be made in writing.

(F) This Tax Certificate shall be governed by and construed in accordance with the applicable laws of the State.

(G) If any provision of this Tax Certificate shall be ruled invalid by any court of competent jurisdiction, the invalidity of such provision shall not affect any of the remaining provisions hereof.

Section 1.3. Reliance on Documents. Bond Counsel shall be permitted to rely on the contents of any certification, document or instruction provided pursuant to this Tax Certificate and shall not be responsible or liable in any way for the accuracy of its contents or the failure of the Issuer to deliver such document.

ARTICLE II

REPRESENTATIONS BY THE ISSUER AND USE OF PROCEEDS

Section 2.1. Representations of the Issuer. The Issuer represents that:

(A) This certificate is being executed and delivered pursuant to Section 148 of the Code. We are officers of the Issuer charged with the responsibility of issuing the Bonds. We are familiar with the facts, circumstances, and estimates herein certified and duly authorized to execute and deliver this certificate on behalf of the Issuer.

(B) This certificate may be relied upon as the certificate of the Issuer.

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

(D) This certificate is based upon facts, circumstances, estimates and expectations of the Issuer in existence on the Closing Date and to the best of our knowledge and belief, the expectations of the Issuer set forth herein are reasonable.

(E) The Issuer has covenanted in the Ordinance that it will not permit at any time or times any of the proceeds of the Bonds or any funds of the Issuer to be used directly or indirectly to acquire any securities or obligations, the acquisition of which would cause any of the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code.

Section 2.2. Use of Proceeds. (A) The Bonds were sold and delivered on the Closing Date, upon a negotiated basis, to the Purchaser for the purchase price of $9,403,415.60 (par amount of $9,600,000.00, less underwriter's discount of $62,505.00, less original issue discount of $134,079.40), plus interest accrued thereon in the amount of $18,752.92 (total of $9,422,168.52).

(B) The Bonds are being delivered simultaneously with the delivery of this Tax Certificate and are issued for the purposes of providing moneys, together with other funds of the Issuer necessary to (i) paying costs of acquisition and construction of additions, betterments and improvements to the System, (ii) capitalizing interest on the Bonds during the period of construction of the Project and up to 6 months thereafter, (iii) funding a debt service reserve account for the Bonds, and (iv) paying costs of issuance of the Bonds and related costs.

(C) The face amount of the Bonds is $9,600,000. The sources and uses of proceeds of the Bonds is as follows:

Sources	
Par amount of Bonds	$9,600,000.00
Accrued interest (Dec. 15, 1998 to Dec. 30, 1998)	18,752.92
Total Sources	$9,618,752.92

Uses	
Deposit to Construction Fund	$7,266,920.12
Original Issue Discount	134,079.40
Accrued interest to Sinking Fund	18,752.92
Capitalized Interest to Sinking Fund	1,251,661.67
Reserve Account deposit	800,347.32
Bond Insurance Premium	52,731.68
Underwriter's Discount	62,505.00
Costs of Issuance	31,754.81
Total Uses	$9,618,752.92

(D) The Purchaser has stated in its certificate that the Bonds have been reoffered, and a substantial amount thereof sold, to purchasers other than bond houses, brokers or other intermediaries, at the initial offering prices not greater than, or yields no lower than, the respective prices and yields shown on the inside cover page of the Official Statement for the Bonds, including interest accrued on the Bonds from December 15, 1998.

ARTICLE III

ARBITRAGE

Section 3.1. Arbitrage Representations. The Issuer represents that:

(A) The Proceeds from the sale of the Bonds shall be applied as indicated in Section 2.2.

(B) The Issue Price of the Bonds is based on the certificate executed by the Purchaser of even date herewith. The Issuer is not aware of any facts or circumstances that would case them to question the accuracy of the representations made by the Purchaser.

(C) No portion of the proceeds of the Bonds will be used directly or indirectly to replace funds of the Issuer used directly or indirectly to acquire securities or obligations which may reasonably be expected, on the date hereof, to produce a yield materially higher than the Yield on the Bonds.

(D) Other than as described in this Tax Certificate, the Bonds are not and will not be part of a transaction or series of transactions that (i) attempt to circumvent the provisions of Section 148 of the Code, or any successor thereto, and the regulations promulgated thereunder which enable the Issuer to exploit the difference between tax-exempt and taxable interest rates to gain a material financial advantage or (ii) increase the burden on the market for tax-exempt obligations in any manner, including, without limitation, by selling obligations that would not otherwise be sold or selling a larger amount of obligations, or issuing them sooner, or allowing them to remain outstanding longer, than would otherwise be necessary.

(E) No other obligations are being issued by the Issuer or any related entity at substantially the same time and sold pursuant to a common plan of financing and which will be paid out of substantially the same source of funds (or which will have substantially the same claim to be paid out of substantially the same source of funds) as the Bonds or which will be paid directly or indirectly from proceeds of the sale of the Bonds. The Issuer anticipates delivery of its $19,945,000 aggregate principal amount Water Revenue Bonds, Series 1999, dated January 1, 1999 (the "Series 1999 Bonds"), on January 14, 1999, to provide additional funds to complete the Project. The Issuer will deliver a separate Tax and Non-Arbitrage Certificate relating to the Series 1999 Bonds on the date of delivery of the Series 1999 Bonds.

(F) The Issuer has not been notified of the listing or proposed listing of the Issuer by the Internal Revenue Service as an issuer that may not certify its bonds.

(G) The issuance of the Bonds will not involve the use of a "device" or an "abusive transaction" within the meaning of Section 149(d)(4) of the Code.

(H) In connection with the Bonds, there has not been created or established, and the Issuer does not expect that there will be created or established, any sinking fund, pledged fund or similar fund (other than as specifically identified in this Tax Certificate), including without limitation any arrangement under which money, securities or obligations are pledged directly or indirectly to secure the Bonds or any contract securing the Bonds or any arrangement providing for compensating or minimum balances to be maintained by the Issuer with any registered owner of the Bonds.

(I) On each Valuation Date, the Issuer shall value the Nonpurpose Investments allocable to the Bonds thereunder. Nonpurpose Investments cease to be allocated to the Bonds to the extent such Nonpurpose Investments have been expended for the governmental purpose of the issue, or to the extent the value thereof exceeds the value permitted to be allocated to the Bonds under the Universal Cap. To the extent Nonpurpose Investments cease to be allocated to an issue and the value of the Universal Cap exceeds the value of the remaining Nonpurpose Investments allocated to such issue, other Nonpurpose Investments may become allocated to the issue, provided that such Nonpurpose Investments are not already properly allocated to another issue and provided that such allocation does not cause the value of the Nonpurpose Investments allocated to the Bonds to exceed the Universal Cap.

Notwithstanding anything herein to the contrary, the failure to perform the determination of Nonpurpose Investments allocable to the Bonds as of a Valuation Date shall not be considered a violation of this provision if the value of Nonpurpose Investments allocated to the Bonds did not exceed the value of the Bonds outstanding on such date.

Section 3.2. The Project and Use of Bond Proceeds.

(A) The Issuer reasonably expects that:

(i) The Issuer will incur a substantial binding obligation to third parties to expend at least 5% of the Net Sale Proceeds within 6 months following the Date of Issue;

(ii) Completion of the Project and allocation of the Net Sale Proceeds to expenditures for Project Costs will proceed with due diligence; and

(iii) As of the close of the 3-year period beginning on the Date of Issue, at least 85% of the Net Sale Proceeds will have been used to acquire and construct the Project. For purposes of

the foregoing, the term "Net Sale Proceeds" shall mean "net proceeds" as defined in Section 150 of the Code, but shall not include proceeds used to finance issuance costs and shall not include proceeds necessary to pay interest (during such period) on the Bonds which are part of the issue.

(B) All property financed with proceeds of the Bonds will be held by or on behalf of a qualified Governmental Unit, and the Project financed with the proceeds thereof will be operated solely for public purposes as a governmental activity.

(C) No portion of the Project will consist of any airplane, skybox or other luxury box, facility primarily used for gambling, or store the principal business of which is the sale of alcoholic beverages for consumption off premises.

(D) No portion of the payments of principal of or interest on the Bonds will be made, financed or secured by, directly or indirectly, by payments or property used in any trade or business of any person other than the Issuer or a qualified Governmental Unit. The Issuer will not permit any portion of the payment of the principal or interest on the Bonds to be secured, directly or indirectly, by (i) interests in property or (ii) payments in respect of such property, which property is used or to be used in any trade or business of any person other than the Issuer. The Issuer will not permit any portion of the payment of the principal or interest on the Bonds to be derived, directly or indirectly by payments (whether or not to the Issuer) in respect of property or borrowed money, used or to be used in any trade or business of any persons other than the Issuer.

(E) The Project financed with proceeds of the Bonds will be used only in activities directly related to the Issuer's exempt governmental purpose. No other person will own or use the Project either directly or indirectly, including use through a lease management agreement, and neither the Issuer nor any other state or local government unit having an ownership interest in the Project will transfer ownership of the Project while the Bonds are outstanding.

Section 3.3. Construction of the Project.

(A) Construction Schedule. The Project is expected to be completed and placed in service in accordance with the following schedule:

(i) Time Test. The Issuer shall, within 6 months of the Closing Date, enter into a substantial binding obligation calling for the expenditure of not less than 5% of the Net Sale Proceeds of the Bonds towards the costs of acquisition and construction of the Project.

(ii) Due Diligence Test. Acquisition and construction of the Project is expected to proceed with due diligence to completion.

(iii) Expenditure Test. The Issuer anticipates that the Project will be completed by November 1, 2001, such that an amount equal to not less than 85% of the Net Sale Proceeds of the Bonds will have been expended on the costs of the Project before December 1, 2001.

Section 3.4. The Bonds. (A) The principal amounts, interest rates, interest and principal payment dates, and debt service with respect to the Bonds are detailed in the Official Statement.

(B) Using the initial offering price of the Bonds as the "purchase price" and taking into account accrued interest, original issue discount and Bond Insurance Premium as described below, the yield on the Bonds is computed by the Purchaser to be 4.89534% (the "Bond Yield").

(C) A Sinking Fund for the Bonds is created under the Ordinance. Accrued interest and capitalized interest on the Bonds in the aggregate amount of $1,270,414.59 will be deposited in the Sinking Fund on the Closing Date. Such amount will be used to pay interest becoming due on the Bonds during the period of construction of the Project. All such amounts will be expended for payment of interest on the Bonds within 36 months from the Closing Date. Except as aforesaid, moneys deposited to the Sinking Fund, including subsequent deposits thereto, will be spent within a 13-month period beginning on the date of deposit and will be depleted at least once a year, except for a reasonable carryover amount not in excess of 1/12 of the annual debt service with respect to the Bonds. The Bonds all bear interest at a fixed interest rate and the average maturity of the Bonds is in excess of 5 years. The Sinking Fund is designed to achieve a proper matching of the Issuer's revenues and debt service on the Bonds within each Bond Year. Such moneys will be invested without restriction as to yield and are not subject to rebate.

(D) A Reserve Account within the Sinking Fund is created under the Ordinance in an amount equal to 125% of the average annual Debt Service on the Bonds (the "Reserve Account Requirement"). Such amount is less than the Maximum Annual Debt Service on the Bonds and is less than 10% of the stated principal amount of the Bonds. The Reserve Account is being funded by the deposit of proceeds of the Bonds in the amount of $800,347.32. All cash amounts in the Reserve Account will be invested without restriction as to yield. All cash in the Reserve Account and earnings thereon will be subject to rebate.

(E) A Depreciation Fund is created under the Ordinance, to be funded through monthly deposits of Revenues. Absent an Event of Default on the Bonds, and depletion in full of the Reserve Account, the Depreciation Fund is not expected to be used for the purpose of paying Debt Service on the Bonds. The Issuer is required to deposit 2 1/2% of the Gross Revenues each month into the Depreciation Fund. Disbursements may be made from the Depreciation Fund at any time to pay for replacements, repairs, improvements or extensions of the System. In the event the Issuer experiences financial difficulties with respect to the System, it is not expected that the Depreciation Fund or any portion thereof will be available to pay Debt Service on the Bonds. Such moneys will be invested without restriction as to yield and are not subject to rebate.

(F) A Redemption Account is created under the Ordinance. In the event moneys are deposited into the Redemption Account, to the extent they are not part of a Bona Fide Debt Service Fund, they will, to the extent the yield thereon exceeds the yield on the Bonds, be subject to rebate. Otherwise, they will be invested without restriction as to yield and are not subject to rebate.

(G) A Costs of Issuance Fund is created under the Ordinance, to be funded from proceeds of the Bonds in the amount of $31,754.81. Such amount shall be fully expended within six months from the date hereof. Pending such disbursement, such moneys will be invested without restriction as to yield and are not subject to rebate.

(H) A Construction Fund is created under the Ordinance, to be funded from proceeds of the Bonds in the amount of $7,266,920.12 and estimated earnings thereon in the amount of $651,215, which will be used to pay costs of acquisition and construction of the Project. All such amounts shall be fully expended within 36 months from the Closing Date. Pending such disbursement, such moneys will be invested without restriction as to yield but such amounts will be subject to rebate.

The Issuer shall, within 6 months of the Closing Date, enter into a contract for the acquisition and construction of the Project, and the amount to be expended pursuant to such contract exceeds the lesser of 2 1/2% of the estimated total Project cost financed with proceeds of the Bonds or $100,000. Work with respect to the acquisition and construction of the Project will commence shortly and will proceed with due diligence to completion. Acquisition and construction of the Project is expected to be completed within 35 months. All moneys in the Construction Fund will be expended for the Project within 36 months from the date hereof. The Project will be operated solely for a public purpose as a local governmental activity of the Issuer. The Issuer expects no part of the Project will be sold or otherwise disposed of prior to the last maturity date of the Bonds. $200,000 of the proceeds of the Bonds will be used to reimburse the Issuer for costs of the Project previously incurred and paid by the Issuer with its own funds. The Issuer has, on November 10, 1998, adopted a "Reimbursement Resolution" complying with the requirements of Treas. Reg.§ 1.150-2 of the Regulations in connection with such reimbursement, and the reimbursement allocation will be made within 30 days of the Date of Issue.

Except for the moneys in the Construction Fund, no other funds of the Issuer will be available to meet costs of the Project, which would constitute "replacement proceeds" within the meaning of Treas. Reg. § 1.148-1(c), inasmuch as (i) the Issuer does not reasonably expect that the term of the Bonds is longer than is reasonably necessary for the governmental purposes of the Issuer, (ii) the weighted average maturity of the Bonds does not exceed 120% of the average expected economic life of the Project, and (iii) there are no amounts that have a sufficiently direct nexus to the Bonds or to the governmental purpose of the Bonds to conclude that the amounts would have been used for that governmental purpose if the proceeds of the Bonds were not used or to be used for that governmental purpose.

(I) For purposes of calculating the yield on the Bonds there has been taken into account as interest a premium in the amount of $52,731.68 to be paid to acquire a Municipal Bond Insurance Policy issued by Ambac Assurance Corporation ("Ambac"), guaranteeing timely payment of the principal of and interest on the Bonds (the "Bond Insurance Policy"). The Purchaser has stated in its certificate that, as a result of the "AAA" rating accorded to the Bonds resulting from the Bond Insurance Policy, the present value of the premium paid for the Bond Insurance Policy is less than the present value of the interest savings attributable thereto, using a present value factor equal to the yield on the Bonds, computed without regard to such premium.

(J) Other than the funds and accounts described above, there are no other funds or accounts of the Issuer (i) which are reasonably expected to be used to pay Debt Service on the Bonds or which are pledged as collateral to secure repayment of Debt Service on the Bonds and (ii) for which there is a reasonable assurance that amounts therein will be available to pay Debt Service on the Bonds.

Section 3.5. Arbitrage Compliance. The Issuer acknowledges that the continued non-inclusion of interest on the Bonds for purposes of Federal income taxation depends, in part, upon compliance with the arbitrage limitations imposed by Section 148 of the Code, including the rebate requirement described in Section 3.5 hereof. The procedures set forth below are subject to amplification and revision as necessary to comply with the rebate requirements. The Issuer hereby agrees and covenants to take all actions necessary to comply with these requirements. The Issuer hereby agrees and covenants that it shall not permit at any time or times any of the proceeds of the Bonds or other funds of the Issuer to be used directly or indirectly, to acquire any asset or investment, the acquisition of which would cause the Bonds to be "arbitrage bonds" for purposes of Section 148 of the Code. The Issuer further agrees and covenants that it shall do and perform all acts and things necessary in order to assure that the arbitrage and rebate requirements of Section 148 of the Code are met. To that end, the Issuer shall take the actions described in Sections 3.4 through the end of Article III hereof with respect to the investment of proceeds on deposit in the funds and accounts established Ordinance. The Issuer shall cause to be made the required transfers, dispositions and payments described in Sections 3.4 through the end of Article III hereof.

Section 3.6. Calculation of Rebate Amount. Section 148(f) of the Code requires the payment to the United States of the excess of the amount earned on the investment of Gross Proceeds in Nonpurpose Investments over the amount that would have been earned on such investments had the amount so invested been invested at a rate equal to the Yield on the Bonds, together with any income attributable to such excess. Except as provided below, all of the funds and accounts established by the Ordinance, and all other amounts treated as Gross Proceeds, to the extent funded with proceeds of the Bonds, are subject to this requirement. In order to meet the rebate requirement, the Issuer agrees and covenants to take the following actions:

(A) Record of Investments and Expenditures. For each Nonpurpose Investment acquired with or allocated to Gross Proceeds of the Bonds, the Issuer shall record its purchase date or allocation date, its purchase price (reduced by broker's or dealer's commissions or other administrative expenses, which shall also be separately stated), or, if not acquired directly with Gross Proceeds, its Fair Market Value on the allocation date, accrued interest due on its purchase date or allocation date, its face amount, its coupon or interest rate, its Yield-to-Maturity, the frequency of its interest payments, its disposition price (not reduced by any broker or dealer's commission or discount), accrued interest due on its disposition date and its disposition date. The Issuer shall also record the date and amount of all expenditures made with the proceeds of the Bonds, including the payment of any Rebate Amount.

Generally, Administrative Costs paid with respect to Nonpurpose Investments do not increase the costs of such Investments or reduce the income therefrom. Administrative Costs paid with respect to guaranteed investment contracts have the effect of increasing the yield thereon for rebate purposes.

(B) Computation of Yield. For each Computation Date, the Issuer shall compute Yield on the Bonds. When expressed as a decimal, Yield shall be accurate to at least six (6) decimal places and rounded to at least five (5) decimal places.

(C) Computation of Rebate Amount. Subject to the special rules set forth in

paragraphs (F) and (G) of this Section 3.6, the Issuer shall determine the Rebate Amount on each Computation Date. For this purpose:

(1) Any Computation Date. The Rebate Amount, determined as of any Computation Date, shall be equal to the excess of the Future Value of all receipts with respect to the Nonpurpose Investments allocated to the Bonds over the Future Value of all payments with respect to such Nonpurpose Investments, which excess, in the case of the Final Computation Date, shall be increased by the amount described in subparagraph (2) below.

(2) Final Computation Date. Only in the case of the Final Computation Date, the amount determined under subparagraph 1) above shall be increased by the earnings actually derived from investing such amount at an arm's length interest rate during the "payment period" that begins on the Final Computation Date and ends fifteen (15) days before the final Rebate Amount is actually paid; provided that if the moneys representing the final Rebate Amount cannot be identified on the Final Computation Date under a reasonable accounting system or, even if so identified, have not been invested at an arm's length interest rate, then the amount of the increase shall be equal to the earnings that would have accrued if the Rebate Amount had been so identified and had been invested at a rate equal to the maximum rate of interest in effect on

the Final Computation Date for a SLG having a term equal to thirty (30) days or, if longer, the payment period referred to above.

(D) Nonpurpose Receipts. For purposes of paragraph (C), receipts with respect to a Nonpurpose Investment that is allocated to the Bonds consist of:

(1) Actual Receipts. The amount(s) actually or constructively received with respect to the Nonpurpose Investment, determined without reduction for sales commissions, administrative expenses or similar expenses. An amount is constructively received when it is credited to the account of, set apart for, or otherwise made available to or for, a payee so that such amount may be drawn on by such payee (or could be so drawn on, assuming timely notice of the payee's intention to withdraw).

(2) Disposition Receipts. The amount corresponding to the Fair Market Value of a Nonpurpose Investment that ceases to be allocated to the Bonds for reasons not related to its sale or retirement, determined as of the date of such cessation.

(3) Installment Date Receipts. The amount corresponding to the Fair Market Value of a Nonpurpose Investment that continues to be allocated to the Bonds on any Computation Date. For this purpose, the Present Value of a fixed rate Nonpurpose Investment which is not

an investment contract may be substituted for its Fair Market Value.

(4) Rebate Receipts. The amount(s), if any, representing the recovery of rebate overpayments, determined as of the date of any such recovery.

(5) Imputed Receipts. The amount(s), if any, representing Imputed Receipts, as defined herein and as determined from time to time in accordance with such definition.

(E) Nonpurpose Payments. For purposes of paragraph (C), payments with respect to a Nonpurpose Investment that is allocated to the Bonds consist of:

(1) Direct Payments. The amount of the Gross Proceeds of the Bonds that was used to purchase the Nonpurpose Investment, determined without regard to brokerage commissions, administrative expenses or similar expenses.

(2) Constructive Payments. The amount that is equal to the Fair Market Value of a Nonpurpose Investment which, although not directly purchased with the Gross Proceeds of the Bonds, is allocated to the Bonds, determined as of the date that such investment becomes so allocated.

(3) Rebate Payments. The amount which is equal to the portion of the Rebate Amount, if any, that is required to be paid following a Computation Date, determined as of

the earlier of the date of any such payment or the due date of any such payment.

(4) Computation Date Credit. The amount corresponding to the application Computation Date Credit, determined as of each Computation Date.

(F) Exceptions for Construction Fund Expenditures. If the Issuer qualifies under any of the exceptions to rebate under Section 148(f) of the Code or Reg. § 1.148-7(d), earnings on moneys deposited in the Construction Fund will not be subject to rebate.

(G) Exception from Rebate for Certain Debt Service Fund Earnings. Notwithstanding anything in this Section 3.6 to the contrary, if the gross earnings from the Investments held in the Debt Service Fund for the Bond Year in question, that are attributable to Nonpurpose Investments, are less than $100,000 (other than from the investment of moneys in obligations described in Section 103(a) of the Code which are also not specified Private Activity Bonds within the meaning of Section 57(a)(5)(C) of the Code), then any amount earned on such Bond Fund shall not be taken into account in determining the Rebate Amount. For purposes of this paragraph, the term "gross earnings" means the aggregate amount earned on the Nonpurpose Investments allocated to the Gross Proceeds of the Bonds credited to the Debt Service Fund including amounts earned on such amounts if in turn credited to the Debt Service Fund.

(H) Calculation of Rebate Amount. For each Computation Date, the Issuer shall compute, or cause to be computed.

(I) Hedge Bonds. Not more than fifty percent (50)%) of the proceeds of the Bonds are or

will be invested in Nonpurpose Investments at a guaranteed yield for a period of four (4) years or more.

Section 3.7. Payment to United States. (A) Unless the Bonds are redeemed prior to such time, the Issuer shall pay to the United States, not later than sixty (60) days after each Installment Computation Date, an amount which, when added to all previous rebate payments made with respect to the Bonds, is equal to not less than ninety percent (90%) of the Rebate Amount (computed from the date of issuance of the Bonds to each such Installment Computation Date). The Issuer shall pay to the United States, not later than sixty (6) days after the last outstanding Bonds are paid or redeemed, one hundred percent (100%) of the Rebate Amount for the Final Computation Date.

(B) The portion of the Rebate Amount that is required to be paid following a Computation Date shall be rounded down to the nearest multiple of $100. Any such portion that is less than $100 shall be rounded to $0.

(C) The Issuer shall make each payment of an installment to the Internal Revenue Service Center, Philadelphia, Pennsylvania 19255. Each payment shall be accompanied by the copy of the Form 8038-T or Form 8038 filed with respect to the Bond issue, the statement summarizing the determination of the Rebate Amount and also, to the extent not otherwise shown on the Form 8038, a statement on which is identified the issue for which the Rebate Amount is due and the CUSIP number for the Bond having the latest maturity.

Section 3.8 Recordkeeping. In connection with the rebate requirement the Issuer shall maintain the following records.

(A) The Issuer shall retain records of the determinations made pursuant to Section 3.5 until six (6) years after the retirement of the last obligation of the issue.

(B) The Issuer shall record all amounts paid to the United States pursuant to Section 3.5.

Section 3.9. Rebate Analyst. A Rebate Analyst shall be appointed to perform the rebate calculations required herein. The charges and fees of such Rebate Analyst shall be paid by the Issuer upon presentation of an invoice for services rendered in connection therewith.

Section 3.10. Covenant as to Purchase Price. The Issuer covenants and agrees that it shall not acquire Nonpurpose Investments at other than arm's length, Fair Market Value prices.

ARTICLE IV

COVENANTS AND AMENDMENTS

Section 4.1. Compliance with Code. The Issuer covenants and agrees that it shall at all times do and perform all acts and things necessary and within its reasonable control in order to assure that interest paid on the Bonds shall, for purposes of Federal income taxation, be not included in gross income.

The Issuer acknowledges that the covenants and conditions set forth in this Tax Certificate are based upon the Code as it exists on the date hereof and that the Code may be subsequently interpreted or modified by the Federal government in a manner which is inconsistent with the covenants set forth herein. The Issuer agrees that any such subsequent modification or interpretation of the Code will be deemed a requirement that must be met pursuant to the general tax covenant set forth above.

The Issuer shall not be required to comply with any specific requirement of this Tax Certificate to the extent that, in the opinion of Bond Counsel furnished to the Issuer, compliance with such requirement is not necessary to maintain the tax-exempt status of the Bonds.

Section 4.2. Amendment. This Tax Certificate may be amended by consent of Bond Counsel.

IN WITNESS WHEREOF, the Issuer has caused this Tax and Non-Arbitrage Certificate to be executed on its behalf by its duly authorized representatives all as of the date first above written.

CITY OF FAIRMONT

By _____
Its Mayor

By _____
Its City Manager

12/29/98
268460/98001

SCHEDULE A

SOURCES AND USES OF BOND PROCEEDS

Sources	
Par amount of Bonds	$9,600,000.00
Accrued interest (Dec. 15, 1998 to Dec. 30, 1998)	18,752.92
Total Sources	$9,618,752.92

Uses	
Deposit to Construction Fund	$7,266,920.12
Original Issue Discount	134,079.40
Accrued interest to Sinking Fund	18,752.92
Capitalized Interest to Sinking Fund	1,251,661.67
Reserve Account deposit	800,347.32
Bond Insurance Premium	52,731.68
Underwriter's Discount	62,505.00
Costs of Issuance	31,754.81
Total Uses	$9,618,752.92

SCHEDULE B - SERIES 1998

SUMMARY OF USE OF PROCEEDS FOR FORM 8038-G PURPOSES

(a)	Issuer's Employee Identification Number	55-6000171
(b)	IRS Form 8038 (or 8038-G) report number for 1998	1
(c)	Date of Issue	12/30/98
(d)	CUSIP Number	305459 EL9
(e)	Issue price of the Bonds (excluding accrued interest)	$9,465,920.60
(f)	Final Maturity	7/1/2029
(g)	Weighted Average Maturity of the Bonds	21.610 years
(h)	Yield on Bonds	4.89534 %
(i)	Net Interest Cost of Bonds	4.91085 %
(j)	Proceeds used for Accrued Interest	$18,752.92
(k)	Costs of Issuance (including Underwriter's Discount) Paid from Proceeds of Bonds	$94,259.81
(l)	Debt Service Reserve Fund deposit (from Bond proceeds)	$800,347.32
(m)	Bond Proceeds used for Credit Enhancement	$52,731.68
(n)	Bond Proceeds used to advance refund prior issue	-0-
(o)	Bond Proceeds used to current refund prior issue	-0-
(p)	Nonrefunding Proceeds of the Bonds	8,518,581.79
(q)	Amount of Bonds designated by Issuer under § 265(b)(3)(B)	$9,600,000
(r)	Amount of Gross Proceeds invested in a Guaranteed Investment Contract	$7,266,920
(s)	Final Maturity Date of Guaranteed Investment Contract	10/1/2000

CITY OF FAIRMONT

(WEST VIRGINIA)

WATER REVENUE BONDS, SERIES 1999

TAX AND NON-ARBITRAGE CERTIFICATE

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TAX AND NON-ARBITRAGE CERTIFICATE

WHEREAS, the City of Fairmont (the "Issuer") has determined to issue its $19,945,000 Water Revenue Bonds, Series 1999, dated January 1, 1999 (the "Bonds"), to provide moneys, which, together with certain other moneys available to the Issuer, will be used for the purposes of (i) paying costs of acquisition and construction of additions, betterments and improvements (the "Project") to the existing public waterworks system (the "System") of the Issuer, (ii) capitalizing interest on the Bonds during the period of construction of the Project and up to 6 months thereafter; (iii) funding a debt service reserve account for the Bonds, and (iv) paying costs of issuance of the Bonds and related costs.

WHEREAS, the Bonds are intended to be issued as obligations of the Issuer upon which the interest thereon is excludable from the gross income of the owners thereof for federal income tax purposes;

WHEREAS, the Internal Revenue Code of 1986 and the Regulations promulgated with respect thereto, as amended (collectively, the "Code") prescribe restrictions on the Bonds, the activities of the Issuer and the application and expenditure of Bond proceeds and earnings thereon in order that interest on the Bonds not be includable in gross income of the owners thereof for federal income tax purposes, and compliance with the procedures in this Tax and Non-Arbitrage Certificate (the "Tax Certificate") is required in order to ensure that the requirements of the Code are and will continue to be met;

WHEREAS, this Tax Certificate sets forth such restrictions on the Bonds, the activities of the Issuer, the application, investment and expenditure of Bond proceeds and earnings thereon; and

WHEREAS, in order to ensure that interest on the Bonds will not be includable in gross income of the owners thereof for federal income tax purposes, such requirements must be met unless the Issuer is notified in writing to the contrary by Bond Counsel;

NOW THEREFORE, the undersigned Mayor and City Manager of the Issuer, being the officials of the Issuer duly charged with the responsibility for the issuance of the Bonds, hereby certify as follows, all capitalized terms used herein and not otherwise defined to have the same meanings as set forth in the Bond Ordinance enacted by the Issuer on November 10, 1998, as supplemented by a Supplemental Resolution adopted by the Issuer

on December 17, 1998 (collectively, the "Ordinance"), pursuant to which the Bonds are issued:

ARTICLE I

DEFINITIONS AND INTERPRETATION

Section 1.1. Definitions. For the purpose of this Tax Certificate, the following words and terms shall have the respective meanings set forth as follows, and any capitalized words or terms used but not defined herein shall have the meanings set forth in the Ordinance:

"**Average Economic Life**" shall mean the average reasonably expected economic life, within the meaning of Section 147(b) of the Code, of the assets financed or refinanced with the proceeds of the Bonds.

"**Average Maturity**" shall mean the average maturity of the Bonds within the meaning of Section 147(b) of the Code.

"**Bona Fide Debt Service Fund**" shall mean a fund which may include proceeds of an issue, that:

(a) Is used primarily to achieve a proper matching of revenues with principal and interest payments within each Bond Year; and

(b) Is depleted at least once each Bond Year, except for a reasonable carryover amount not to exceed the greater of:

(i) the earnings on the fund for the immediately preceding Bond Year; or

(ii) one-twelfth (1/12th) of the principal and interest payments on the issue for the immediately preceding Bond Year.

"**Bond Counsel**" shall mean any law firm or firms with expertise in public finance selected by the Issuer with respect to the issuance of or matters relating to the exclusion from federal income taxation of interest on the Bonds.

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

"**Bond Yield**" shall mean the yield of the Bonds, calculated in accordance with the provisions of Section 1.148-4 of the Regulations.

"**Bonds**" shall mean the Issuer's $19,945,000 Water Revenue Bonds, Series 1999, dated January 1, 1999.

"**Closing Date**" or "**Date of Issue**" means January 14, 1999, the date of this Tax Certificate, which is the date on which the Issuer has delivered the Bonds in exchange for the purchase price thereof.

"**Code**" shall mean the Internal Revenue Code of 1986, and the Regulations promulgated thereto, as amended.

"**Computation Date**" shall mean each Installment Computation Date and the Final Computation Date.

"**Computation Date Credit**" shall mean $1,000 for each Bond Year during which there are Proceeds subject to rebate, or such other amount as may then be permitted by the Regulations. Only one Computation Date Credit for each Computation Date is permitted for the Bonds.

"**Costs of Issuance**" shall mean all costs incurred in connection with the issuance of the Bonds.

"**Discharged**" shall mean with respect to any Bond, the date on which all amounts due with respect to such Bond are actually and unconditionally due if cash is available at the place of payment and no interest accrues with respect to the Bond after such date.

"**Eligible Investment**" shall mean a fixed rate investment that is not a SLG and is not in a restricted escrow; the payment taken into account with respect to which equals the outstanding par amount of the investment plus accrued interest (if any) for a period of less than one year; the interest on which accrues on the outstanding par amount of the investment and is actually and unconditionally due at periodic intervals of one year or less; the first payment of interest on which is due at the end of the first short compounding interval or the first whole compounding interval; and the maturity date of which is the highest yield date, i.e., the date on which the holder is entitled to require the investment to be purchased, redeemed or retired at a stated price that when used in computing the yield on the investment produces the highest yield.

"**Fair Market Value**" of an Investment shall mean as follows:

(a) In General. Except as specifically otherwise provided below, the Fair Market Value of an Investment is the price at which a willing buyer would purchase the Investment from a willing seller

in a bona fide arm's length transaction. The Fair Market Value of an Investment that is purchased directly from the United States Treasury is its purchase price.

(b) Investment Contracts. The purchase price of a guaranteed investment contract is treated as its Fair Market Value on the purchase date if -

(i) The institution makes a bona fide solicitation for a specified guaranteed investment contract and receives at least three (3) bona fide bids from providers that have no material financial interest in the issue (e.g. as underwriters or brokers);

(ii) The institution purchases the highest yielding guaranteed investment contract for which a qualifying bid is made (determined net of broker's fees);

(iii) The yield on the guaranteed investment contract (determined net of broker's fees) is not less than the yield then available from the provider on reasonably comparable guaranteed investment contracts, if any, offered to persons from a source of funds other than gross proceeds of tax exempt bonds;

(iv) The determination of the terms of the guaranteed investment contract takes into account as a significant factor the Issuer's reasonably expected draw down schedule for the amounts to be invested, exclusive of amounts deposited in debt service funds and reasonably required reserve or replacement funds;

(v) The terms of the guaranteed investment contract, including collateral security requirements, are reasonable; and

(vi) The obligor on the governmental investment contract certifies the administrative costs that it is paying (or expects to pay) to third parties in connection with the guaranteed investment contract.

(c) Certificates of Deposit. The Fair Market Value of a certificate of deposit is its purchase price if it has a fixed rate of interest, a fixed payment schedule, and a substantial penalty for early withdrawal and the yield on the certificate of deposit is not less than (1) the yield on comparable direct obligations of the United States, and (2) the highest yield published or posted by the provider to be currently available on reasonably comparable certificates of deposit.

"**Final Computation Date**" shall mean the date on which the last Bond is Discharged.

"**Fiscal Year**" means the fiscal year of the Issuer, which commences on July 1 of each year and ends on June 30 of the subsequent year.

"**Future Value**" shall mean the amount determined by using the following formula:

$$FV = PV(1+i)^n$$

where:

FV = The future value of the nonpurpose receipt or payment at the end of the interval. Each interval ends on the last day of a compounding interval. The compounding interval is the same compounding interval used in computing the Bond Yield.

PV = The future value of the nonpurpose receipt or payment at the beginning of the interval, or the amount thereof if the computation is for the first interval.

The first interval begins on the date the nonpurpose receipt or payment is actually or constructively received or paid (or otherwise is taken into account). The amount of every nonpurpose receipt and payment with respect to an issue that is taken into account at the beginning of the first interval may be rounded to the nearest whole dollar. The preceding sentence shall not apply to receipts and payments with respect to investments in a restricted escrow within the meaning of Section 1.148-8(g) of the Regulations.

i = The Bond Yield during the interval (expressed as a decimal) divided by the number of compounding intervals in a year.

^{n} = A fraction, the numerator of which is the length of the interval and the denominator of which is the length of a whole compounding interval.

"**Governmental Unit**" shall mean a state, a political subdivision or instrumentality of the foregoing within the meaning of Section 141(b)(6) of the Code.

"**Gross Proceeds**" shall mean Proceeds and Replacement Proceeds of the Bonds within the meaning of the Regulations.

"**Installment Computation Date**" shall mean the last day of the fifth Bond Year and each succeeding fifth Bond Year, until and excluding the Final Computation Date.

"**Investment**" shall mean any security, obligation, annuity contract, or investment type property as defined in section 148(b) of the Code.

"**Investment Proceeds**" shall mean any amounts actually or constructively received from investing Proceeds of an issue of bonds.

"**IRS**" shall mean the Internal Revenue Service.

"**Issue Price**" shall mean, with respect to the Bonds, $19,968,379.42 (par amount, less original issue discount, plus accrued interest) for all purposes other than IRS Form 8038-G.

"**Issuer**" shall mean the City of Fairmont, a municipal corporation and political subdivision of the State of West Virginia, in Marion County thereof, and, unless the context clearly indicates otherwise, includes the Council and any successor thereto.

"**Net Sale Proceeds**" shall mean Sale Proceeds less the amount of those proceeds invested in a reasonably required reserve or replacement fund under section 148(d) of the Code and as part of a minor portion under section 148(e) of the Code.

"**Nonpurpose Investment**" shall mean any Investment that is not acquired to carry out the governmental purpose of an issue.

"**Payment**" shall mean a payment as defined in section 1.148-3(d) of the Regulations for purposes of computing the rebate amount, and a payment as defined in section 1.148-5(b) of the Regulations for purposes of computing the yield on an investment.

"**Present Value**" shall mean the amount determined by using the following formula:

$$PV = \frac{FV}{(1+i)^n}$$

where i equals the discount rate divided by the number of compounding intervals in a year and n equals the sum of (i) the number of whole compounding intervals for the period ending on the date as of which the Future Value is determined and (ii) a fraction the numerator of which is the length of any short compounding interval during such period and the denominator of which is the length of a whole compounding interval.

"**Present Value of an Investment**" shall mean the value of an investment computed under the economic accrual method; using the same compounding interval and financial conventions used to compute the yield on the Bonds. On any valuation date, the Present Value of an Investment is equal to the Present Value of all unconditionally payable receipts to be received from the payments to be paid for the investment after that date, using the Yield on the Investment as the discount rate.

"**Proceeds**" shall mean Sale Proceeds, Investment Proceeds, and Transferred Proceeds of an issue of bonds. Proceeds do not include amounts that are actually or constructively received with respect to an investment that is acquired for the governmental purpose of an issue that are properly allocable to the immaterially higher yield under section 1.148-2(d) of the Regulations or section 143(g) of the Code or to qualified administrative cost recoverable under section 1.148-5(e).

"**Purchaser**" shall mean collectively, Ferris, Baker Watts, Incorporated and Crews & Associates, Inc., as the original purchasers of the Bonds directly from the Issuer.

"**Purpose Investment**" shall mean any investment that is acquired with the Gross Proceeds of an issue of obligations to carry out the governmental purpose for which such issue was issued.

"**Rebate Amount**" shall mean with respect to the Bonds, the amount computed as described in Section 3.5 hereof.

"**Rebate Analyst**" shall mean the entity or person chosen by the Issuer in accordance with Section 3.8 hereof to determine the Rebate Amount.

"**Rebate Payment Date**" shall mean the date following a Computation Date on which the Rebate Amount is mailed or otherwise filed with the IRS. The Rebate Payment Date cannot be a date which is more than 60 days after a Computation Date.

"**Rebate Yield**" shall mean the yield on the Bonds for purposes of determining the Rebate Amount, computed as described in Section 3.3(B) hereof.

"**Receipt**" shall mean a receipt as defined in section 1.148-3(d) of the Regulations for purposes of computing the Rebate Amount, and a receipt as defined in section 1.148-5(b) for purposes of computing Yield on an Investment.

"**Regulation**" or "**Regulations**" shall mean the temporary, proposed or final Income Tax Regulations promulgated by the Department of the Treasury that are applicable to the Bonds.

"**Related Person**" shall mean any person related to any beneficiary of the Bonds within the meaning of Section 144(a)(3) of the Code.

"**Replacement Proceeds**" shall mean amounts that are treated as replacement proceeds of an issue of bonds under section 1.148-1(c) of the Regulations. Generally, amounts are Replacement Proceeds of an issue if the amounts have a sufficiently direct nexus to the governmental purpose of the issue to conclude that the amounts would have been used for that governmental purpose if the proceeds of the issue were not used or to be used for that governmental purpose. Replacement Proceeds include, but are not limited to, sinking funds or pledged funds to the extent that those funds are held by or derived from a substantial beneficiary of the issue (which, for this purpose includes the issuer and any related party to the issuer).

"**Sale Proceeds**" shall mean amounts actually or constructively received from the sale of an issue of bonds (including amounts used to pay underwriter's discount and compensation and accrued interest other than pre-issuance accrued interest).

"**SLG**" or "**SLGS**" shall mean a time deposit security issued by the United States Treasury pursuant to the Time Deposit State and Local Government Series Program described in 31 C.R.F. part 344.

"**State**" shall mean the State of West Virginia.

"**Tax-Exempt Bond**" shall mean any tax-exempt bond within the meaning of section 103 of the Code and section 1.150-1 of the Regulations that is not investment property within the meaning of section 148(b)(3) of the Code.

"**Tax Certificate**" shall mean this Tax and Non-Arbitrage Certificate of the Issuer as the same may be amended, modified or supplemented from time to time in accordance with the terms hereof.

"**Treasury**" shall mean the United States Department of Treasury.

"**Universal Cap**" shall mean the maximum value of Nonpurpose Investments which may be allocated to the Bonds under section 1.148-6 of the Regulations and is determined by reference to the Value of all outstanding Bonds of the issue. For purposes of this determination Nonpurpose Investments include cash, Tax-Exempt Bonds (i.e., any tax-exempt bond that is not investment property under section 148(b)(3) of the Code), qualified mortgage loans, and qualified student loans.

"**Valuation Date**" shall mean the date on which the value of the Universal Cap and the Nonpurpose Investments allocable to the Bonds thereunder must be determined under section 1.148-6 of the Regulations. In general, beginning with the first Bond Year beginning after second year anniversary of the Issue Date, the first day of each Bond Year constitutes a Valuation Date. In addition, the Regulations provide with respect to a refunded issue (e.g., the Prior Bonds) and a refunding issue (i.e., the Series 1998 Bonds) each date on which proceeds of the refunded issue would become transferred proceeds of the refunding issue, e.g., each date on which principal of the refunded issue is paid with proceeds of the refunding bonds, constitutes a Valuation Date.

"**Value of a Bond**" shall mean the value of a bond determined under section 1.148-4(e) of the Regulations. Under those Regulations, value generally means:

> (a) In the case of a plain par bond (within the meaning of section 1.148-1(b) of the Regulations), its outstanding stated principal amount, plus accrued unpaid interest or in the case of a plain par bond actually redeemed, or that is treated as redeemed, its stated redemption price on the redemption date plus accrued unpaid interest; and
>
> (b) In the case of a bond other than a plain par bond, the value on a date of such a bond is generally its Present Value on that date, using the yield on the issue of which the bonds are a part as

the discount factor. In determining the Present Value of a variable rate bond, the initial interest rate on the bond established by the index or other rate setting mechanism is used to determine the interest payments on that bond.

"**Value of an Investment**" means the value of an investment determined under section 1.148-5(d) of the Regulations. Under those Regulations, value as of any date generally means, for any fixed rate investment (within the meaning of section 1.148-1(b) of the Regulations) or Yield Restricted Investment, Present Value on that date, and for any plain par investment (within the meaning of section 1.148-1(b) of the Regulations), the outstanding stated principal amount, plus accrued unpaid interest, as of that date.

"**Yield**" or "**yield**" shall mean the yield computed under section 1.148-4 of the Regulations for the Bonds, and the yield computed under Section 1.148-5 of the Regulations for an Investment.

"**Yield Restricted Investments**" shall mean any Investments which either (1) bear a yield that is no greater than the Bond Yield, or (2) are investments in one or more Tax-Exempt Bonds.

Section 1.2. Interpretation. In this Tax Certificate:

(A) The terms "hereby," "hereof," "hereto," "herein," "hereunder" and any similar terms, as used in this Tax Certificate, refer to this Tax Certificate, and the term "hereafter" means after, and the term "heretofore" means before the date of this Tax Certificate.

(B) Unless the context requires otherwise, words of the masculine gender mean and include correlative words of the feminine and neuter genders and words importing the singular number mean and include the plural number and vice versa.

(C) Words importing persons include firms, associations, partnerships, trusts, corporations and other legal entities, including public bodies, as well as natural persons.

(D) Any headings preceding the texts of the several Articles and Sections of this Tax Certificate, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Tax Certificate, nor shall they affect its meaning, construction or effect.

(E) All certifications, documents and instructions required to be given or made by any person or party hereunder shall be made in writing.

(F) This Tax Certificate shall be governed by and construed in accordance with the applicable laws of the State.

(G) If any provision of this Tax Certificate shall be ruled invalid by any court of competent jurisdiction, the invalidity of such provision shall not affect any of the remaining provisions hereof.

Section 1.3. Reliance on Documents. Bond Counsel shall be permitted to rely on the contents of any certification, document or instruction provided pursuant to this Tax Certificate and shall not be responsible or liable in any way for the accuracy of its contents or the failure of the Issuer to deliver such document.

ARTICLE II

REPRESENTATIONS BY THE ISSUER AND USE OF PROCEEDS

Section 2.1. Representations of the Issuer. The Issuer represents that:

(A) This certificate is being executed and delivered pursuant to Section 148 of the Code. We are officers of the Issuer charged with the responsibility of issuing the Bonds. We are familiar with the facts, circumstances, and estimates herein certified and duly authorized to execute and deliver this certificate on behalf of the Issuer.

(B) This certificate may be relied upon as the certificate of the Issuer.

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

(D) This certificate is based upon facts, circumstances, estimates and expectations of the Issuer in existence on the Closing Date and to the best of our knowledge and belief, the expectations of the Issuer set forth herein are reasonable.

(E) The Issuer has covenanted in the Ordinance that it will not permit at any time or times any of the proceeds of the Bonds or any funds of the Issuer to be used directly or indirectly to acquire any securities or obligations, the acquisition of which would cause any of the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code.

Section 2.2. Use of Proceeds. (A) The Bonds were sold and delivered on the Closing Date, upon a negotiated basis, to the Purchaser for the purchase price of $19,803,753.55 (par amount of $19,945,000.00, less underwriter's discount of $128,447.50, less original issue discount of $12,798.95), plus interest accrued thereon in the amount of $36,178.37 (total of $19,839,931.92).

(B) The Bonds are being delivered simultaneously with the delivery of this Tax Certificate and are issued for the purposes of providing moneys, together with other funds of the Issuer necessary to (i) paying costs of acquisition and construction of additions, betterments and improvements to the System, (ii) capitalizing interest on the Bonds during the period of construction of the Project and up to 6 months thereafter, (iii) funding a debt service reserve account for the Bonds, and (iv) paying costs of issuance of the Bonds and related costs.

(C) The face amount of the Bonds is $19,945,000. The sources and uses of proceeds of the Bonds is as follows:

Sources	
Par amount of Bonds	$19,945,000.00
Accrued interest (Jan. 1, 1999 to Jan. 14, 1999)	36,178.37
Total Sources	$19,981,178.37

Uses	
Deposit to Construction Fund	$15,074,677.61
Original Issue Discount	12,798.95
Accrued interest to Sinking Fund	36,178.37
Capitalized Interest to Sinking Fund	2,753,000.44
Reserve Account deposit	1,803,585.96
Bond Insurance Premium	114,284.02
Underwriter's Discount	128,447.50
Costs of Issuance	58,205.52
Total Uses	$19,981,178.37

(D) The Purchaser has stated in its certificate that the Bonds have been reoffered, and a substantial amount thereof sold, to purchasers other than bond houses, brokers or other intermediaries, at the initial offering prices not greater than, or yields no lower than, the respective prices and yields shown on the inside cover page of the Official Statement for the Bonds, including interest accrued on the Bonds from January 1, 1999.

ARTICLE III

ARBITRAGE

Section 3.1. Arbitrage Representations. The Issuer represents that:

(A) The Proceeds from the sale of the Bonds shall be applied as indicated in Section 2.2.

(B) The Issue Price of the Bonds is based on the certificate executed by the Purchaser of even date herewith. The Issuer is not aware of any facts or circumstances that would cause them to question the accuracy of the representations made by the Purchaser.

(C) No portion of the proceeds of the Bonds will be used directly or indirectly to replace funds of the Issuer used directly or indirectly to acquire securities or obligations which may reasonably be expected, on the date hereof, to produce a yield materially higher than the Yield on the Bonds.

(D) Other than as described in this Tax Certificate, the Bonds are not and will not be part of a transaction or series of transactions that (i) attempt to circumvent the provisions of Section 148 of the Code, or any successor thereto, and the regulations promulgated thereunder which enable the Issuer to exploit the difference between tax-exempt and taxable interest rates to gain a material financial advantage or (ii) increase the burden on the market for tax-exempt obligations in any manner, including, without limitation, by selling obligations that would not otherwise be sold or selling a larger amount of obligations, or issuing them sooner, or allowing them to remain outstanding longer, than would otherwise be necessary.

(E) No other obligations are being issued by the Issuer or any related entity at substantially the same time and sold pursuant to a common plan of financing and which will be paid out of substantially the same source of funds (or which will have substantially the same claim to be paid out of substantially the same source of funds) as the Bonds or which will be paid directly or indirectly from proceeds of the sale of the Bonds. The Issuer delivered its $9,600,000 aggregate principal amount Water Revenue Bonds, Series 1998, dated December 15, 1998 (the "Series 1998 Bonds"), on December 30, 1998, to provide additional funds to complete the Project. The Issuer delivered a separate Tax and Non-Arbitrage Certificate relating to the Series 1998 Bonds on the date of delivery of the Series 1998 Bonds.

(F) The Issuer has not been notified of the listing or proposed listing of the Issuer by the Internal Revenue Service as an issuer that may not certify its bonds.

(G) The issuance of the Bonds will not involve the use of a "device" or an "abusive transaction" within the meaning of Section 149(d)(4) of the Code.

(H) In connection with the Bonds, there has not been created or established, and the Issuer does not expect that there will be created or established, any sinking fund, pledged fund or similar fund (other than as specifically identified in this Tax Certificate), including without limitation any arrangement under which money, securities or obligations are pledged directly or indirectly to secure the Bonds or any contract securing the Bonds or any arrangement providing for compensating or minimum balances to be maintained by the Issuer with any registered owner of the Bonds.

(I) On each Valuation Date, the Issuer shall value the Nonpurpose Investments allocable to the Bonds thereunder. Nonpurpose Investments cease to be allocated to the Bonds to the extent such Nonpurpose Investments have been expended for the governmental purpose of the issue, or to the extent the value thereof exceeds the value permitted to be allocated to the Bonds under the Universal Cap. To the extent Nonpurpose Investments cease to be allocated to an issue and the value of the Universal Cap exceeds the value of the remaining Nonpurpose Investments allocated to such issue, other Nonpurpose Investments may become allocated to the issue, provided that such Nonpurpose Investments are not already properly allocated to another issue and provided that such allocation does not cause the value of the Nonpurpose Investments allocated to the Bonds to exceed the Universal Cap.

Notwithstanding anything herein to the contrary, the failure to perform the determination of Nonpurpose Investments allocable to the Bonds as of a Valuation Date shall not be considered a violation of this provision if the value of Nonpurpose Investments allocated to the Bonds did not exceed the value of the Bonds outstanding on such date.

Section 3.2. The Project and Use of Bond Proceeds.

(A) The Issuer reasonably expects that:

(i) The Issuer will incur a substantial binding obligation to third parties to expend at least 5% of the Net Sale Proceeds within 6 months following the Date of Issue;

(ii) Completion of the Project and allocation of the Net Sale Proceeds to expenditures for Project Costs will proceed with due diligence; and

(iii) As of the close of the 3-year period beginning on the Date of Issue, at least 85% of the Net Sale Proceeds will have been used to acquire and construct the Project. For purposes of

the foregoing, the term "Net Sale Proceeds" shall mean "net proceeds" as defined in Section 150 of the Code, but shall not include proceeds used to finance issuance costs and shall not include proceeds necessary to pay interest (during such period) on the Bonds which are part of the issue.

(B) All property financed with proceeds of the Bonds will be held by or on behalf of a qualified Governmental Unit, and the Project financed with the proceeds thereof will be operated solely for public purposes as a governmental activity.

(C) No portion of the Project will consist of any airplane, skybox or other luxury box, facility primarily used for gambling, or store the principal business of which is the sale of alcoholic beverages for consumption off premises.

(D) No portion of the payments of principal of or interest on the Bonds will be made, financed or secured by, directly or indirectly, by payments or property used in any trade or business of any person other than the Issuer or a qualified Governmental Unit. The Issuer will not permit any portion of the payment of the principal or interest on the Bonds to be secured, directly or indirectly, by (i) interests in property or (ii) payments in respect of such property, which property is used or to be used in any trade or business of any person other than the Issuer. The Issuer will not permit any portion of the payment of the principal of or interest on the Bonds to be derived, directly or indirectly by payments (whether or not to the Issuer) in respect of property or borrowed money, used or to be used in any trade or business of any persons other than the Issuer.

(E) The Project financed with proceeds of the Bonds will be used only in activities directly related to the Issuer's exempt governmental purpose. No other person will own or use the Project either directly or indirectly, including use through a lease management agreement, and neither the Issuer nor any other state or local government unit having an ownership interest in the Project will transfer ownership of the Project while the Bonds are outstanding.

Section 3.3. Construction of the Project.

(A) Construction Schedule. The Project is expected to be completed and placed in service in accordance with the following schedule:

(i) Time Test. The Issuer shall, within 6 months of the Closing Date, enter into a substantial binding obligation calling for the expenditure of not less than 5% of the Net Sale Proceeds of the Bonds towards the costs of acquisition and construction of the Project.

(ii) Due Diligence Test. Acquisition and construction of the Project is expected to proceed with due diligence to completion.

(iii) Expenditure Test. The Issuer anticipates that the Project will be completed by November 1, 2001, such that an amount equal to not less than 85% of the Net Sale Proceeds of the Bonds will have been expended on the costs of the Project before December 1, 2001.

Section 3.4. The Bonds. (A) The principal amounts, interest rates, interest and principal payment dates, and debt service with respect to the Bonds are detailed in the Official Statement.

(B) Using the initial offering price of the Bonds as the "purchase price" and taking into account accrued interest, original issue discount and Bond Insurance Premium as described below, the yield on the Bonds is computed by the Purchaser to be 5.0519% (the "Bond Yield").

(C) A Sinking Fund for the Bonds is created under the Ordinance. Accrued interest and capitalized interest on the Bonds in the aggregate amount of $2,789,178.81 will be deposited in the Sinking Fund on the Closing Date. Such amount will be used to pay interest becoming due on the Bonds during the period of construction of the Project. All such amounts will be expended for payment of interest on the Bonds within 36 months from the Closing Date. Except as aforesaid, moneys deposited to the Sinking Fund, including subsequent deposits thereto, will be spent within a 13-month period beginning on the date of deposit and will be depleted at least once a year, except for a reasonable carryover amount not in excess of 1/12 of the annual debt service with respect to the Bonds. The Bonds all bear interest at a fixed interest rate and the average maturity of the Bonds is in excess of 5 years. The Sinking Fund is designed to achieve a proper matching of the Issuer's revenues and debt service on the Bonds within each Bond Year. Such moneys will be invested without restriction as to yield and are not subject to rebate.

(D) A Reserve Account within the Sinking Fund is created under the Ordinance in an amount equal to 125% of the average annual Debt Service on the Bonds (the "Reserve Account Requirement"). Such amount is less than the Maximum Annual Debt Service on the Bonds and is less than 10% of the stated principal amount of the Bonds. The Reserve Account is being funded by the deposit of proceeds of the Bonds in the amount of $1,803,585.96. All cash amounts in the Reserve Account will be invested without restriction as to yield. All cash in the Reserve Account and earnings thereon will be subject to rebate.

(E) A Depreciation Fund is created under the Ordinance, to be funded through monthly deposits of Revenues. Absent an Event of Default on the Bonds, and depletion in full of the Reserve Account, the Depreciation Fund is not expected to be used for the purpose of paying Debt Service on the Bonds. The Issuer is required to deposit 2 1/2% of the Gross Revenues each month into the Depreciation Fund. Disbursements may be made from the Depreciation Fund at any time to pay for replacements, repairs, improvements or extensions of the System. In the event the Issuer experiences financial difficulties with respect to the System, it is not expected that the Depreciation Fund or any portion thereof will be available to pay Debt Service on the Bonds. Such moneys will be invested without restriction as to yield and are not subject to rebate.

(F) A Redemption Account is created under the Ordinance. In the event moneys are deposited into the Redemption Account, to the extent they are not part of a Bona Fide Debt Service Fund, they will, to the extent the yield thereon exceeds the yield on the Bonds, be subject to rebate. Otherwise, they will be invested without restriction as to yield and are not subject to rebate.

(G) A Costs of Issuance Fund is created under the Ordinance, to be funded from proceeds of the Bonds in the amount of $58,205.52. Such amount shall be fully expended within six months from the date hereof. Pending such disbursement, such moneys will be invested without restriction as to yield and are not subject to rebate.

(H) A Construction Fund is created under the Ordinance, to be funded from proceeds of the Bonds in the amount of $15,074,677.61 and estimated earnings thereon in the amount of $1,329,011, which will be used to pay costs of acquisition and construction of the Project. All such amounts shall be fully expended within 36 months from the Closing Date. Pending such disbursement, such moneys will be invested without restriction as to yield but such amounts will be subject to rebate.

The Issuer shall, within 6 months of the Closing Date, enter into a contract for the acquisition and construction of the Project, and the amount to be expended pursuant to such contract exceeds is not less than 5% of the Net Sale Proceeds of the Bonds. Work with respect to the acquisition and construction of the Project will commence shortly and will proceed with due diligence to completion. Acquisition and construction of the Project is expected to be completed within 35 months. All moneys in the Construction Fund will be expended for the Project within 36 months from the date hereof. The Project will be operated solely for a public purpose as a local governmental activity of the Issuer. The Issuer expects no part of the Project will be sold or otherwise disposed of prior to the last maturity date of the Bonds. The Issuer has, on November 10, 1998, adopted a "Reimbursement Resolution" complying with the requirements of Treas. Reg.§ 1.150-2 of the Regulations in connection with such reimbursement, and the reimbursement allocation will be made within 30 days of the Date of Issue.

Except for the moneys in the Construction Fund, no other funds of the Issuer will be available to meet costs of the Project, which would constitute "replacement proceeds" within the meaning of Treas. Reg. § 1.148-1(c), inasmuch as (i) the Issuer does not reasonably expect that the term of the Bonds is longer than is reasonably necessary for the governmental purposes of the Issuer, (ii) the weighted average maturity of the Bonds does not exceed 120% of the average expected economic life of the Project, and (iii) there are no amounts that have a sufficiently direct nexus to the Bonds or to the governmental purpose of the Bonds to conclude that the amounts would have been used for that governmental purpose if the proceeds of the Bonds were not used or to be used for that governmental purpose.

(I) For purposes of calculating the yield on the Bonds there has been taken into account as interest a premium in the amount of $114,284.02 to be paid to acquire a Municipal Bond Insurance Policy issued by Ambac Assurance Corporation ("Ambac"), guaranteeing timely payment of the principal of and interest on the Bonds (the "Bond Insurance Policy"). The Purchaser has stated in its certificate that, as a result of the "AAA" rating accorded to the Bonds resulting from the Bond Insurance Policy, the present value of the premium paid for the Bond Insurance Policy is less than the present value of the interest savings attributable thereto, using a present value factor equal to the yield on the Bonds, computed without regard to such premium.

(J) Other than the funds and accounts described above, there are no other funds or accounts of the Issuer (i) which are reasonably expected to be used to pay Debt Service on the Bonds or which are pledged as collateral to secure repayment of Debt Service on the Bonds and (ii) for which there is a reasonable assurance that amounts therein will be available to pay Debt Service on the Bonds.

Section 3.5. Arbitrage Compliance. The Issuer acknowledges that the continued non-inclusion of interest on the Bonds for purposes of Federal income taxation depends, in part, upon compliance with the arbitrage limitations imposed by Section 148 of the Code, including the rebate requirement described in Section 3.5 hereof. The procedures set forth below are subject to amplification and revision as necessary to comply with the rebate requirements. The Issuer hereby agrees and covenants to take all actions necessary to comply with these requirements. The Issuer hereby agrees and covenants that it shall not permit at any time or times any of the proceeds of the Bonds or other funds of the Issuer to be used directly or indirectly, to acquire any asset or investment, the acquisition of which would cause the Bonds to be "arbitrage bonds" for purposes of Section 148 of the Code. The Issuer further agrees and covenants that it shall do and perform all acts and things necessary in order to assure that the arbitrage and rebate requirements of Section 148 of the Code are met. To that end, the Issuer shall take the actions described in Sections 3.4 through the end of Article III hereof with respect to the investment of proceeds on deposit in the funds and accounts established Ordinance. The Issuer shall cause to be made the required transfers, dispositions and payments described in Sections 3.4 through the end of Article III hereof.

Section 3.6. Calculation of Rebate Amount. Section 148(f) of the Code requires the payment to the United States of the excess of the amount earned on the investment of Gross Proceeds in Nonpurpose Investments over the amount that would have been earned on such investments had the amount so invested been invested at a rate equal to the Yield on the Bonds, together with any income attributable to such excess. Except as provided below, all of the funds and accounts established by the Ordinance, and all other amounts treated as Gross Proceeds, to the extent funded with proceeds of the Bonds, are subject to this requirement. In order to meet the rebate requirement, the Issuer agrees and covenants to take the following actions:

(A) Record of Investments and Expenditures. For each Nonpurpose Investment acquired with or allocated to Gross Proceeds of the Bonds, the Issuer shall record its purchase date or allocation date, its purchase price (reduced by broker's or dealer's commissions or other administrative expenses, which shall also be separately stated), or, if not acquired directly with Gross Proceeds, its Fair Market Value on the allocation date, accrued interest due on its purchase date or allocation date, its face amount, its coupon or interest rate, its Yield-to-Maturity, the frequency of its interest payments, its disposition price (not reduced by any broker or dealer's commission or discount), accrued interest due on its disposition date and its disposition date. The Issuer shall also record the date and amount of all expenditures made with the proceeds of the Bonds, including the payment of any Rebate Amount.

Generally, Administrative Costs paid with respect to Nonpurpose Investments do not increase the costs of such Investments or reduce the income therefrom. Administrative Costs paid with respect to guaranteed investment contracts have the effect of increasing the yield thereon for rebate purposes.

(B) Computation of Yield. For each Computation Date, the Issuer shall compute Yield on the Bonds. When expressed as a decimal, Yield shall be accurate to at least six (6) decimal places and rounded to at least five (5) decimal places.

(C) Computation of Rebate Amount. Subject to the special rules set forth in

paragraphs (F) and (G) of this Section 3.6, the Issuer shall determine the Rebate Amount on each Computation Date. For this purpose:

(1) Any Computation Date. The Rebate Amount, determined as of any Computation Date, shall be equal to the excess of the Future Value of all receipts with respect to the Nonpurpose Investments allocated to the Bonds over the Future Value of all payments with respect to such Nonpurpose Investments, which excess, in the case of the Final Computation Date, shall be increased by the amount described in subparagraph (2) below.

(2) Final Computation Date. Only in the case of the Final Computation Date, the amount determined under subparagraph 1) above shall be increased by the earnings actually derived from investing such amount at an arm's length interest rate during the "payment period" that begins on the Final Computation Date and ends fifteen (15) days before the final Rebate Amount is actually paid; provided that if the moneys representing the final Rebate Amount cannot be identified on the Final Computation Date under a reasonable accounting system or, even if so identified, have not been invested at an arm's length interest rate, then the amount of the increase shall be equal to the earnings that would have accrued if the Rebate Amount had been so identified and had been invested at a rate equal to the maximum rate of interest in effect on

the Final Computation Date for a SLG having a term equal to thirty (30) days or, if longer, the payment period referred to above.

(D) Nonpurpose Receipts. For purposes of paragraph (C), receipts with respect to a Nonpurpose Investment that is allocated to the Bonds consist of:

(1) Actual Receipts. The amount(s) actually or constructively received with respect to the Nonpurpose Investment, determined without reduction for sales commissions, administrative expenses or similar expenses. An amount is constructively received when it is credited to the account of, set apart for, or otherwise made available to or for, a payee so that such amount may be drawn on by such payee (or could be so drawn on, assuming timely notice of the payee's intention to withdraw).

(2) Disposition Receipts. The amount corresponding to the Fair Market Value of a Nonpurpose Investment that ceases to be allocated to the Bonds for reasons not related to its sale or retirement, determined as of the date of such cessation.

(3) Installment Date Receipts. The amount corresponding to the Fair Market Value of a Nonpurpose Investment that continues to be allocated to the Bonds on any Computation Date. For this purpose, the Present Value of a fixed rate Nonpurpose Investment which is not

an investment contract may be substituted for its Fair Market Value.

(4) Rebate Receipts. The amount(s), if any, representing the recovery of rebate overpayments, determined as of the date of any such recovery.

(5) Imputed Receipts. The amount(s), if any, representing Imputed Receipts, as defined herein and as determined from time to time in accordance with such definition.

(E) Nonpurpose Payments. For purposes of paragraph (C), payments with respect to a Nonpurpose Investment that is allocated to the Bonds consist of:

(1) Direct Payments. The amount of the Gross Proceeds of the Bonds that was used to purchase the Nonpurpose Investment, determined without regard to brokerage commissions, administrative expenses or similar expenses.

(2) Constructive Payments. The amount that is equal to the Fair Market Value of a Nonpurpose Investment which, although not directly purchased with the Gross Proceeds of the Bonds, is allocated to the Bonds, determined as of the date that such investment becomes so allocated.

(3) Rebate Payments. The amount which is equal to the portion of the Rebate Amount, if any, that is required to be paid following a Computation Date, determined as of

the earlier of the date of any such payment or the due date of any such payment.

(4) Computation Date Credit. The amount corresponding to the application Computation Date Credit, determined as of each Computation Date.

(F) Exceptions for Construction Fund Expenditures. If the Issuer qualifies under any of the exceptions to rebate under Section 148(f) of the Code or Reg. § 1.148-7(d), earnings on moneys deposited in the Construction Fund will not be subject to rebate.

(G) Exception from Rebate for Certain Debt Service Fund Earnings. Notwithstanding anything in this Section 3.6 to the contrary, if the gross earnings from the Investments held in the Debt Service Fund for the Bond Year in question, that are attributable to Nonpurpose Investments, are less than $100,000 (other than from the investment of moneys in obligations described in Section 103(a) of the Code which are also not specified Private Activity Bonds within the meaning of Section 57(a)(5)(C) of the Code), then any amount earned on such Bond Fund shall not be taken into account in determining the Rebate Amount. For purposes of this paragraph, the term "gross earnings" means the aggregate amount earned on the Nonpurpose Investments allocated to the Gross Proceeds of the Bonds credited to the Debt Service Fund including amounts earned on such amounts if in turn credited to the Debt Service Fund.

(H) Calculation of Rebate Amount. For each Computation Date, the Issuer shall compute, or cause to be computed, the Rebate Amount.

(I) Hedge Bonds. Not more than fifty percent (50)%) of the proceeds of the Bonds are or

will be invested in Nonpurpose Investments at a guaranteed yield for a period of four (4) years or more.

Section 3.7. Payment to United States. (A) Unless the Bonds are redeemed prior to such time, the Issuer shall pay to the United States, not later than sixty (60) days after each Installment Computation Date, an amount which, when added to all previous rebate payments made with respect to the Bonds, is equal to not less than ninety percent (90%) of the Rebate Amount (computed from the date of issuance of the Bonds to each such Installment Computation Date). The Issuer shall pay to the United States, not later than sixty (6) days after the last outstanding Bonds are paid or redeemed, one hundred percent (100%) of the Rebate Amount for the Final Computation Date.

(B) The portion of the Rebate Amount that is required to be paid following a Computation Date shall be rounded down to the nearest multiple of $100. Any such portion that is less than $100 shall be rounded to $0.

(C) The Issuer shall make each payment of an installment to the Internal Revenue Service Center, Philadelphia, Pennsylvania 19255. Each payment shall be accompanied by the copy of the Form 8038-T or Form 8038 filed with respect to the Bond issue, the statement summarizing the determination of the Rebate Amount and also, to the extent not otherwise shown on the Form 8038, a statement on which is identified the issue for which the Rebate Amount is due and the CUSIP number for the Bond having the latest maturity.

Section 3.8 Recordkeeping. In connection with the rebate requirement the Issuer shall maintain the following records.

(A) The Issuer shall retain records of the determinations made pursuant to Section 3.5 until six (6) years after the retirement of the last obligation of the issue.

(B) The Issuer shall record all amounts paid to the United States pursuant to Section 3.5.

Section 3.9. Rebate Analyst. A Rebate Analyst shall be appointed to perform the rebate calculations required herein. The charges and fees of such Rebate Analyst shall be paid by the Issuer upon presentation of an invoice for services rendered in connection therewith.

Section 3.10. Covenant as to Purchase Price. The Issuer covenants and agrees that it shall not acquire Nonpurpose Investments at other than arm's length, Fair Market Value prices.

ARTICLE IV

COVENANTS AND AMENDMENTS

Section 4.1. Compliance with Code. The Issuer covenants and agrees that it shall at all times do and perform all acts and things necessary and within its reasonable control in order to assure that interest paid on the Bonds shall, for purposes of Federal income taxation, be not included in gross income.

The Issuer acknowledges that the covenants and conditions set forth in this Tax Certificate are based upon the Code as it exists on the date hereof and that the Code may be subsequently interpreted or modified by the Federal government in a manner which is inconsistent with the covenants set forth herein. The Issuer agrees that any such subsequent modification or interpretation of the Code will be deemed a requirement that must be met pursuant to the general tax covenant set forth above.

The Issuer shall not be required to comply with any specific requirement of this Tax Certificate to the extent that, in the opinion of Bond Counsel furnished to the Issuer, compliance with such requirement is not necessary to maintain the tax-exempt status of the Bonds.

Section 4.2. Amendment. This Tax Certificate may be amended by consent of Bond Counsel.

IN WITNESS WHEREOF, the Issuer has caused this Tax and Non-Arbitrage Certificate to be executed on its behalf by its duly authorized representatives all as of the date first above written.

CITY OF FAIRMONT

By _____
Its Mayor

By _____
Its City Manager

12/29/98
268460/98001

SCHEDULE A

SOURCES AND USES OF BOND PROCEEDS

Sources	
Par amount of Bonds	$19,945,000.00
Accrued interest (Jan. 1, 1999 to Jan. 14, 1999)	36,178.37
Total Sources	$19,981,178.37

Uses	
Deposit to Construction Fund	$15,074,677.61
Original Issue Discount	12,798.95
Accrued interest to Sinking Fund	36,178.37
Capitalized Interest to Sinking Fund	2,753,000.44
Reserve Account deposit	1,803,585.96
Bond Insurance Premium	114,284.02
Underwriter's Discount	128,447.50
Costs of Issuance	58,205.52
Total Uses	$19,981,178.37

SCHEDULE B - SERIES 1999

SUMMARY OF USE OF PROCEEDS FOR FORM 8038-G PURPOSES

(a)	Issuer's Employee Identification Number	55-6000171
(b)	IRS Form 8038 (or 8038-G) report number for 1999	1
(c)	Date of Issue	1/14/99
(d)	CUSIP Number	305459 EN5
(e)	Issue price of the Bonds (excluding accrued interest)	$19,932,201
(f)	Final Maturity	7/1/2029
(g)	Weighted Average Maturity of the Bonds	23.911 years
(h)	Yield on Bonds	5.0510 %
(i)	Net Interest Cost of Bonds	5.0329 %
(j)	Proceeds used for Accrued Interest	$36,178
(k)	Costs of Issuance (including Underwriter's Discount) Paid from Proceeds of Bonds	$186,653
(l)	Debt Service Reserve Fund deposit (from Bond proceeds)	$1,803,586
(m)	Bond Proceeds used for Credit Enhancement	$114,284
(n)	Bond Proceeds used to advance refund prior issue	-0-
(o)	Bond Proceeds used to current refund prior issue	-0-
(p)	Nonrefunding Proceeds of the Bonds	17,827,678
(q)	Amount of Bonds designated by Issuer under § 265(b)(3)(B)	-0-
(r)	Amount of Gross Proceeds invested in a Guaranteed Investment Contract	$15,074,678
(s)	Final Maturity Date of Guaranteed Investment Contract	08/1/2001

CITY OF FAIRMONT
(WEST VIRGINIA)

WATER REVENUE BONDS, SERIES 1998

ENGINEER'S CERTIFICATE FOR SERIES 1998 BONDS

I, Robert G. Belcher, Registered Professional Engineer, West Virginia License No. 13093, of Chapman Technical Group, Ltd., consulting engineers, of St. Albans, West Virginia, hereby certify as follows:

1. My firm is engineer for the construction and acquisition of certain additions, betterments and improvements (the "Project") for the existing waterworks system of the City of Fairmont, in Marion County, West Virginia (the "Issuer"). All capitalized terms used herein and not defined herein shall have the same meaning set forth in the Ordinance of the Issuer enacted November 10, 1998, the Supplemental Resolution of the Issuer adopted December 17, 1998, and the Bond Purchase Agreement dated December 17, 1998, by and between the Issuer and Ferris, Baker Watts, Incorporated, for and on behalf of itself and Crews & Associates, Inc.

2. The above-captioned bonds of the Issuer (the "Bonds") are being issued for the purposes of (i) paying costs of acquisition and construction of the Project; (ii) capitalizing interest on the Bonds during the period of acquisition and construction of the Project and for a period not to exceed six months thereafter; (iii) funding a reserve account for the Bonds; and (iv) paying costs of issuance of the Bonds.

3. The undersigned hereby certifies to the best of my knowledge and belief that (i) the Project will be constructed in general accordance with the approved plans, specifications and designs prepared by my firm, or amendments thereto, and approved by the Issuer and all necessary governmental bodies and is situate wholly or chiefly within the boundaries of the City of Fairmont; (ii) the Project is adequate for the purpose for which it was designed and all necessary governmental approvals for the construction thereof have been or will be, prior to construction, obtained; (iii) I will, prior to the City awarding any construction contract for the Project, examine and review all plans, specifications, bid documents and construction contracts relating to the Project; (iv) prior to the City awarding any construction contract for the Project, I will obtain from the Issuer's attorney a certification that all contractors have made required provisions for all insurance and payment and performance bonds and that such insurance policies or binders and such bonds have been verified for accuracy and completeness; (v) all construction contracts for the Project will be bid and awarded in accordance with all applicable laws; (vi) the Issuer either has obtained

or will obtain, prior to the commencement of construction of the Project, all permits required by the laws of the State of West Virginia and the United States of America necessary for such construction; (vii) the useful life of the facilities constituting the Project is not less than 40 years if properly operated and maintained, excepting anticipated replacements due to normal wear and tear; (viii) based upon the opinion of the Issuer's accountant, Steve L. Holbert, CPA, AC, the rates and charges for the System as adopted by the Issuer are sufficient to comply with the provisions of section 6.04 of the Ordinance; (ix) the net proceeds of the Series 1998 Bonds and the Series 1999 Bonds, together with other moneys on deposit or to be simultaneously deposited and irrevocably committed therefor, and earnings thereon, will be sufficient to pay the costs of acquisition and construction of the Project as set forth in the Official Statement.

WITNESS my signature on this 30th day of December, 1998.

CHAPMAN TECHNICAL GROUP, LTD.

By Robert G. Belcher
Its Vice President

12/29/98
268460/98001

CITY OF FAIRMONT
(WEST VIRGINIA)

WATER REVENUE BONDS, SERIES 1999

ENGINEER'S CERTIFICATE FOR SERIES 1999 BONDS

I, Robert G. Belcher, Registered Professional Engineer, West Virginia License No. 13093, of Chapman Technical Group, Ltd., consulting engineers, of St. Albans, West Virginia, hereby certify as follows:

1. My firm is engineer for the construction and acquisition of certain additions, betterments and improvements (the "Project") for the existing waterworks system of the City of Fairmont, in Marion County, West Virginia (the "Issuer"). All capitalized terms used herein and not defined herein shall have the same meaning set forth in the Ordinance of the Issuer enacted November 10, 1998, the Supplemental Resolution of the Issuer adopted December 17, 1998, and the Bond Purchase Agreement dated December 17, 1998, by and between the Issuer and Ferris, Baker Watts, Incorporated, for and on behalf of itself and Crews & Associates, Inc.

2. The above-captioned bonds of the Issuer (the "Bonds") are being issued for the purposes of (i) paying costs of acquisition and construction of the Project; (ii) capitalizing interest on the Bonds during the period of acquisition and construction of the Project and for a period not to exceed six months thereafter; (iii) funding a reserve account for the Bonds; and (iv) paying costs of issuance of the Bonds.

3. The undersigned hereby certifies to the best of my knowledge and belief that (i) the Project will be constructed in general accordance with the approved plans, specifications and designs prepared by my firm, or amendments thereto, and approved by the Issuer and all necessary governmental bodies and is situate wholly or chiefly within the boundaries of the City of Fairmont; (ii) the Project is adequate for the purpose for which it was designed and all necessary governmental approvals for the construction thereof have been or will be, prior to construction, obtained; (iii) I will, prior to the City awarding any construction contract for the Project, examine and review all plans, specifications, bid documents and construction contracts relating to the Project; (iv) prior to the City awarding any construction contract for the Project, I will obtain from the Issuer's attorney a certification that all contractors have made required provisions for all insurance and payment and performance bonds and that such insurance policies or binders and such bonds have been verified for accuracy and completeness; (v) all construction contracts for the Project will be bid and awarded in accordance with all applicable laws; (vi) the Issuer either has obtained

or will obtain, prior to the commencement of construction of the Project, all permits required by the laws of the State of West Virginia and the United States of America necessary for such construction; (vii) the useful life of the facilities constituting the Project is not less than 40 years if properly operated and maintained, excepting anticipated replacements due to normal wear and tear; (viii) based upon the opinion of the Issuer's accountant, Steve L. Holbert, CPA, AC, the rates and charges for the System as adopted by the Issuer are sufficient to comply with the provisions of section 6.04 of the Ordinance; (ix) the net proceeds of the Series 1998 Bonds and the Series 1999 Bonds, together with other moneys on deposit or to be simultaneously deposited and irrevocably committed therefor, and earnings thereon, will be sufficient to pay the costs of acquisition and construction of the Project as set forth in the Official Statement.

WITNESS my signature on this 14th day of January, 1999.

CHAPMAN TECHNICAL GROUP, LTD.

By Robert G. Belcher
Its Vice President

STEVE L. HOLBERT

CERTIFIED PUBLIC ACCOUNTANT, AC

530 FAIRMONT AVENUE
FAIRMONT, WV 26554-5102

PHONE: (304) 366-5150
FAX: (304) 366-5177

December 30, 1998

City of Fairmont
(West Virginia)
Water Revenue Bonds, Series 1998

City of Fairmont
Fairmont, West Virginia

Ambac Assurance Corporation
New York, New York

Ferris, Baker Watts, Incorporated
Charleston, West Virginia

Steptoe & Johnson
Clarksburg, West Virginia

Crews & Associates, Inc.
Charleston, West Virginia

Jackson & Kelly
Charleston, West Virginia

Gentlemen:

Based upon the rates and charges as set forth in the water rate ordinance of the City of Fairmont enacted September 22, 1998 (the "Ordinance"), and projected operation and maintenance expenses and anticipated customer usage as furnished to me by the City of Fairmont (the Issuer"), it is my opinion that (i) such rates and charges will be sufficient to provide revenues which, together with other revenues of the water system of the City of Fairmont (the "System"), will pay all repair, operation and maintenance expenses of the System and leave a balance each year equal to at least 120% of the maximum amount required in any year for debt service on the Waterworks System Refunding Revenue Bonds, Series 1997, Water Revenue Bonds, Series 1998, and Water Revenue Bonds, Series 1999 (collectively, the "Bonds") to be issued by the Issuer; and (ii) the Net Revenues actually derived from the System during the Fiscal Year preceding the date of the actual issuance of the Series 1998 Bonds, plus the estimated average increased annual Net Revenues to be received in each of the three succeeding years after the issuance of the Series 1998 Bonds, shall not be less than 120% of the largest aggregate amount that will mature and become due in any succeeding Fiscal Year for the principal of and interest on the Bonds. Provided that, for the purpose of this opinion, the phrase "estimated average increased annual Net Revenues to be received in each of the three succeeding years" has been assumed to mean "estimated average increased annual Net Revenues to be received in each of the three succeeding years commencing on the date of completion of acquisition and construction of the Project," as permitted under the ordinances authorizing the

issuance of the Bonds; and (iii) there are no other obligations secured or payable from the revenues of the System prior to or on a parity with the Bonds.

Very truly yours,

Steve L. Holbert, CPA, AC

STEVE L. HOLBERT

CERTIFIED PUBLIC ACCOUNTANT, AC

530 FAIRMONT AVENUE
FAIRMONT, WV 26554-5102

PHONE: (304) 366-5150
FAX: (304) 366-5177

January 14, 1999

City of Fairmont
(West Virginia)
Water Revenue Bonds, Series 1999

City of Fairmont
Fairmont, West Virginia

Ambac Assurance Corporation
New York, New York

Ferris, Baker Watts, Incorporated
Charleston, West Virginia

Steptoe & Johnson
Clarksburg, West Virginia

Crews & Associates, Inc.
Charleston, West Virginia

Jackson & Kelly
Charleston, West Virginia

Gentlemen:

Based upon the rates and charges as set forth in the water rate ordinance of the City of Fairmont enacted September 22, 1998 (the "Ordinance"), and projected operation and maintenance expenses and anticipated customer usage as furnished to me by the City of Fairmont (the Issuer"), it is my opinion that (i) such rates and charges will be sufficient to provide revenues which, together with other revenues of the water system of the City of Fairmont (the "System"), will pay all repair, operation and maintenance expenses of the System and leave a balance each year equal to at least 120% of the maximum amount required in any year for debt service on the Waterworks System Refunding Revenue Bonds, Series 1997 Water Revenue Bonds, Series 1998, and Water Revenue Bonds, Series 1999 (collectively, the "Bonds") to be issued by the Issuer; and (ii) the Net Revenues actually derived from the System during the Fiscal Year preceding the date of the actual issuance of the Series 1999 Bonds, plus the estimated average increased annual Net Revenues to be received in each of the three succeeding years after the issuance of the Series 1999 Bonds, shall not be less than 120% of the largest aggregate amount that will mature and become due in any succeeding Fiscal Year for the principal of and interest on the Bonds. Provided that, for the purpose of this opinion, the phrase "estimated average increased annual Net Revenues to be received in each of the three succeeding years" has been assumed to mean "estimated average increased annual Net Revenues to be received in each of the three succeeding years commencing on the date of completion of acquisition and construction of the Project," as permitted under the ordinances authorizing the

A MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

issuance of the Bonds; and (iii) there are no other obligations secured or payable from the revenues of the System prior to or on a parity with the Bonds.

Very truly yours,

Steve L. Holbert

Steve L. Holbert, CPA, AC

CITY OF FAIRMONT
(WEST VIRGINIA)

WATER REVENUE BONDS, SERIES 1998

CERTIFICATE OF REGISTRAR FOR SERIES 1998 BONDS

The undersigned authorized representative of WESBANCO BANK WHEELING, Wheeling, West Virginia (the "Bank"), as Registrar for the above-captioned Bonds, hereby certifies as follows, all capitalized terms used herein to have the meanings set forth in the Ordinance of the City of Fairmont (West Virginia) (the "Issuer") enacted November 10, 1998, as supplemented (the "Ordinance"):

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

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

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

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

Name	Title	Signature
Janet L. Shelburne	Assistant Trust Officer	Janet L. Shelburne

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

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

IN WITNESS WHEREOF, WESBANCO BANK WHEELING, has caused this Certificate to be executed by a duly authorized officer, this 30th day of December, 1998.

WESBANCO BANK WHEELING

By _____
Its Senior Vice President

12/21/98
268460/98001

EXHIBIT A

$9,600,000
City of Fairmont (West Virginia)
Water Revenue Bonds, Series 1998

CUSIP	Bond No.	Maturity (July 1)	Amount	Interest Rate	Price or Yield
305459 DX 4	R-1	2002	$ 105,000.00	3.60%	3.60%
305459 DY 2	R-2	2003	$ 100,000.00	3.70%	3.70%
305459 DZ 9	R-3	2004	$ 105,000.00	3.75%	3.75%
305459 EA 3	R-4	2005	$ 110,000.00	3.85%	3.85%
305459 EB 1	R-5	2006	$ 115,000.00	3.95%	3.95%
305459 EC 9	R-6	2007	$ 120,000.00	4.00%	4.00%
305459 ED 7	R-7	2008	$ 125,000.00	4.05%	4.05%
305459 EE 5	R-8	2009	$ 130,000.00	4.10%	4.10%
305459 EF 2	R-9	2010	$ 135,000.00	4.20%	4.20%
305459 EG 0	R-10	2011	$ 140,000.00	4.25%	4.25%
305459 EH 8	R-11	2012	$ 145,000.00	4.30%	4.30%
305459 EJ 4	R-12	2013	$ 145,000.00	4.35%	4.35%
305459 EK 1	R-13	2018	$1,625,000.00	4.75%	4.75%
305459 EP 0	R-14	2023	$3,055,000.00	4.90%	4.90%
305459 EL 9	R-15	2029	$3,445,000.00	4.75%	5.00%

CITY OF FAIRMONT
(WEST VIRGINIA)

WATER REVENUE BONDS, SERIES 1999

CERTIFICATE OF REGISTRAR FOR SERIES 1999 BONDS

The undersigned authorized representative of WESBANCO BANK WHEELING, Wheeling, West Virginia (the "Bank"), as Registrar for the above-captioned Bonds, hereby certifies as follows, all capitalized terms used herein to have the meanings set forth in the Ordinance of the City of Fairmont (West Virginia) (the "Issuer") enacted November 10, 1998, as supplemented (the "Ordinance"):

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

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

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

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

Name	Title	Signature
Janet L. Shelburne	Assistant Trust Officer	

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

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

IN WITNESS WHEREOF, WESBANCO BANK WHEELING, has caused this Certificate to be executed by a duly authorized officer, this 14th day of January, 1999.

WESBANCO BANK WHEELING

By _____
Its Senior Vice President

12/21/98
268460/98001

EXHIBIT A

$19,945,000
City of Fairmont (West Virginia)
Water Revenue Bonds, Series 1999

CUSIP	Bond No.	Maturity (July 1)	Amount	Interest Rate	Price or Yield
305459 EQ8	R-1	2015	$ 1,825,000.00	5.25%	4.75%
305459 EM7	R-2	2017	$ 2,020,000.00	5.25%	4.85%
305459 ER6	R-3	2019	$ 2,235,000.00	5.00%	4.90%
305459 ES4	R-4	2022	$ 3,000,000.00	5.25%	4.92%
305459 ET2	R-5	2024	$ 2,500,000.00	4.50%	5.05%
305459 EN5	R-6	2029	$ 8,365,000.00	5.00%	5.10%

CITY OF FAIRMONT
(WEST VIRGINIA)

WATER REVENUE BONDS, SERIES 1998

UNDERWRITER'S CERTIFICATE FOR SERIES 1998 BONDS

The undersigned MARIE PREZIOSO, Vice President of Ferris, Baker Watts, Incorporated, as authorized representative on behalf of Ferris, Baker Watts, Incorporated and Crews & Associates, Inc. (collectively, the "Underwriters"), for and on behalf of the Underwriters, as purchasers of the City of Fairmont Water Revenue Bonds, Series 1998, dated as of December 15, 1998, and issued in the original principal amount of $9,600,000 (the "Bonds"), hereby certifies that:

(a) At least 10% of each maturity of the Bonds have been the subject of an initial offering to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers), made pursuant to the Bond Purchase Agreement (hereinafter the "Bond Purchase Agreement"), dated December 17, 1998, between the City of Fairmont, West Virginia (the "Issuer") and the Underwriters, at initial offering prices no higher than, or yields no lower than, those shown on the cover of the Official Statement dated December 17, 1998, relating to the Bonds, including interest accrued on the Bonds from December 15, 1998, to December 30, 1998. We have made a bona fide public offering of all Bonds at the public offering price. At the time we agreed to purchase the Bonds, based upon our assessment of the then prevailing market conditions, we had no reason to believe any of the Bonds would be initially sold to the public (excluding such bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at prices greater than the prices or yields less than the yields, shown on the cover of the Official Statement, including interest accrued on the Bonds from December 15, 1998, to December 30, 1998.

(b) The level of funding of the Reserve Account established by the Ordinance authorizing issuance of the Bonds is reasonable and necessary because such an amount is required as a condition to obtaining bond insurance and marketing the Bonds at the interest rates and with the maturities established for the Bonds. Such amount was determined to be necessary to reduce the probability of a default on the Bonds due to a temporary decrease in Gross Revenues or increase in operating expenses. The amount to be maintained in the Reserve Account ($800,347.32) is equal to 125%

of the average annual principal and interest due on the Bonds, which is the lesser of 10% of the stated principal amount of the Bonds, the maximum annual principal and interest requirements on the Bonds, or 125% of the average annual principal and interest due on the Bonds.

(c) The purchase of the Bond Insurance Policy issued by Ambac Assurance Corporation was a vital factor in the sale of the Bonds at rates of interest comparable to those of similar bond issues. The absence of credit enhancement such as the Bond Insurance Policy would have adversely affected the interest rates and prices at which the Bonds could have been sold.

(d) The present value of the premium paid to Ambac Assurance Corporation to issue a policy to insure payment of principal of and interest on the Bonds when due is less than the present value of the interest reasonably expected to be saved as a result of insuring the Bonds.

(e) The weighted average maturity of the Bonds is 21.610 years.

(f) The net interest cost on the Bonds is 4.9108504%.

(g) The yield on the Bonds is 4.8953425%.

(h) This certificate may be relied upon by the Issuer with respect to its Tax and Non-Arbitrage Certificate relating to the Bonds and by Steptoe & Johnson, Bond Counsel, in rendering their tax opinion with respect to the Bonds.

WITNESS my signature on this 30th day of December, 1998.

FERRIS, BAKER WATTS, INCORPORATED

By _____
Its Senior Vice President

12/29/98
268460/98001

CH288231.2

CITY OF FAIRMONT
(WEST VIRGINIA)

WATER REVENUE BONDS, SERIES 1999

UNDERWRITER'S CERTIFICATE FOR SERIES 1999 BONDS

The undersigned MARIE PREZIOSO, Vice President of Ferris, Baker Watts, Incorporated, as authorized representative on behalf of Ferris, Baker Watts, Incorporated and Crews & Associates, Inc. (collectively, the "Underwriters"), for and on behalf of the Underwriters, as purchasers of the City of Fairmont Water Revenue Bonds, Series 1999, dated as of January 1, 1999, and issued in the original principal amount of $19,945,000 (the "Bonds"), hereby certifies that:

(a) At least 10% of each maturity of the Bonds have been the subject of an initial offering to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers), made pursuant to the Bond Purchase Agreement (hereinafter the "Bond Purchase Agreement"), dated December 17, 1998, between the City of Fairmont, West Virginia (the "Issuer") and the Underwriters, at initial offering prices no higher than, or yields no lower than, those shown on the cover of the Official Statement dated December 17, 1998, relating to the Bonds, including interest accrued on the Bonds from January 1, 1999, to January 14, 1999. We have made a bona fide public offering of all Bonds at the public offering price. At the time we agreed to purchase the Bonds, based upon our assessment of the then prevailing market conditions, we had no reason to believe any of the Bonds would be initially sold to the public (excluding such bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at prices greater than the prices or yields less than the yields, shown on the cover of the Official Statement, including interest accrued on the Bonds from January 1, 1999, to January 14, 1999.

(b) The level of funding of the Reserve Account established by the Ordinance authorizing issuance of the Bonds is reasonable and necessary because such an amount is required as a condition to obtaining bond insurance and marketing the Bonds at the interest rates and with the maturities established for the Bonds. Such amount was determined to be necessary to reduce the probability of a default on the Bonds due to a temporary decrease in Gross Revenues or increase in operating expenses. The amount to be maintained in the Reserve Account ($1,803,585.96) is equal to 125%

of the average annual principal and interest due on the Bonds, which is the lesser of 10% of the stated principal amount of the Bonds, the maximum annual principal and interest requirements on the Bonds, or 125% of the average annual principal and interest due on the Bonds.

(c) The purchase of the Bond Insurance Policy issued by Ambac Assurance Corporation was a vital factor in the sale of the Bonds at rates of interest comparable to those of similar bond issues. The absence of credit enhancement such as the Bond Insurance Policy would have adversely affected the interest rates and prices at which the Bonds could have been sold.

(d) The present value of the premium paid to Ambac Assurance Corporation to issue a policy to insure payment of principal of and interest on the Bonds when due is less than the present value of the interest reasonably expected to be saved as a result of insuring the Bonds.

(e) The weighted average maturity of the Bonds is 23.911 years.

(f) The net interest cost on the Bonds is 5.0328567%.

(g) The yield on the Bonds is 5.0509572%.

(h) This certificate may be relied upon by the Issuer with respect to its Tax and Non-Arbitrage Certificate relating to the Bonds and by Steptoe & Johnson, Bond Counsel, in rendering their tax opinion with respect to the Bonds.

WITNESS my signature on this 14th day of January, 1999.

FERRIS, BAKER WATTS, INCORPORATED

By _____
Its Senior Vice President

12/29/98
268460/98001

CH294386.2

CERTIFICATE OF BOND INSURER

In connection with the issuance of $9,600,000 in aggregate principal amount of City of Fairmont, West Virginia (the "Issuer"), Water Revenue Bonds, Series 1998, dated December 15, 1998 (the "Bonds"), Ambac Assurance Corporation ("Ambac") is issuing a municipal bond insurance policy (the "Insurance Policy") guaranteeing the payment of principal and interest when due on the Bonds, all as more fully set out in the Insurance Policy.

On behalf of Ambac, the undersigned hereby certifies that:

Ambac

(i) the Insurance Policy is an unconditional and recourse obligation of Ambac (enforceable by or on behalf of the holders of the Bonds) to pay the scheduled payments of interest and principal on the Bonds in the event of a Nonpayment as defined in the Insurance Policy;

(ii) the insurance premium of $52,731.68 was determined in arm's length negotiations in accordance with our standard procedures, is required to be paid as a condition to the issuance of the Insurance Policy and represents a reasonable charge for the transfer of credit risk;

(iii) no portion of such premium represents a payment for any direct or indirect services other than the transfer of credit risk, including costs of underwriting or remarketing the Bonds or the cost of insurance for casualty of Bond financed property;

(iv) we are not co-obligors on the Bonds and do not reasonably expect that we will be called upon to make any payment under the Insurance Policy;

(v) the Issuer is not entitled to a refund of any portion of premium for the Insurance Policy in the event that the Bonds are retired prior to their stated maturity; and

(vi) we would not have issued the Insurance Policy in the absence of a debt service reserve fund of the size and type established by the documents pursuant to which the Bonds are being issued, and it is normal and customary to require a debt service reserve fund of such a size and type in similar transactions.

IN WITNESS WHEREOF, Ambac Assurance Corporation has caused this certificate to be executed in its name on this 30th day of December, 1998, by one of its officers duly authorized as of such date.

AMBAC ASSURANCE CORPORATION

By _____
Thomas L. Gallagher
Vice President and
Assistant General Counsel

CERTIFICATE OF BOND INSURER

In connection with the issuance of $19,945,000 in aggregate principal amount of City of Fairmont, West Virginia (the "Issuer"), Water Revenue Bonds, Series 1999, dated January 1, 1999 (the "Bonds"), Ambac Assurance Corporation ("Ambac") is issuing a municipal bond insurance policy (the "Insurance Policy") guaranteeing the payment of principal and interest when due on the Bonds, all as more fully set out in the Insurance Policy.

Ambac

On behalf of Ambac, the undersigned hereby certifies that:

(i) the Insurance Policy is an unconditional and recourse obligation of Ambac (enforceable by or on behalf of the holders of the Bonds) to pay the scheduled payments of interest and principal on the Bonds in the event of a Nonpayment as defined in the Insurance Policy;

(ii) the insurance premium of $114,284.02 was determined in arm's length negotiations in accordance with our standard procedures, is required to be paid as a condition to the issuance of the Insurance Policy and represents a reasonable charge for the transfer of credit risk;

(iii) no portion of such premium represents a payment for any direct or indirect services other than the transfer of credit risk, including costs of underwriting or remarketing the Bonds or the cost of insurance for casualty of Bond financed property;

(iv) we are not co-obligors on the Bonds and do not reasonably expect that we will be called upon to make any payment under the Insurance Policy;

(v) the Issuer is not entitled to a refund of any portion of premium for the Insurance Policy in the event that the Bonds are retired prior to their stated maturity; and

(vi) we would not have issued the Insurance Policy in the absence of a debt service reserve fund of the size and type established by the documents pursuant to which the Bonds are being issued, and it is normal and customary to require a debt service reserve fund of such a size and type in similar transactions.

IN WITNESS WHEREOF, Ambac Assurance Corporation has caused this certificate to be executed in its name on this 14th day of January, 1999, by one of its officers duly authorized as of such date.

AMBAC ASSURANCE CORPORATION

By _____
Thomas L. Gallagher
Vice President and
Assistant General Counsel

MBIA Insurance Corporation
113 King Street
Armonk, NY 10504
914 273 4545

$10,260,000
City of Fairmont (West Virginia)
Waterworks Refunding Revenue Bonds, Series 1997
Dated June 1, 1997

December 18, 1998

City of Fairmont
200 Jackson Street
P.O. Box 1428
Fairmont, West Virginia 26555-1428
ATTENTION: Mr. Bruce McDaniel, City Manager

Dear Mr. McDaniel:

Please be advised that MBIA Insurance Corporation ("MBIA"), as insurer of the above-captioned bonds ("the Series 1997 Bonds"), hereby consents to an amendment of Section 6.08 of the Ordinance off the City of Fairmont, adopted April 8, 1997, pursuant to which the Series 1997 Bonds were issued, such amendment to read as set forth in "Exhibit A" attached hereto.

MBIA Insurance Corporation

By: _____
Its: Director

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EXHIBIT A

Section 6.08. Additional Parity Bonds. No additional parity Bonds, as in this section defined, payable out of the Revenues of the System shall be issued after the issuance of any Bonds pursuant to this Ordinance, except under the conditions and in the manner herein provided.

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

No such additional parity Bonds shall be issued at any time, however, unless and until there has been procured and filed with the City Clerk of the Issuer a written statement by Independent Accountants, reciting the conclusion that the Net Revenues actually derived, subject to the adjustments hereinafter provided, from the System during the Fiscal Year preceding the date of the actual issuance of such additional parity Bonds, plus the estimated average increased annual Net Revenues to be received in each of the three succeeding years after the date of issuance of such parity Bonds, shall not be less than 120% 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 Series 1997 Bonds then Outstanding;

(2) Any additional parity Bonds theretofore issued pursuant to the provisions contained in this Ordinance then Outstanding; and

(3) 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 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, provided that, in the event the implementation of such 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 is, by the terms of the ordinance providing for such increase in rates, deferred pending completion of the acquisition and construction of any additions, betterments or improvements for the System, and further provided, that the debt service on

such additional parity Bonds during such construction period is payable from proceeds of such additional parity Bonds deposited in the Sinking Fund held by the Bond Commission, 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, may be assumed to mean "estimated average increased annual Net Revenues to be received in each of the 3 succeeding years commencing on the date of completion of such acquisition and construction".

The Net Revenues actually derived from the System during the preceding Fiscal Year 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, 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. For purposes of this test, the terms "Gross Revenues" and "Net Revenues" shall not include proceeds from the sale of capital assets.

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 1997 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 1997 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 the 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 of which on the Revenues of the System is subject to the prior and superior lien of the Bonds on such Revenues. The Issuer shall not issue any obligations whatsoever payable from the Revenues of the System, or any part thereof, which rank prior to or equally, as to lien and source of and security for payment from such Revenues, with the Bonds except in the manner and under the conditions provided in this section.

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 Ordinance with respect to the Bonds then Outstanding, and any other payments provided for in this

Ordinance, shall have been made in full as required to the date of issuance of the additional parity Bonds.

02/08/99
268460/98001

Ambac Assurance Corporation
One State Street Plaza
New York, NY 10004
212.668.0340

A member of Ambac Financial Group, Inc.

December 22, 1998

Vincent A. Collins, Esq.
Steptoe & Johnson
Union National Bank Building
Clarksburg, WV 26301

Ambac

RE: Fairmont, West Virginia

Dear Mr. Collins:

This letter will serve to authorize you to act on behalf of Ambac Assurance Corporation ("Ambac"), a Wisconsin-domiciled stock insurance company, in connection with the issuance and delivery of the above-captioned obligations (the "Bonds"), on December 30, 1998, for the purpose of delivering the Municipal Bond Insurance Policy (the "Policy") upon (a) confirmation of the federal funds wire transfer number for payment of the premium for the Policy, Policy No. 15884BE, issued by Ambac. Such wire should be in the amount of $52,731.68, and sent to the following:

TO: CITIBANK, N.A. ABA NO.: 021000089
FOR: AMBAC ASSURANCE CORPORATION
ACCT. NO.: 40609486
INDICATE Policy No. 15884BE ON WIRE
If you need to verify receipt of premium, call Jennie DiDiego at 212-208-3241.

and (b) the delivery of the unqualified approving opinion of bond counsel in connection therewith, either addressed to Ambac or accompanied by a reliance letter addressed to Ambac.

To complete our files and respond promptly to requests from the Rating Agencies, we request that two complete unbound sets of closing documents (either on CD-ROM or printed material, as applicable) which constitute the transcript of the proceedings be sent to Ambac, CORPORATE RECORDS from the closing, or as soon as possible thereafter. Please indicate the Policy number on your covering letter or on the first page of the transcript.

Enclosed please find the original and two certified copies of the Policy. The original of the Policy is to be mailed after its release, the day of closing, by first class mail, postage prepaid, to the Insurance Trustee for Ambac, United States Trust Company of New York, 114 West 47th Street, 25th Floor, New York, New York, 10036, Attention: Mr. H. William Weber, Department Manager, Administration. For your convenience, we are enclosing a stamped envelope for such purpose.

This letter will also serve to hold you harmless from any liability to Ambac Assurance incurred with respect to the substantive content of the Policy, the viability of the funds transferred in payment therefor, the ultimate receipt by Ambac of such funds or any other matters not within the ambit of the actions expressly directed herein.

Thank you for your cooperation. Your prompt transmittal of the transcript will be greatly appreciated. If you have any questions regarding any of the above, please do not hesitate to call.

Sincerely,

Ambac

Danielle Brackett
Closing Coordinator

Enclosures

Ambac Assurance Corporation
One State Street Plaza
New York, NY 10004
212.668.0340

A member of Ambac Financial Group, Inc.

December 22, 1998

Marie L. Prezioso
Ferris, Baker, Watts , Inc.
170 Laidley Tower
500 Lee Street
Charleston, WV 25301

Ambac

RE: Fairmont, West Virginia

Dear Ms. Prezioso:

The closing for the above-captioned bond issue is scheduled for December 30, 1998. Please be advised that payment of Ambac Assurance Corporation's premium for such issue should be made on the day of closing by a federal funds wire transfer in the amount of $52,731.68. Ambac's wiring instructions are as follows:

Citibank N.A. ABA NO. 021000089
For: Ambac Assurance Corporation A/C No. 40609486
Please indicate Policy No. 15884BE on wire.
If you need to verify receipt of premium, call Jennie DiDiego (212) 208-3241.

Upon confirmation, by Ambac or its agent, of the federal funds wire transfer number and the delivery of the unqualified approving opinion of bond counsel either addressed to Ambac Assurance Corporation or accompanied by a reliance letter addressed to Ambac Assurance Corporation, Ambac's Closing Department will authorize release of its Municipal Bond Insurance Policy.

In an attempt to maintain current files, please have Ambac placed on the Issuer's mailing list to receive its annual audit report and budget. Please direct this information to:

Ambac Assurance Corporation ATTN: SURVEILLANCE DEPARTMENT
One State Street Plaza
New York, NY 10004

Should you have any questions regarding the above procedures, please do not hesitate to call the undersigned at (212) 668-0340.

Sincerely,

Danielle Brackett
Closing Coordinator

cc: Vincent A. Collins, Esq.

Ambac

Municipal Bond Insurance Policy

Ambac Assurance Corporation
c/o CT Corporation Systems
44 East Mifflin Street, Madison, Wisconsin 53703
Administrative Office:
One State Street Plaza, New York, New York 10004
Telephone: (212) 668-0340

Issuer: CITY OF FAIRMONT, WEST VIRGINIA

Policy Number: 15884BE

Bonds: $9,600,000 Water Revenue Bonds, Series 1998, dated December 15, 1998, consisting of: $1,475,000 in aggregate principal amount of Serial Bonds maturing on July 1 in the years 2002 through 2013, both inclusive; (AS FURTHER DESCRIBED ON THE REVERSE HEREOF)

Premium: $52,731.68

Ambac Assurance Corporation (Ambac) A Wisconsin Stock Insurance Company

in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to United States Trust Company of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of Bondholders, that portion of the principal of and interest on the above-described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Ambac will make such payments to the Insurance Trustee within one (1) business day following notification to Ambac of Nonpayment. Upon a Bondholder's presentation and surrender to the Insurance Trustee of such unpaid Bonds or appurtenant coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Bonds and coupons and shall be fully subrogated to all of the Bondholder's right to payment.

In cases where the Bonds are issuable only in a form whereby principal is payable to registered Bondholders or their assigns, the Insurance Trustee shall disburse principal to a Bondholder as aforesaid only upon presentation and surrender to the Insurance Trustee of the unpaid Bond, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to the Insurance Trustee, duly executed by the Bondholder or such Bondholder's duly authorized representative, so as to permit ownership of such Bond to be registered in the name of Ambac or its nominee. In cases where the Bonds are issuable only in a form whereby interest is payable to registered Bondholders or their assigns, the Insurance Trustee shall disburse interest to a Bondholder as aforesaid only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Bond and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to the Insurance Trustee, duly executed by the claimant Bondholder or such Bondholder's duly authorized representative, transferring to Ambac all rights under such Bond to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all the Bondholders' rights to payment on registered Bonds to the extent of the insurance disbursements so made.

In the event the trustee or paying agent for the Bonds has notice that any payment of principal of or interest on a Bond which has become Due for Payment and which is made to a Bondholder by or on behalf of the Issuer of the Bonds has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Bondholder" means any person other than the Issuer who, at the time of Nonpayment, is the owner of a Bond or of a coupon appertaining to a Bond. As used herein, "Due for Payment", when referring to the principal of bonds, is when the stated maturity date or a mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Bonds, is when the stated date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all principal of and interest on the Bonds which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Bonds prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Bond, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

President

AMBAC ASSURANCE CORPORATION CORPORATE SEAL WISCONSIN

Secretary

Authorized Representative

Effective Date: December 30, 1998

UNITED STATES TRUST COMPANY OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Authorized Officer

Form No.: 66-0003 (7/97)

Bonds: $1,625,000 in aggregate principal amount of Term Bonds maturing on July 1, 2018; $3,055,000 in aggregate principal amount of Term Bonds maturing on July 1, 2023; and $3,445,000 in aggregate principal amount of Term Bonds maturing on July 1, 2029. The Paying Agent is the West Virginia Municipal Bond Commission, Charleston, West Virginia.

The undersigned hereby certifies that this document is a true and correct copy of the Municipal Insurance Policy, Policy No. 5884BC issued by AMBAC ASSURANCE CORPORATION.

Date Dec 23 19 98

Assistant Secretary

Ambac Assurance Corporation
One State Street Plaza
New York, NY 10004
212.668.0340

A member of Ambac Financial Group, Inc.

January 6, 1999

Marie L. Prezioso
Ferris Baker Watts Inc.
170 Laidley Tower
500 Lee Street
Charleston, WV 25301

RE: City of Fairmont, West Virginia

Ambac

Dear Mr. Collins:

The closing for the above-captioned bond issue is scheduled for January 14, 1999. Please be advised that payment of Ambac Assurance Corporation's premium for such issue should be made on the day of closing by a federal funds wire transfer in the amount of $114,284.02. Ambac's wiring instructions are as follows:

Citibank N.A. ABA NO. 021000089
For: Ambac Assurance Corporation A/C No. 40609486
Please indicate Policy No. 15885BE on wire.
If you need to verify receipt of premium, call Jennie DiDiego (212) 208-3241.

Upon confirmation, by Ambac or its agent, of the federal funds wire transfer number and the delivery of the unqualified approving opinion of bond counsel either addressed to Ambac Assurance Corporation or accompanied by a reliance letter addressed to Ambac Assurance Corporation, Ambac's Closing Department will authorize release of its Municipal Bond Insurance Policy.

In an attempt to maintain current files, please have Ambac placed on the Issuer's mailing list to receive its annual audit report and budget. Please direct this information to:

Ambac Assurance Corporation ATTN: SURVEILLANCE DEPARTMENT
One State Street Plaza
New York, NY 10004

Should you have any questions regarding the above procedures, please do not hesitate to call the undersigned at (212) 668-0340.

Sincerely,

Danielle Brackett
Closing Coordinator

cc: Vincent A. Collins, Esq.

Ambac

Municipal Bond Insurance Policy

Ambac Assurance Corporation
c/o CT Corporation Systems
44 East Mifflin Street, Madison, Wisconsin 53703
Administrative Office:
One State Street Plaza, New York, New York 10004
Telephone: (212) 668-0340

Issuer: CITY OF FAIRMONT, WEST VIRGINIA

Policy Number: 15885BE

Bonds: $19,945,000 Water Revenue Bonds, Series 1999, dated January 1, 1999, consisting of: $1,825,000 in aggregate principal amount of Term Bonds maturing on July 1, 2015; $2,020,000 in aggregate principal amount of Term Bonds maturing on (AS FURTHER DESCRIBED ON THE REVERSE HEREOF)

Premium: $114,284.02

Ambac Assurance Corporation (Ambac) A Wisconsin Stock Insurance Company

in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to United States Trust Company of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of Bondholders, that portion of the principal of and interest on the above-described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Ambac will make such payments to the Insurance Trustee within one (1) business day following notification to Ambac of Nonpayment. Upon a Bondholder's presentation and surrender to the Insurance Trustee of such unpaid Bonds or appurtenant coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Bonds and coupons and shall be fully subrogated to all of the Bondholder's right to payment.

In cases where the Bonds are issuable only in a form whereby principal is payable to registered Bondholders or their assigns, the Insurance Trustee shall disburse principal to a Bondholder as aforesaid only upon presentation and surrender to the Insurance Trustee of the unpaid Bond, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to the Insurance Trustee, duly executed by the Bondholder or such Bondholder's duly authorized representative, so as to permit ownership of such Bond to be registered in the name of Ambac or its nominee. In cases where the Bonds are issuable only in a form whereby interest is payable to registered Bondholders or their assigns, the Insurance Trustee shall disburse interest to a Bondholder as aforesaid only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Bond and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to the Insurance Trustee, duly executed by the claimant Bondholder or such Bondholder's duly authorized representative, transferring to Ambac all rights under such Bond to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all the Bondholders' rights to payment on registered Bonds to the extent of the insurance disbursements so made.

In the event the trustee or paying agent for the Bonds has notice that any payment of principal of or interest on a Bond which has become Due for Payment and which is made to a Bondholder by or on behalf of the Issuer of the Bonds has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Bondholder" means any person other than the Issuer who, at the time of Nonpayment, is the owner of a Bond or of a coupon appertaining to a Bond. As used herein, "Due for Payment", when referring to the principal of bonds, is when the stated maturity date or a mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Bonds, is when the stated date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all principal of and interest on the Bonds which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Bonds prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Bond, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

President

AMBAC ASSURANCE CORPORATION CORPORATE SEAL WISCONSIN

Secretary

January 14, 1999

Effective Date:

Authorized Representative

UNITED STATES TRUST COMPANY OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Authorized Officer

Form No.: 66-0003 (7/97)

Bonds: July 1, 2017; $2,235,000 in aggregate principal amount of Term Bonds maturing on July 1, 2019; $3,000,000 in aggregate principal amount of Term Bonds maturing on July 1, 2022; $2,500,000 in aggregate principal amount of Term Bonds maturing on July 1, 2024; and $8,365,000 in aggregate principal amount of Term Bonds maturing on July 1, 2029. The Paying Agent is the West Virginia Municipal Bond Commission, Charleston, West Virginia.

The undersigned hereby certifies that this document is a true and correct copy of the Municipal Insurance Policy, Policy No. 158558 issued by AMBAC ASSURANCE CORPORATION.

Assistant Secretary

Date Jan 7 19 20

Ambac Assurance Corporation
One State Street Plaza
New York, NY 10004
212.668.0340

A member of Ambac Financial Group, Inc.

January 6, 1999

Vincent A. Collins, Esq.
Steptoe & Johnson
Union National Bank Bldg.
Clarksburg, WV 26301

Ambac

RE: City of Fairmont, West Virginia

Dear Mr. Collins:

This letter will serve to authorize you to act on behalf of Ambac Assurance Corporation ("Ambac"), a Wisconsin-domiciled stock insurance company, in connection with the issuance and delivery of the above-captioned obligations (the "Bonds"), on January 14, 1999, for the purpose of delivering the Municipal Bond Insurance Policy (the "Policy") upon (a) confirmation of the federal funds wire transfer number for payment of the premium for the Policy, Policy No. 15885BE, issued by Ambac. Such wire should be in the amount of $114,284.02, and sent to the following:

TO: CITIBANK, N.A. ABA NO.: 021000089
FOR: AMBAC ASSURANCE CORPORATION
ACCT. NO.: 40609486
INDICATE Policy No. 15885BE ON WIRE
If you need to verify receipt of premium, call Jennie DiDiego at (212)-208-3241

and (b) the delivery of the unqualified approving opinion of bond counsel in connection therewith, either addressed to Ambac or accompanied by a reliance letter addressed to Ambac.

To complete our files and respond promptly to requests from the Rating Agencies, we request that two complete unbound sets of closing documents which constitute the transcript of the proceedings be sent to Ambac, CORPORATE RECORDS from the closing, or as soon as possible thereafter. Please indicate the Policy number on your covering letter or on the first page of the transcript.

Enclosed please find the original and two certified copies of the Policy. The original of the Policy is to be mailed after its release, the day of closing, by first class mail, postage prepaid, to the Insurance Trustee for Ambac, United States Trust Company of New York, 114 West 47th Street, 25th Floor, New York, New York, 10036, Attention: Mr. H. William Weber, Department Manager, Administration. For your convenience, we are enclosing a stamped envelope for such purpose.

This letter will also serve to hold you harmless from any liability to Ambac Assurance incurred with respect to the substantive content of the Policy, the viability of the funds

transferred in payment therefor, the ultimate receipt by Ambac of such funds or any other matters not within the ambit of the actions expressly directed herein.

Thank you for your cooperation. Your prompt transmittal of the transcript will be greatly appreciated. If you have any questions regarding any of the above, please do not hesitate to call.

Sincerely,

Ambac

Danielle Brackett
Closing Coordinator

Enclosures

Ambac Assurance Corporation
One State Street Plaza
New York, NY 10004
212.208.3432 Fax: 212.480.3682
psantry@ambac.com

A member of Ambac Financial Group, Inc.

Phyllis A. Santry
First Vice President
Public Finance, Portfolio Risk Management

July 7, 1999

Ambac

Mr. Bruce McDaniel
City Manager
City of Fairmont
200 Jackson Street
P.O. Box 1428
Fairmont, West Virginia 26555-1428

RE: City of Fairmont, West Virginia
Water Revenue Bonds, Series 1998 and Series 1999

Dear Mr. McDaniel:

Please be advised that Ambac Assurance Corporation ("Ambac"), as issuer of municipal bond insurance policies numbers 15884BE and 15885BE relating to the above-captioned bonds (collectively the "Bonds") of the City of Fairmont, West Virginia (the "Issuer"), hereby consents to the following:

1. The investment of proceeds of the Bonds deposited in the Debt Service Reserve Funds therefore in a Debt Service Fund Forward Delivery Agreement and investment of proceeds of the Bonds representing capitalized interest thereon in a Sinking Fund Forward Delivery Agreement, both dated as of June 17, 1999, substantially in the forms attached hereto as "Exhibit A" and "Exhibit B", respectively;

2. The deposit with the West Virginia Investment Management Board of proceeds of the Bonds in its Government Money Market Fund from time to time.

If you have any questions, please call me.

Yours truly,

This Preliminary Official Statement and the information contained herein are subject to completion, amendment or other change without notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there by any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or exemption under the securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED DECEMBER 8, 1998

NEW ISSUE—FULL BOOK ENTRY

In the opinion of Bond Counsel, under existing laws, regulations, published rulings and judicial decisions of the United States of America, as presently written and applied, interest on the Bonds is excludable from gross income of the holders thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. It should be noted, however, that for purposes of computing the alternative minimum tax on corporations, such interest is taken into account in determining adjusted current earnings. Further, in the opinion of Bond Counsel, under existing laws of the State of West Virginia, as presently written and applied, the Bonds and the interest thereon are exempt from all taxation by the State of West Virginia, or any county, municipality or county commission, political subdivision or agency thereof. See "TAX MATTERS" herein.

CITY OF FAIRMONT, WEST VIRGINIA

$9,560,000*
Water Revenue Bonds, Series 1998

$19,995,000*
Water Revenue Bonds, Series 1999

Dated: December 15, 1998 **Due: July 1, as shown below**

The Bonds shall be issued only as fully registered Bonds, and when initially issued, will be registered to Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases will be made in book-entry form only and beneficial owners of the Bonds will not receive physical delivery of bond certificates. So long as DTC or its nominee is the registered owner of the Bonds, payments of the principal of and interest on such Bonds will be made directly to DTC. Disbursements of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of DTC participants (see "THE BONDS—Book-Entry Bonds" herein).

The Bonds are being issued to provide funds, together with other funds available therefor; (i) to pay a portion of the costs of the acquisition and construction of certain additions, betterments and improvements (the "Project"), to the existing water system (the "System") of the City of Fairmont, West Virginia, (the "City") including capitalized interest on the Bonds through January 1, 2002; (ii) to fund a reserve account for each series of Bonds; and (iii) to pay certain costs of issuance and related costs.

The Bonds are payable from and further secured by the Gross Revenues, as herein defined, derived from the System, and any additions, betterments and improvements thereto, and from funds on deposit in the sinking funds created therefor, including the reserve accounts established therein. The Bonds do not constitute a corporate indebtedness of the City within the meaning of any constitutional or statutory provisions or limitations, and the City shall not be obligated to pay the Bonds or any premium or the interest thereon except from such Gross Revenues and such funds on deposit. Neither the credit nor the taxing power of the City shall be deemed to be pledged to, nor shall a tax ever be levied for, the payment of the principal of or the premium, if any, or interest on the Bonds.

Payment of the principal of and interest on the Bonds when due will be guaranteed by a municipal bond insurance policy to be issued by Ambac Assurance Corporation (the "Insurer") simultaneously with the delivery of the Bonds.

Ambac

The Bonds are subject to redemption prior to maturity as more fully stated herein.

The City has designated the Series 1998 Bonds (but not the Series 1999 Bonds) as "qualified tax-exempt obligations" for purposes of Section 265(b) of the Code and has covenanted 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 obligations of the City 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 1998 Bonds, have been or shall be issued by the City, including all subordinate entities of the City, during the calendar year 1998.

WesBanco Bank, Wheeling, West Virginia, is the Registrar and the West Virginia Municipal Bond Commission, Charleston, West Virginia, is the Paying Agent. Interest on the Bonds is payable semiannually on each July 1 and January 1, commencing July 1, 1999. Principal of the Bonds is payable on each July 1 in accordance with the following schedule:

Maturities, Amounts and Interest Rates*
See Inside Cover

The Bonds are offered when, as and if issued and received by the Underwriters, subject to prior sale, to withdrawal or modification of the offering without notice and to the unqualified approval of legality by Steptoe & Johnson, Clarksburg, West Virginia, Bond Counsel. Certain legal matters will be passed upon for the City by Sansalone & Sansalone, Fairmont, West Virginia, counsel to the City. Certain legal matters will be passed upon for the Underwriters by Jackson & Kelly, Charleston, West Virginia, as counsel to the Underwriters. It is expected that the Series 1998 Bonds will be available for delivery at DTC, New York, New York, on or about December 30, 1998, and the Series 1999 Bonds will be available for delivery at DTC, New York, New York, on or about January 14, 1999.

FERRIS, BAKER WATTS, INCORPORATED

CREWS & ASSOCIATES, INC.

Dated: December , 1998

*Estimated, subject to change.

MATURITIES, AMOUNTS AND INTEREST RATES*

Series 1998 Bonds
$1,575,000 Serial Bonds

Maturity (July 1)	Amount	Interest Rate	Price/ Yield	Maturity (July 1)	Amount	Interest Rate	Price/ Yield
2002	$110,000.00	%	%	2008	135,000.00	%	%
2003	$110,000.00			2009	135,000.00		
2004	$110,000.00			2010	145,000.00		
2005	$120,000.00			2011	150,000.00		
2006	$120,000.00			2012	155,000.00		
2007	$130,000.00			2013	155,000.00		

$1,875,000 % Term Bonds, Due July 1, 2018 at %
$6,110,000 % Term Bonds, Due July 1, 2029 at %

Series 1999 Bonds

$4,695,000 % Term Bonds, Due July 1, 2018 at %
$15,300,000 % Term Bonds, Due July 1, 2029 at %

(Accrued interest to be added)

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized by the City of Fairmont, West Virginia, or the Underwriters to give any information or to make any representations, other than as contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. The information set forth herein has been obtained from the City of Fairmont and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriters. The information and any expression of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the City of Fairmont, West Virginia, since the date hereof.

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

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CITY OF FAIRMONT, WEST VIRGINIA

MAYOR

Nick L. Fantasia

CITY MANAGER

E. Bruce McDaniel

COUNCIL

Jerry Ragen
Marcella Yaremchuk
Nick L. Fantasia
Manuel Garcia
Robert J. Allen, Jr.
Kay Francis Meade
Rosemary C. Phillips
Charles G. Manly
John R. West, Jr.

CITY ADMINISTRATION

Janet L. Keller - City Clerk
Anthony Julian - Municipal Judge
Fred Thompson - Finance Director
Douglas R. Amos - Utility Manager

BOND COUNSEL

Steptoe & Johnson
Clarksburg, West Virginia

SPECIAL COUNSEL TO THE CITY OF FAIRMONT

Sansalone & Sansalone
Fairmont, West Virginia

UNDERWRITERS

Ferris, Baker Watts, Incorporated
Crews & Associates, Inc.
Charleston, West Virginia

UNDERWRITERS COUNSEL

Jackson & Kelly
Charleston, West Virginia

OFFICIAL STATEMENT

relating to

CITY OF FAIRMONT, WEST VIRGINIA

$9,560,000*
Water Revenue Bonds, Series 1998

$19,995,000*
Water Revenue Bonds, Series 1999

December ___, 1998

INTRODUCTION

This Official Statement, including the cover page and appendices, is provided for the purpose of setting forth certain information concerning the City of Fairmont, West Virginia (the "City"), the City's municipal water system hereinafter described and defined and the City's $29,555,000* in aggregate principal amount of Water Revenue Bonds, Series 1998 and Series 1999 (collectively, the "Bonds"). The Bonds are being issued pursuant to the Constitution and laws of the State of West Virginia (the "State"), specifically Chapter 8, Article 19 of the Code of West Virginia, 1931, as amended (the "Act"), and an ordinance enacted by the Council of the City on November 10, 1998 (the "Ordinance"), as supplemented by a supplemental resolution adopted by the Council of the City on December __, 1998 (the "Supplemental Resolution" and collectively with the Ordinance, hereinafter the "Ordinance").

The proceeds of the Bonds, together with other funds available therefor, will be used as follows: (i) to pay a portion of the costs of acquisition and construction of certain additions, betterments and improvements to the existing water system (the "System") of the City (the "Project"), including capitalized interest on the Bonds through January 1, 2002; (ii) to fund a reserve account (the "Reserve Accounts") in each of the sinking funds (the "Sinking Funds") established with the West Virginia Municipal Bond Commission for the Bonds in amounts equal to the maximum amount of principal and interest which will come due on the Bonds in any fiscal year; and (iii) to pay certain costs of issuance of the Bonds and related costs. See "FINANCING PLAN - Estimated Sources and Uses of Funds."

The Bonds are payable from and secured by the Gross Revenues, as defined in the Ordinance, derived from the System and any additions, betterments and improvements thereto, and from funds on deposit in the Sinking Funds, including the Reserve Accounts therein. The Bonds do not constitute corporate indebtedness of the City within the meaning of any constitutional or statutory provisions or limitations, and the City shall not be obligated to pay the Bonds or any premium or the interest thereon except from such Gross Revenues and such funds on deposit. Pursuant to the Ordinance, the City has covenanted and agreed

to establish and collect just and equitable rates and charges for the use of the System and the services rendered thereby as will always produce Gross Revenues equal to at least 120% of the maximum annual amount required to pay the principal of and interest on the Bonds and any Bonds subsequently issued on a parity therewith, in each fiscal year. See "SECURITY FOR THE BONDS - Rate Covenant."

Except for the Waterworks Refunding Revenue Bonds, Series 1997, dated June 1, 1997, issued in the original aggregate principal amount of $10,260,000 (the "Prior Bonds"), there are no outstanding obligations of the City. The City may issue additional bonds on a parity with the Bonds for the purpose of (i) financing the cost of the acquisition or construction of extensions, additions, betterments or improvements to the System; (ii) refunding all or a portion of one or more series of bonds; or (iii) all of such purposes, subject, in each case, to certain tests and conditions provided for by the Ordinance (any such additional parity Bonds are hereinafter referred to as the "Bonds"). See "SECURITY FOR THE BONDS - Additional Parity Bonds."

Brief descriptions of the Bonds, the Ordinance, certain provisions of the Supplemental Resolution, the System, the City, the Undertaking and certain provisions of the Act, are set forth in this Official Statement, as well as other information contained in the appendices hereto. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Ordinance, the Supplemental Resolution, the Undertaking, provisions of the Act and other applicable laws of the State are qualified in their entirety by reference to each such document or law. References herein to the Bonds are qualified in their entirety by reference to the form thereof included in the Ordinance and the information with respect thereto included in the aforesaid documents. Capitalized terms used and not otherwise defined in this Official Statement have the respective meanings given them in the Ordinance.

Bond Insurance

Payments of principal of and interest on the Bonds when due for payment and unpaid by reason of nonpayment under the circumstances hereinafter described, including any such payment of principal or interest made to any Registered Owner of Bonds which has been recovered from such registered owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, non-appealable order of a court having competent jurisdiction, will be insured by municipal bond insurance policies to be issued by Ambac Indemnity Corporation (the "Bond Insurer"). See "BOND INSURANCE."

FINANCING PLAN

The Project

The Bonds are being issued to provide moneys for acquiring and constructing certain extensions, additions, betterments and improvements to the System, consisting of rehabilitation and renovation of the existing storage to include two new water storage tanks and transmission mains and distribution system, a new water treatment facility, together with all appurtenant facilities, at a cost of approximately $29,555,000 (collectively, the "Project"), in accordance with the plans and specifications prepared or to be prepared by the Consulting Engineers.

On December __, 1998, the City applied to the Public Service Commission of West Virginia (the "PSC") for an order granting the City a Certificate of Convenience and Necessity for the construction of the first phase of the Project (as later described). The PSC has 270 days from the date of application in which to grant or deny the certificate. The City intends to apply for the certificate for the second phase of the Project (as later described) on or about March 1, 1999 and anticipates it will receive the certificate in time to complete construction of the second phase on or about September 1, 2000. The City estimates an 18 month construction schedule for the second phase.

Sources and Uses of Funds

Sources of Funds

Principal Amount of Bonds	$_____
Accrued Interest	_____
TOTAL	$_____

Uses of Funds

Original Issue Discount	$_____
Deposit to Reserve Account (1)	_____
Underwriters' Discount	_____
Costs of Issuance (2)	_____
Debt Service Fund (capitalized interest)	_____
Deposit to Construction Trust Fund	_____
TOTAL	$_____

(1) An amount equal to the maximum amount of principal and interest which will come due on the combined Series 1998 and 1999 bond issues.

(2) Includes insurance premium.

THE BONDS

General

The Bonds are dated and bear interest from December 15, 1998 upon original issuance. After original issuance, any Bond issued prior to the first interest payment will be dated December 15, 1998. Any Bonds issued on or subsequent to said first interest payment date will be dated as of the Interest Payment Date next preceding the date of authentication thereof; unless the date of authentication is after the Record Date but prior to the applicable Interest Payment Date or on such Interest Payment Date on which interest on said Bond shall have been paid in full or duly provided for, in which case said Bond shall be dated such Interest Payment Date; or, if interest on such Bond shall be in default, as shown by the records of the Registrar, as defined below, then any Bond issued in exchange for a Bond surrendered for transfer or exchange shall be dated as of the date to which interest has been paid in full. The Bonds will bear interest from their date, payable semiannually on each July 1 and January 1 in each year, commencing July 1, 1999 (each an "Interest Payment Date"), until maturity or until the date fixed for redemption if the Bond is called for prior redemption and payment on such date is provided for.

The Bonds will be issued as fully registered Bonds without coupons, in denominations of $5,000 and integral multiples thereof for any year of maturity. Interest on the Bonds shall be payable by check or draft made payable and mailed by the West Virginia Municipal Bond Commission, Charleston, West Virginia, as paying agent (in such capacity, the "Paying Agent"), to the Registered Owner thereof as of the applicable Record Date (each June 15 and December 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 WesBanco Bank, Wheeling, West Virginia, as registrar (in such capacity, the "Registrar") or, at the option of any Registered Owner of $500,000 or more of the Bonds, by wire transfer to a domestic bank account specified in writing at least 5 days prior to the Record Date by such Registered Owner. Principal of and premium, if any, on the Bonds shall be payable in any coin or currency which, on the respective date of such payment, is legal tender for the payment of public and private debts under the laws of the United States of America upon surrender thereof at the principal corporate trust office of the Paying Agent.

Ownership of any Bond may be transferred only by transfer of registration presented to the Registrar 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 his duly authorized attorney or legal representative. Upon any such transfer of a Bond, there will be issued another Bond or Bonds, at the option of the Holder or transferee, 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. For every exchange

or transfer of Bonds, the Registrar may make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer. Any applicable tax, governmental charge or charge to reimburse the Registrar for any tax or governmental charge shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such transfer or exchange. The Registrar shall not be obliged to make any such transfer or exchange of Bonds that have been called for redemption.

Book-Entry Bonds

The Bonds shall initially be issued in the form of one fully-registered bond for the aggregate principal amount of the Bonds of each maturity for each series, registered in the name of CEDE & CO., as nominee of DTC. Except as provided below, all of the Bonds shall be registered in the registration books kept by the Registrar in the name of CEDE & CO., as nominee of DTC; provided that if DTC shall request that the Bonds be registered in the name of a different nominee, the Registrar shall exchange all or any portion of the Bonds registered in the name of such nominee or nominees. No person other than DTC or its nominee shall be entitled to receive from the Issuer or the Registrar either a Bond or any other evidence of ownership of the Bonds, or any right to receive any payment in respect thereof unless DTC or its nominee shall transfer record ownership of all or any portion of the Bonds on the registration books maintained by the Registrar, in connection with discontinuing the book entry system as provided below.

At or prior to settlement for the Bonds, the Issuer and the Registrar shall execute or signify their approval of a representation letter addressed to DTC in a form satisfactory to DTC (the "Representation Letter"). Any successor Registrar shall, in its written acceptance of its duties under the Ordinance, agree to take any actions necessary from time to time to comply with the requirements of the Representation Letter.

So long as the Bonds or any portion thereof are registered in the name of DTC or any nominee thereof, all payments of the principal or Redemption Price of or interest on such Bonds shall be made to DTC or its nominee at the addresses set forth in the Representation Letter in New York Clearing House or equivalent next day funds on the dates provided for such payments to be made to any Bondholder under the 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 Bonds to the extent of the sum or sums so paid. In the event of the redemption of less than all of the Bonds Outstanding of any maturity, the Registrar shall not require surrender by DTC of the Bonds so redeemed, but DTC may return such Bonds and make an appropriate notation on the Bond certificate as to the amount of such partial redemption; provided that DTC shall deliver to the Registrar, upon request, a written confirmation of such partial redemption. The records maintained by the Registrar shall be conclusive as to the amount of the Bonds of such maturity which have been redeemed.

The Issuer, the Paying Agent and the Registrar may treat DTC as the sole and exclusive owner of the Bonds registered in its name or the name of its nominee for the purposes of payment of the principal or Redemption Price of or interest on the Bonds, selecting the Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Bondholders under this Ordinance, registering the transfer of Bonds, obtaining any consent or other action to be taken by Bondholders for all other purposes whatsoever; and neither the Issuer nor the Registrar shall be affected by any notice to the contrary. Neither the Issuer nor the Registrar shall have any responsibility or obligation to any direct or indirect participant in DTC, any person claiming a beneficial ownership interest in the Bonds under or through DTC or any such participant, or any other person which is not shown on the registration books of the Registrar as being a Bondholder with respect to (i) the Bonds; (ii) the accuracy of any records maintained by DTC or any such participant; (iii) the payment by DTC or any such participant of any amount in respect of the principal or Redemption Price of or interest on the Bonds; (iv) any notice which is permitted or required to be given to Bondholders under the 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 Bonds; or (vi) any consent given or other action taken by DTC as Bondholder.

The book entry system for registration of the ownership of the Bonds may be discontinued at any time if either: (i) DTC determines to resign as securities depository for the Bonds; or (ii) the Issuer determines that continuation of the system of book entry transfers through DTC (or through a successor securities depository) is not in the best interest of the beneficial owners of the Bonds. In either of such events (unless in the case described in clause (ii) above, the Issuer appoints a successor securities depository), the Bonds shall be delivered in registered certificate form to such persons, and in such maturities and principal amounts, as may be designated by DTC, but without any liability on the part of the Issuer or the Registrar to do so, the Issuer and the Registrar shall cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of certificates evidencing the Bonds.

DTC management is aware that some computer applications, systems, and the like for processing data ("Systems") that are dependent upon calendar dates, including dates before, on, and after January 1, 2000, may encounter "Year 2000 problems." DTC has informed its Participants and other members of the financial community (the "Industry") that it has developed and is implementing a program so that its Systems, as the same relate to the timely payment of distributions (including principal and income payments) to securityholders, book-entry deliveries, and settlement of trades within DTC ("DTC Services"), continue to function appropriately. This program includes a technical assessment and a remediation plan, each of which is complete. Additionally, DTC's plan includes a testing phase, which is expected to be completed within appropriate time frames.

However, DTC's ability to perform properly its services is also dependent upon other parties, including but not limited to issuers and their agents, as well as third party vendors from whom DTC licenses software and hardware, and third party vendors on whom DTC relies for information or the provision of services, including telecommunication and

electrical utility service providers, among others. DTC has informed the Industry that it is contacting (and will continue to contact) third party vendors from whom DTC acquires services to: (i) impress upon them the importance of such services being Year 2000 compliant; and (ii) determine the extent of their efforts for Year 2000 remediation (and, as appropriate, testing) of their services. In addition, DTC is in the process of developing such contingency plans as it deems appropriate.

According to DTC, the foregoing information with respect to DTC has been provided to the Industry for informational purposes only and is not intended to serve as a representation, warranty, or contract modification of any kind.

Bonds - Optional Redemption

The Bonds maturing on or after July 1, 2009 are subject to redemption prior to maturity at the option of the City on and after January 1, 2009, as a whole or in part at any time, in such order of maturity as shall be designated to the Registrar by the City and by lot within a maturity at the redemption price (expressed as a percentage of the principal amount) set forth below, plus interest accrued to the date fixed for redemption:

Period During Which Redeemed (Dates Inclusive)	Redemption Price
January 1, 2009 through December 31, 2009	102%
January 1, 2010 through December 31, 2010	101%
January 1, 2011 and thereafter	100%

Mandatory Sinking Fund Redemption

The Series 1998 Bonds maturing July 1, 2018 and July 1, 2029, are subject to annual mandatory redemption prior to their respective stated maturity dates, as set forth in the Ordinance, by random selection 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:

Series 1998 Bonds Maturing July 1, 2018

Year (July 1)	Principal Amount
2014	$
2015	
2016	
2017	
2018*	

Series 1998 Bonds Maturing July 1, 2029

Year (July 1)	Principal Amount
2019	$
2020	
2021	
2022	
2023	
2024	
2025	
2026	
2027	
2028	
2029*	

* Final maturity.

The Series 1999 Bonds maturing July 1, 2018 and July 1, 2029, are subject to annual mandatory redemption prior to their respective stated maturity dates, as set forth in the Ordinance, by random selection 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:

Series 1999 Bonds Maturing July 1, 2018

Year (July 1)	Principal Amount
2014	$
2015	
2016	
2017	
2018*	

Series 1999 Bonds Maturing July 1, 2029

Year (July 1)	Principal Amount
2019	$
2020	
2021	
2022	
2023	
2024	
2025	
2026	
2027	
2028	
2029*	

* Final maturity.

SECURITY FOR THE BONDS

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

Sources of Payment

The payment of the debt service on all of the Bonds issued hereunder shall be secured 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, and all moneys in the Sinking Fund for each Series of Bonds, including the Reserve Account therein. Gross Revenues derived from the System in an amount sufficient to pay the principal of, premium, if any, and interest on the Prior Bonds and the Bonds and to make the payments into all funds and accounts and all other payments provided for in the Ordinance, and the funds in the Sinking Funds are irrevocably pledged to the payment of the principal of, premium, if any, and interest on the Prior Bonds and the Bonds as the same become due and for the other purposes provided in the Ordinance.

Rate Covenant

The City covenants and agrees in the Ordinance that the schedule of rates and charges from time to time in effect shall be sufficient (i) to pay all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 120% of the maximum annual amount required in any year to pay 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.

Reserve Account

Pursuant to the Ordinance, for each series of Bonds there will be created with the Bond Commission in the respective Sinking Fund a Reserve Account in an amount equal to the reserve requirement. See, Appendix D "Summary of Certain Provisions of the Ordinance as Supplemented and Amended." Moneys in the Reserve Account shall be used only to pay principal of, or interest on the Bonds as due when other moneys in the respective Sinking Funds are insufficient therefor; provided, that any such moneys in excess of the Bond Reserve Requirement shall be withdrawn annually from the Reserve Account and deposited in the respective Sinking Funds. The City is required to restore any withdrawals from the Reserve Accounts which have the effect of reducing the value of the funds therein below the Reserve Account Requirement from the first Gross Revenues available after all other required payments to the Sinking Funds, including any deficiencies for prior payments, have been made in full; provided that such restoration is not required when the sum in the respective Sinking Fund, including the Reserve Account therein, is at least equal to the aggregate amount of Bonds outstanding, plus the amount of interest due or thereafter to become due on said Bonds.

The reserve account for the Prior Bonds is funded with a bank letter of credit. Simultaneously with the issuance of each series of the Bonds, the City intends to cash fund from Bond proceeds each respective Reserve Account to the reserve requirement.

Depreciation Fund

The City is required after the payments into the Sinking Funds described above and after the payment of Operating Expenses, on the first day of each month, commencing with the first month in which interest is payable from the Revenue Fund, to transfer to the Depreciation Fund a sum equal to 2-1/2% of the Gross Revenues each month, exclusive of any payment for the Reserve Accounts in the Sinking Funds.

Withdrawals and disbursements from the Depreciation Fund shall be made (a) to pay the reasonable costs of replacements, emergency repairs, improvements or extensions to the System; or (b) to make up any deficiency in the Reserve Accounts.

Application of Revenues

All Gross Revenues are to be deposited in the Revenue Fund established with a State banking corporation or national banking association selected by the City (the "Depository Bank"), for disposition in the following order of priority (except as described

below): (1) first, (i) for monthly deposit in the Prior Bonds Sinking Fund, the amount required by the Prior Ordinance to pay the interest on and principal of the Prior Bonds; (ii) beginning six months prior to the first interest payment date of the Bonds, for deposit in the respective Sinking Funds, a sum equal to 1/6 of the amount of interest which will become due on the Bonds on the next ensuing semiannual interest payment date, and (iii) beginning 12 months prior to the first principal payment date or mandatory Redemption Date of the Bonds, for deposit in the respective Sinking Fund, and the Redemption Account therein in the case of the Term Bonds which are to be redeemed, a sum equal to 1/12 of the amount of principal which will mature or be redeemed and become due on the Bonds on the next ensuing annual principal payment date or mandatory Redemption Date (provided that, in the event the period to elapse between the date of such initial deposit in the respective Sinking Fund and the next ensuing annual principal payment date or mandatory Redemption Date is more or less than 12 months, then such monthly payments shall be decreased or increased proportionately to provide, 1 month prior to the next ensuing annual principal payment date or mandatory Redemption Date, the required amount of principal coming due on such date); (2) next, for restoration of any deficiency in the funding of the Reserve Accounts; (3) next, to pay the current monthly Operating Expenses of the System; and (4) then, for monthly transfer to the Depreciation Fund, a sum equal to not less than two and one-half percent of Gross Revenues (less any amount transferred to the Reserve Account) received during the preceding month. Any amounts not required for deposits as set forth in (1) through (4) above shall be considered "system revenue" and such system revenue may be used for any purpose of the System.

As described under "Sources of Payment" above, the Bonds are secured by the Gross Revenues of the System.

Enforcement of Collections

The City covenants in the Ordinance to diligently enforce and collect all fees, rates, rentals or other charges for the services and facilities of the System and take all steps, actions and proceedings for the enforcement and collection of such fees, rates, rentals and other charges that shall become delinquent to the full extent permitted or authorized by the Act, the rules and regulations of the Public Service Commission of West Virginia and other laws of the State. Such fees, rates, rentals and charges, if not paid when due, shall, to the extent allowed by the Act, become a lien on the premises served by the System.

The City further covenants and agrees that it will, subject to applicable State law and regulations, and under such reasonable rules and regulations as may be prescribed by the Public Service Commission of West Virginia and the City, discontinue and shut off the services and facilities of the System to all delinquent users of the System and will not restore such services of the System until all delinquent amounts, plus reasonable interest penalty charges for the restoration of service, have been fully paid.

Additional Parity Bonds

The Ordinance provides for the issuance of additional bonds on a parity with the Bonds with respect to their lien on the Gross Revenues of the System and their source

of and security for payment from said Gross Revenues (the "additional parity Bonds") for the following purposes and under the following conditions:

No such additional parity Bonds shall be issued except for the purpose of (i) financing the costs of the acquisition or construction of extensions, additions, betterments or improvements to the System; (ii) refunding all or a portion of one or more series of Bonds; (iii) repaying claims which may exist against the revenues or facilities of the System; or (iv) all 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 Independent Accountants, reciting the conclusion that the Net Revenues actually derived, subject to the adjustment hereinafter provided, during the Fiscal Year preceding the date of actual issuance of such additional parity Bonds plus the estimated average increased annual Net Revenues to be received in each of the three succeeding years after completion of the improvements to be financed by such additional parity Bonds, shall not be less than one hundred twenty percent (120%) of the largest aggregate amount that will mature and become due in any succeeding year for principal of and interest on the following:

A. The Bonds and Prior Bonds then Outstanding;

B. Any additional parity Bonds theretofore issued pursuant to the provisions contained in the Ordinance then Outstanding; and

C. The additional parity Bonds then proposed to be issued.

The "estimated average increased annual Net Revenues to be received in each of the three 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 any increase in rates enacted by the City, the period for appeal of which shall have expired (without successful appeal) prior to the issuance of such additional parity Bonds is, by the terms of the ordinance providing for such increase in rates deferred pending completion of the acquisition and construction of any additions, betterments or improvements for the System, and further provided, that the debt service on such additional parity Bonds during such construction period is payable from proceeds of such additional parity Bonds deposited in the Sinking Fund held by the Bond Commission, the "estimated average increased annual Net Revenues to be received in each of the three succeeding years" as that term is used in the computation provided in the above paragraph, may be assumed to mean "estimated average increased annual Net Revenues to be received in each of the three succeeding years commencing on the date of completion of such acquisition and construction."

The Net Revenues actually derived from the System during the preceding Fiscal Year hereinabove referred to may be adjusted by adding to such Net Revenues such additional Net Revenues which would have been received, in the opinions of the Independent Accountants, on account of increased rates, rentals, fees and charges for the System enacted by the City, the period for appeal of which has expired (without successful appeal) prior to issuance of such additional parity Bonds. For purposes of this test, the terms

"Gross Revenues" and "Net Revenues" shall not include proceeds from the sale of capital assets.

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

BOND INSURANCE

Payment Pursuant to Municipal Bond Insurance Policy

Ambac Assurance has made a commitment to issue a municipal bond insurance policy (the "Municipal Bond Insurance Policy") relating to the Bonds effective as of the date of issuance of the Bonds. Under the terms of the Municipal Bond Insurance Policy, Ambac Assurance will pay to the United States Trust Company of New York, in New York, New York or any successor thereto (the "Insurance Trustee") that portion of the principal of and interest on the Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer (as such terms are defined in the Municipal Bond Insurance Policy). Ambac Assurance will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which Ambac Assurance shall have received notice of Nonpayment from the Trustee/Paying Agent. The insurance will extend for the term of the Bonds and, once issued, cannot be canceled by Ambac Assurance.

The Municipal Bond Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Bonds, Ambac Assurance will remain obligated to pay principal of and interest on outstanding Bonds on the originally scheduled interest and principal payment dates including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Paying Agent has notice that any payment of principal of or interest on a Bond which has become Due for Payment and which is made to a Bondholder by or on behalf of the Issuer has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

The Municipal Bond Insurance Policy does **not** insure any risk other than Nonpayment, as defined in the Policy. Specifically, the Municipal Bond Insurance Policy does not cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity.

2. payment of any redemption, prepayment or acceleration premium.

3. nonpayment of principal or interest caused by the insolvency or negligence of any Trustee or Paying Agent, if any.

If it becomes necessary to call upon the Municipal Bond Insurance Policy, payment of principal requires surrender of Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Bonds to be registered in the name of Ambac Assurance to the extent of the payment under the Municipal Bond Insurance Policy. Payment of interest pursuant to the Municipal Bond Insurance Policy requires proof of Bondholder entitlement to interest payments and an appropriate assignment of the Bondholder's right to payment to Ambac Assurance.

Upon payment of the insurance benefits, Ambac Assurance will become the owner of the Bond, appurtenant coupon, if any, or right to payment of principal or interest on such Bond and will be fully subrogated to the surrendering Bondholder's rights to payment.

Ambac Assurance Corporation

Ambac Assurance Corporation ("Ambac Assurance") is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam and the Commonwealth of Puerto Rico, with admitted assets of approximately $3,200,000,000 (unaudited) and statutory capital of approximately $1,815,000,000 (unaudited) as of September 30, 1998. Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., Moody's Investors Service and Fitch IBCA, Inc. have each assigned a triple-A financial strength rating to Ambac Assurance.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially identical to those contained in its municipal bond insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the issuer of the Bonds.

Ambac Assurance makes no representation regarding the Bonds or the advisability of investing in the Bonds and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by Ambac Assurance and presented under the heading "BOND INSURANCE".

Available Information

The parent company of Ambac Assurance, Ambac Financial Group, Inc. (the "Company"), is subject to the information requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information may be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 and at the Commission's regional offices at 7 World Trade Center, New York, New York 10048 and Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such material can be obtained from the public reference section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. In addition, the aforementioned material may also be inspected at the offices of the New York Stock Exchange, Inc. (the "NYSE") at 20 Broad Street, New York, New York 10005. The Company's Common Stock is listed on the NYSE.

Copies of Ambac Assurance's financial statements prepared in accordance with statutory accounting standards are available from Ambac Assurance. The address of Ambac Assurance's administrative offices and its telephone number are One State Street Plaza, 17th Floor, New York, New York, 10004 and (212) 668-0340.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the Commission (File No. 1-10777) are incorporated by reference in this Official Statement:

1) The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997 and filed March 31, 1998;

2) The Company's Current Report on Form 8-K dated March 27, 1998 and filed on March 27, 1998;

3) The Company's Amendment to its Annual Report on Form 10-K/A for the fiscal year ended December 31, 1997 and filed on March 31, 1998;

4) The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 1998 and filed on May 15, 1998;

5) The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended June 30, 1998 and filed on August 14, 1998; and

6) The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended September 30, 1998 and filed on November 13, 1998.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in "AVAILABLE INFORMATION".

Notice of Sale

Ambac Assurance Corporation ("Ambac Assurance") has issued a commitment for municipal bond insurance relating to the Bonds. All bids may be conditioned upon the issuance effective as of the date on which the Bonds are issued, of a policy of insurance by Ambac Assurance, insuring the payment when due of principal of and interest on the Bonds. Each Bond will bear a legend referring to the insurance. The purchaser, holder or owner is not authorized to make any statements concerning the insurance beyond those set out here and in the bond legend without the approval of Ambac Assurance.

THE SYSTEM

History and Development

Development of the System began in 1902 with construction of a pump station on the Monongahela River and a related reservoir, serving the downtown area of the City with 12-inch water mains. Filtration at the reservoir site commenced in 1911 and chlorination began soon thereafter. The present filtration plant, constructed in 1924, initially had a maximum capacity of four million gallons per day. In 1942 the existing raw water pump station was constructed on the Tygart Valley River. Provisions for increased filtration capacity plus addition of finished water storage tanks increased plant capacity to six million gallons per day by 1952. The eight million gallon per day capacity was achieved in 1963 with the installation of two additional filters and an additional storage tank. Emergency improvements at the water treatment plant were made to the clearwell, settling basins and flocculator basin in 1977.

In 1984, plant capacity was increased to the current twelve million gallons per day through improvements made to the plant as part of the 1980 Improvement Project. This increase was due to the construction of an additional 1.5 million gallons of storage, a new head house, upgraded piping and valves, computerized controls, a backwash tank and bulk chemical facilities.

Since 1987, the System has focused on internally upgrading the distribution system and lines and has significantly reduced the amount of unaccounted for water. Consulting engineers have recently completed a comprehensive review of the System in anticipation of the upcoming Project as described below.

Properties and Services

The primary functions of the System are raw water intake, water treatment, transmission and distribution, and administration.

The immediate source of raw water for the System is the Tygart Valley River which flows at a minimum rate of 34 cubic feet per second. Water flows to the point of System intake from the Tygart Dam, located in Grafton, West Virginia. The dam serves a watershed area of 878,720 acres and has a reservoir capacity of 298,550 acre feet. In the opinion of the Consulting Engineers, the City's water supply is not threatened by any

currently perceived contaminant and the supply is expected to be sufficient to meet the maximum projected wholesale and retail demand for water throughout the term of the Bonds.

The City's raw water intake facility and pumping station are located on the Tygart Valley River. Raw water is pumped through two 20-inch lines to a raw water reservoir and water treatment plant by two 1,800 gallons per minute and two 3,200 gallons per minute pumps. The water treatment plant consists of flocculation and settling basins, chemical feed equipment, chlorination equipment, rapid sand filters and two 1,500,000 gallon clearwells for finished water storage. The present processing capacity of the water treatment plant is twelve million gallons per day.

The water treatment plant is constructed with the capability to completely treat water in accordance with Federal requirements under the Safe Drinking Water Act. The water quality for both raw water entering the water treatment plant and treated drinking water leaving the plant is continuously monitored by a complete bacteriological and chemical laboratory. Pertinent test data are certified and forwarded to the State Bureau of Public Health which monitors the City's compliance with applicable regulatory standards.

Other raw materials necessary for the production of drinking water include chemicals and power supply. Chemicals are purchased pursuant to annual contracts with reliable suppliers and the City has encountered no difficulties in obtaining adequate chemicals. The required electrical energy is furnished throughout the System by the Allegheny Power Company, and while short electrical interruptions are sometimes experienced, these interruptions have not created any serious problems for the System.

The City owns the transmission mains used to transport water from the water treatment plant to retail customers throughout the City and to the wholesale distribution areas. The transmission system is comprised of approximately 8 miles of 16 to 20-inch mains, 85 miles of 10 to 12-inch mains, 168 miles of 6 to 8-inch mains and 251 miles of 2 to 4-inch mains. Water pressure in the transmission mains is maintained presently by gravity and five booster stations. As part of an improvement project undertaken in 1983-84, a transmission loop for the water treatment plant was completed, a System storage tank was constructed and primary distribution lines were upgraded. These improvements permit adequate pressure maintenance with decreased operation of energy intensive booster pumps.

The Project

The City of Fairmont Water System Improvements Project is a major capital improvements project implementing the recommendations contained in the Comprehensive Study of the City's potable water system prepared by Chapman Technical Group and subsequently adopted by the Fairmont City Council in October, 1996. The Project will provide improved service to the City's approximately 14,000 customers and the nine (9) bulk purchase systems currently supplied by the City.

The construction of the system improvements will be undertaken during two distinct phases, namely Phase I and Phase II, and the following describes the proposed improvements to be included in each phase of construction.

The proposed Phase I improvements project can generally be described as the rehabilitation/renovation of the City's existing storage and distribution system and consists of the following work:

		Const. Cost
1.	Rehabilitation/renovation of five (5) existing water storage tanks being: a. Watson Tank b. Allegheny Tanks 1 & 2 c. Graham Heights Tank d. Sterling Heights Tank.	$1,000,000
2.	Renovation of the Hamilton Street Booster Station.	$ 100,000
3.	Installation of a 16" River Crossing of Monongahela River.	$ 300,000
4.	Major distribution system improvements throughout the system, consisting of undersized main replacement, increased fire protection inside city limits, and miscellaneous related improvements.	$4,100,000
	Subtotal - Phase I Construction	$5,500,000

The proposed Phase II improvements of the Project can generally be described as the construction of a new water treatment facility, two new water storage tanks, and major transmission mains in the northeast and southern portions of the system and consists of the following work:

		Const. Cost
1.	Construction of a new 9.2 MGD Water Treatment Plant.	$ 9,600,000
2.	Construction of two (2) new water storage facilities being: a. 2.0 MG East Grafton Tank b. 1.0 MG Whitehall Tank	$ 1,500,000
3.	Installation of the following transmission mains: a. 24" East Grafton Tank supply line. b. 16" and 12" supply lines to East Grafton Road area. c. 16" supply line, including river crossing, through Colfax area to Route 250, south of Fairmont. d. 16" supply line Route 250 south to Whitehall Tank. e. 12" supply line Route 250 south to Middleton Mall and NASA Complex. f. 12" and 8" supply line from East Grafton Road to Scratches Run area.	$ 3,500,000
	Subtotal Phase II Construction	$14,600,000

The Phase I improvements are not dependent on the Phase II improvements and are anticipated to begin construction in early 1999. The Phase II improvements are anticipated to begin construction in mid to late 1999, with completion anticipated by late 2001.

Organization and Administration

Pursuant to the Act and the City Charter adopted in 1976, the City is governed under the council-manager form of municipal government, whereby the Council is the governmental authority and the City Manager, who is appointed for an indefinite term by the Council, administers the government. The City Council is charged with the responsibility to establish, alter or abolish any City department, office or agency, regulate rates charged for services by a public utility and authorize the borrowing of money. The City Manager is charged with the responsibility to appoint and remove City employees, including department heads, to direct and supervise the administration of most departments, offices and agencies, to see that all laws and ordinances are faithfully executed and to prepare and submit the annual budget.

Operation of the System was returned to the direct supervision of the City Manager as of July 1, 1983 by ordinance enacted by the City Council. During the immediately preceding period, a water commission had been established in 1977 by City ordinance for the custody, supervision, control and administration of the System. Administrative duplication and cost, and lack of coordination between City and water commission projects, prompted the consolidation of System management under the City Manager.

System operations are organized as four functions and assigned on that basis to two departments of City government: the Municipal Utility Department is responsible for treatment plant and pump station operation, utility meter reading, and transmission and distribution line maintenance; and the City Finance Department is responsible for accounting, billing and collections. The officers and employees of the City responsible for these operations, and a discussion of the financial management of the System, are set forth separately below.

Certain City Officers and Personnel

E. Bruce McDaniel has served as City Manager since April 1, 1997, and formerly as Utility Manager from March, 1982 to April, 1997 assuming responsibility for water treatment plant and pump station operation, and for utility meter reading, as of July 1, 1983. He has worked in the water and wastewater treatment field since 1969.

Douglas R. Amos has served as Utility Manager for the City of Fairmont from October 1997 to the present. He is responsible for the operation, maintenance and administration of the City's Water & Sanitary Sewer Departments. Previously, he served as Superintendent of the City's wastewater treatment plant. He holds a Bachelor of Science degree in Biology from Fairmont State College. He has more than ten years of utility management experience.

Frederick Thompson has been the Director of Finance since July 1, 1993 and has worked in the City Finance Department since March, 1991. He holds a Bachelor of Science degree from West Virginia State College in Business Administration.

Charles Straight has been the supervisor at the treatment plant since 1991. He has worked at the treatment plant for over 30 years and holds a Class IV Operator's Certificate from the State Department of Health.

Other Employees

Excluding the personnel named above and employees assigned to the City Manager or the City Finance Department, seven (7) persons are employed in water treatment plant and pump station operation, six (6) persons are employed in the meter division of the Municipal Utility Department, and sixteen persons are employed in transmission and distribution operations. All of these employees are members of the United Steelworkers Union of America, working pursuant to a contract with the City which expires July 1, 2001. The City considers its historical and current relationship with employees assigned to the System to be good.

Service Area

The System provides both retail and wholesale service. The retail service area consists of the City, the Town of Barrackville and several unincorporated adjacent areas in Marion County. This retail service area occupies approximately 32 square miles and contains approximately 43,400 people. The System also serves nine wholesale customers which provide retail service in Marion County and parts of Monongalia and Harrison Counties, an aggregate area of approximately 200 square miles containing approximately 27,100 persons. Thus the aggregate area of the combined wholesale and retail service areas is approximately 232 square miles, and the population served by retail service and wholesale supply is approximately 70,500 persons.

The retail and wholesale populations of the service area each have increased moderately, though not continuously, since 1991. The following table shows the historical and projected population of the service area and water consumption in millions of gallons per day (MGD), as a whole and on a retail and whole sale basis.

POPULATION AND AVERAGE DAILY CONSUMPTION

Year Ended June 30	Retail Population	Retail Daily Consumption (MGD)	Wholesale Population	Wholesale Daily Consumption (MGD)	Total Population	Total Daily Consumption (MGD)
1991	41,640	2.70	25,050	1.07	66,690	3.77
1992	41,580	2.91	27,350	1.17	68,930	4.04
1993	42,120	2.68	26,910	1.15	69,030	3.83
1994	42,160	2.71	27,880	1.19	70,040	3.90
1995	42,730	2.78	26,380	1.13	69,110	3.91
1996	42,400	2.93	27,100	1.16	69,500	4.09
1997*	38,770	2.68	27,567	1.18	66,337	3.8

Sources: Annual Public Service Commission Reports
*1998 Not Yet Available

Customer Statistics

The average numbers of customers of the System for the past five Fiscal Years are as follows:

CUSTOMER CATEGORY SUMMARY

Year Ended June 30	Residential and Commercial (1)	Industrial	Wholesale	Private Fire Protection	Total
1994	13,240	26	9	102	13,377
1995	13,448	23	9	103	13,583
1996	13,368	23	9	103	13,503
1997	13,514	23	9	123	13,669
1998	13,554	23	9	154	13,740

Source: City billing records.

(1) City records are available only as to the number of residential and commercial billing accounts. Therefore, the closing of any one account and the opening of a new account by any one residential or commercial user during any given fiscal year would be reflected in City records as two accounts and in the Customer Category Summary set forth above as two customers.

The City's customer count experiences seasonal fluctuation due to student activities. It is reasonable to expect growth in residential subdivisions and industrial/commercial developments along the I-79 corridor which could account for a 10% increase in the existing customer base. New customers in the service area include tenants of the I-79 Technology Park, Phase II of the Technology Park, now under construction, Lockheed-Martin and Star Motors Automobile Dealership.

The following table sets forth the major retail water customers of the System, their average daily consumption and the percentage of total average daily retail consumption and total average daily consumption represented by such consumption, for the fiscal year ended June 30, 1998:

Major Retail Users

Customer	Average Daily Consumption (gallons)	% of Total Daily Retail Consumption	% of Total Daily Consumption
American Fiber Resources	51,600	2.0	1.4
North American Phillips	73,000	2.8	1.9
Fairmont General Hospital	56,200	2.1	1.5
Alcan Aluminum Corp.	22,500	0.9	0.6
The Arbors at Fairmont	18,000	0.7	0.5
Holiday Inn/Hi Five Lodging	13,400	0.5	0.4
Wishing Well Manor	10,400	0.4	0.3
Fairmont Arbors	7,700	0.3	0.2
Marion County Court House	8,900	0.3	0.2
Fairmont Emergency Hospital	6,800	0.3	0.2
Total:	268,500	10.3%	7.2%

Source: City billing records.

Wholesale Contracts

The City sells water to nine wholesale users, including two towns, five public service districts and two water associations, located throughout Marion County and in Monongalia and Harrison Counties, West Virginia. The terms of the sale and delivery of, and payment for, System water originally were established by separate contracts between the City and each of the respective wholesale users. While the provisions of such contracts were not uniform, they generally required that the City make available filtered water at a metered location in an amount sufficient to meet the demand of such wholesale user's retail customers, but subject to the adequacy of water supply for the City's retail and other wholesale customers. (Present System capacity of 12,000,000 gallons per day substantially exceeds the average 3.82 million gallons per day demand of the City's retail customers. Wholesale demand averages 1,120,490 gallons per day, leaving current capacity in excess of average aggregate daily demand equal to 7,059,510 gallons per day.) The contracts generally did not require any minimum purchase or payment by the wholesale users. The contracts further generally provided for a monthly billing of each wholesale user with payment to be made within 10 days thereafter. The contracts generally permitted extension of the contract term at the option of the wholesale user to be expressed in writing.

None of the contracts have been so extended in writing, and the terms of six of the contracts have expired. Those wholesale users whose contracts with the City have expired have continued to purchase water from the System, as indicated in the following Wholesale User Summary. Given the duration of the remaining wholesale contracts, no assurance can be given as to their validity under State law. The wholesale users have not made other provision for supplying water to their respective retail customers and any such alternative provision would entail substantial incurrence of capital expenditures for the construction of transmission mains to other water systems or the construction of a water treatment plant. The City continues to supply water to the wholesale customers substantially in the manner provided in the contracts, as discussed above. The City believes that its relationships with the wholesale users are good and does not anticipate cessation of use of System water by any of the wholesale users within the foreseeable future.

Wholesale users accounted for 27.4% of total average daily consumption during the fiscal year ended June 30, 1998, and 11.1% of Revenues during the same period.

Although the contracts have expired, the provision of water to the wholesale users by the System is continued annually by agreement. The System is the only provider of these services in the region.

There follows a tabular summary of the System's wholesale users, and their respective water purchases from the City for the year ending June 30, 1998.

WHOLESALE USER SUMMARY

(Fiscal Year Ended June 30, 1998)

Customer	Population Served	Number of Customers	Gallons of Water Purchased	Contract Revenues	Contract Date	Expires
Valley Falls	5,089	1,454	87,016,300	77,880	1966	Expired
TriCounty Water Assoc.	4,194	1,198	52,470,400	46,961	1958	Expired
Monumental PSD	3,682	1,052	55,281,900	49,477	1966	Expired
Little Creek PSD	3,235	924	55,089,000	49,305	1972	NA
Town of Rivesville	2,851	815	41,839,300	37,446	1925	NA
Ices Run PSD	2,500	714	37,086,000	33,660	1967	Expired
Town of Grant Town	2,461	703	41,320,800	36,982	1953	Expired
Paw Paw PSD	2,174	621	32,394,900	28,993	1963	Expired
Montana Water Assoc.	908	259	15,451,400	13,829	NA	NA

Rates

The current schedule of rates and charges has been in place since July 4, 1989. In preparation for the Project, the City Council on September 22, 1998, adopted a new rate ordinance (the "Rate Ordinance") with the rates becoming effective on the earlier of certified completion of the Project or December 1, 2001.

Pursuant to the Act, the governing body of a municipality must fix minimum rates and charges for the use of its municipal water system and increase such rates whenever necessary. Such rates and charges are required by the Act to be sufficient at all times to provide for the payment of interest on all bonds issued pursuant to the Act and to create a sinking fund to pay the principal of such bonds as and when the same becomes due, and reasonable reserves therefor, and to provide for the repair, maintenance and operation of the waterworks system, and to provide and adequate depreciation fund, and to make any other payments required or provided for in the applicable bond ordinance.

Except as described below, rates charged by municipally operated utilities in West Virginia generally are not subject to regulatory approval. Section 24-2-4b of the Code of West Virginia of 1931, as amended, provides that rates and charges established by municipally operated utilities shall be just, reasonable, applied without unjust discrimination or preference and based primarily on the costs of providing service. Rates and charges set by such utilities must be filed with the PSC. Any customer of a municipally operated utility aggrieved by a rate change may present to the PSC within 30 days of the adoption of the ordinance providing for the rate change a petition signed by not less than 25 percent of the retail customers served by the utility. Within 100 days from the filing of any such petition

a hearing examiner must issue an order approving, disapproving or modifying the rate increase. Such order has the full force and effect of an order issued by the PSC. Also, if a municipally operated utility serves customers outside the boundaries of the municipality, the PSC is empowered to review, approve or modify such rates if, within 30 days of the adoption of the ordinance providing such rates, a customer (including a wholesale user) alleges that such rates are discriminatory. The PSC may determine the method by which such rates are reviewed and may grant and conduct a hearing on the matter if the customer or the municipality requests such a hearing.

No such filing of a petition or allegation of discrimination was received within 30 days following adoption of the Rate Ordinance.

The following table sets forth the rates and charges effective preceding the recent modification, and shows the current rates which were put in place July 4, 1989.

Current Rates

RETAIL WATER SYSTEM RATES AND CHARGES
Cost per 1,000 Gallons per Month

Gallons (000)	Rates Prior to July 4, 1989	Current Rates as of July 4, 1989
First 25	$2.02	$2.38
Second 25	1.88	1.88
Third 25	1.65	1.65
Additional	1.36	1.36
Minimum monthly charge (5/8" meter)	5.54	5.95
Monthly Fee per Fire Hydrant	17.50	8.90
Current Resale Rate		.895

Source: Public Service Commission - Tariff

New Rates

Availability. Available for general domestic, commercial and industrial service.

Water Consumption (gallons used per month)		Rate (per 1000 gallons)
First	25,000	$3.75
Next	25,000	$2.96
Next	25,000	$2.60
All Over	75,000	$2.14
New Resale Rate		$1.93

Minimum Rates No bill shall be rendered for less than the following amounts, according to size of meter installed:

Size of Meter (inches)	Rate (per month)
5/8 or less	$ 9.37
3/4	$ 14.08
1	$ 23.45
1-3/4	$ 34.15
1-1/2	$ 46.81
2	$ 74.90
3	$140.44
4	$234.07
6	$468.15
8	$749.03

Tap Fee

Three Hundred Dollars ($300.00)

Reconnection Service Charge

Twenty-Five Dollars ($25.00)

Billing and Collections

The City renders a monthly bill to 1160 commercial and industrial customers of the System. Residential customers are billed once every two months. Payments are due 20 days after the billing date. If a bill remains unpaid beyond the due date, a 10 percent penalty is added to the delinquent account and delinquency procedures are initiated, including the mailing of two termination notices and termination of service 30 days after the initial due date. Service on delinquent accounts remains terminated until payment of the account is made. Upon reinstituting service to a previously delinquent account, a reconnection charge of $25.00 is required.

Termination procedures were established in July 1982. During the fiscal year ended June 30, 1998, service attributable to 401 delinquent accounts were terminated because of nonpayment.

The City has a policy of writing off accounts determined to be uncollectible. Also, the City has made a provision with respect to operating expenses on its balance sheets pertaining to the System for doubtful accounts, as follows:

SUMMARY OF DOUBTFUL ACCOUNTS

Year Ended June 30	Provision for Doubtful Accounts	Accounts Receivable Written Off
1996	$4,000	$81,603.75
1997	4,000	105,000.00

Source: Audited Financial Reports prepared by Tetrick, Barlett & Co., Certified Public Accountants and the Finance Department of the City.

Deferred payment plans are available for any residential customer who can demonstrate inability to pay a System bill in full and that service termination would be dangerous to such customer's health or safety.

System Budget and Expenditure

The City Manager, City Finance Department and Municipal Utility Department prepare draft budgets for System operations under their respective managements. The City budget is compiled from these, and other, draft budgets by the City Manager and submitted to the City Council on or before February 15 of each year. The budget is required by Charter to indicate operating expenditures and capital expenditures proposed for the ensuing fiscal year, detailed by offices, departments and agencies in terms of their respective work programs, and the method of financing such expenditures. The total of proposed expenditures may not exceed the total of estimated income. Prior to March 28 of each year, but following public hearing, the City Council is required to adopt the budget. Supplemental appropriations, or a reduction of appropriations, may be made by the City Council upon certification by the City Manager of an excess or insufficiency of revenues. No payment may be made except in accordance with appropriations set forth in the budget. As a matter of City practice, purchase orders are approved by the purchasing officer and payments are approved by the City Manager prior to disbursement of funds by the City accounting office. Separate accounting records are kept by the water accounting clerk and reviewed by the City utility accountant each year. Water accounting records are balanced with the records of the City Finance Department on a monthly basis.

Method of Accounting

The City maintains its accounts pertaining to the System on an accrual basis and in accordance with the guidelines of the PSC. The records of the City for the fiscal years ended June 30 of each of the past three years have been audited and are available for public inspection at the City.

Retirement System

All full-time City employees (176) and System employees (26) are covered under the West Virginia Public Employees Retirement System. Employees contribute 4.5% of gross income which contribution is matched by a 9.5% of gross income contribution by the City.

Year 2000 Status

The City represents that it has undertaken or will undertake an investigation to determine whether the operations of the System, including but not limited to any billing, collection and inventory computer programs of the System and any electronic or mechanical components of the System's wastewater collection and treatment facilities, are Year 2000 Compliant. The City further represents that if it determines as a result of this investigation that any Mission-Critical Component of the System is not Year 2000 Compliant, the City (i) will take timely and affirmative action to repair or replace any such component, and (ii) will perform adequate testing to ensure the sound operation and Year 2000 Compliant status of the repaired or replaced component. For purpose of this paragraph, "Year 2000 Compliant" means, with respect to the information technology the City uses or will use in the operation of the System (including any date-sensitive microprocessors embedded in electronic or mechanical components of the System), the information technology is designed to be used prior to, during and after calendar Year 2000 A.D., and the information technology used during each such time period will accurately receive, provide and process data-time data (including, but not limited to, calculating, comparing and sequencing) from, into and between the twentieth and twenty-first centuries, including the years 1999 and 2000, and leap-year calculations, and will not malfunction, cease to function, or provide invalid or incorrect results as a result of date-time data. For purposes of this paragraph, "Mission-Critical Component" means any component of the System that would be critical to (a) the System's continued operation after January 1, 2000; (b) the City's ability to continue to bill its customers and collect amounts billed from those customers after January 1, 2000; or (c) the City's ability to make all principal and interest payments for the Bonds contemplated by the Resolution as and when they become due.

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Summary of Historical Revenues and Expenses

The following schedule summarizes historical revenues and expenses of the System for the five fiscal years ended June 30, 1998:

	1994	1995	1996	1997	1998
Operating Revenues	$2,939,106	$2,934,299	$3,033,146	$2,839,069	$2,873,995
Operating Expenses:					
Pumping Expense	$351,162	$302,554	$323,471	$350,337	$295,320
Treatment & Disposal	$931,766	$1,116,951	$904,555	659,955	$799,625
Purchases & Materials	$20,417	$21,213	$21,781	$21,781	$15,530
Billing & Collection	$109,303	$167,733	$146,620	$143,183	$136,435
Depreciation	$376,904	$379,417	$385,853	$385,853	$1,010,886
Administration & General	$258,093	$225,304	$272,440	$371,520	$337,396
Total Operating Expenses	$2,047,645	$2,213,172	$2,054,720	$1,932,629	$2,595,192
Operating Income (Loss)	$891,461	$721,127	$978,426	$906,440	$278,803
Nonoperating Revenue (Expenses):					
Miscellaneous Income	$3,750	$23,712	$11,702	$4,069	$6,930
Amortization of bond discount and issue costs	<$24,274>	<$24,275>	<$17,541>	<$298,838>	<$15,506>
Interest	$57,964	$62,251	$64,151	$68,357	$15,859
Interest & Fiscal Charges	<$760,530>	<$727,591>	<$710,402>	<$683,872>	<$537,916>
Loss on Retirement of Bonds	0	0	0	<$317,789>	0
Total Nonoperating Revenues (Expenses)	<$723,090>	<$665,903>	<$652,090>	<$1,228,073>	<$530,633>
Net Income (Loss)	$168,371	$55,224	$326,336	$321,633	$251,830
Retained Earnings (Beginning of Year)	$534,097	$702,468	$757,692	$1,797,828	$1,476,195
Retained Earnings (End of Year)	$702,468	$757,692	$1,084,028	$1,476,195	$1,224,365

See "Appendix B - Audited Financial Statement for Fiscal Year Ended June 30, 1998".

Annual Debt Service Requirements

The following table sets forth for each fiscal year during which Prior Bonds and the Bonds will be outstanding the amounts payable from Gross Revenues.

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DEBT SERVICE REQUIREMENTS

Year Ended June 30	Prior Bond Totals	Series 1998 Principal	Series 1998 Interest	Series 1999 Principal	Series 1999 Interest	Total
1999	$ 724,595.00					
2000	1,025,670.00					
2001	1,027,790.00					
2002	1,023,265.00					
2003	1,027,275.00					
2004	1,029,310.00					
2005	1,024,622.50					
2006	1,028,422.50					
2007	1,025,200.00					
2008	1,024,450.00					
2009	1,026,200.00					
2010	1,024,330.00					
2011	1,024,925.00					
2012	1,028,550.00					
2013	1,032,675.00					
2014						
2015						
2016						
2017						
2018						
2019						
2020						
2021						
2022						
2023						
2024						
2025						
TOTAL:	$15,097,280	$_____	$_____	$_____	$_____	$_____

Coverage Ratios

Under the Ordinance, the City has covenanted to collect fees and charges such that Gross Revenues available for debt service are not less than 120% of the average annual debt service on all Bonds. See "SECURITY FOR THE BONDS -- Rate Covenant," herein.

The following table presents the historical debt service coverage ratio for the Prior Bonds for the fiscal years ended June 30, 1994 through June 30, 1998.

HISTORICAL DEBT SERVICE COVERAGE RATIO

Fiscal Years Ended June 30

	1994	1995	1996	1997	1998
Gross Revenues Available for Debt Service	$3,000,820	$3,020,262	$3,108,999	$2,911,495	$2,896,784
Debt Service Requirements	$1,042,236	$1,042,236	$1,042,236	$1,042,236	$1,032,675
Operating Expenses (excluding depreciation) $1,584,306	$1,670,741	$1,833,755	$1,668,867	$1,546,776	
Coverage Ratio 1.27%	1.28%	1.14%	1.38%	1.31%	

Source: Annual Reports.

RATINGS

The Bonds will be assigned a rating of "Aaa" by Moody's Investors Service, Inc. on the understanding that the standard policy of the Insurer, insuring timely payment of the principal of and interest on the Bonds, will be issued by the Insurer upon delivery of the Bonds. This ratinghas been assigned with the understanding that upon delivery of the Bonds, a policy insuring the payment when due of the principal of and interest on such Bonds will be issued by AMBAC Indemnity Corporation. There is no assurance that this rating will continue for any period of time or that the rating will not be reviewed downward or withdrawn entirely by the assigning rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect upon the market price or value of the Bonds.

LITIGATION

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

LEGAL MATTERS

The authorization and issuance of the Bonds are subject to the approval of legality by Steptoe & Johnson, Clarksburg, West Virginia, Bond Counsel. Bond Counsel will render an opinion in substantially the form set forth in Appendix C to this Official Statement. Certain legal matters will be passed upon for the City by its counsel, Sansalone & Sansalone, Fairmont, West Virginia, and for the Underwriters by their counsel, Jackson & Kelly, Charleston, West Virginia.

TAX MATTERS

In the opinion of Steptoe & Johnson, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, the interest on the Bonds (a) is excludable from gross income for federal income tax purposes, (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. For the purposes of computing the alternative minimum tax on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted gross book income. Under existing West Virginia law, the Bonds and the interest thereon are exempt from all taxation by the State of West Virginia or any county, municipality, political subdivision or agency thereof.

The City has designated the Series 1998 Bonds as "qualified tax-exempt obligations" and has covenanted that it does not reasonably expect to issue more than $10,000,000 of tax-exempt obligations (other than private activity Bonds) during the calendar year 1998. Therefore, the Series 1998 Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b) (3) of the Code, and the provision of the Code which disallows all deductibility of interest expense incurred by financial institutions on debt incurred or to purchase or carry most tax-exempt obligations does not apply to the Bonds; accordingly, 80% of the interest expense of a financial institution incurred for the purpose of purchasing or carrying the Bonds is deductible for federal income tax purposes.

The opinion described above is subject to the condition that the City complies with all requirements of the Internal Revenue Code of 1986, as amended, and regulations thereunder (the "Code") that must be satisfied subsequent to issuance of the Bonds for interest thereon to be or continue to be excluded from gross income for federal income tax purposes. The City has covenanted to comply with each such requirement. Failure to comply with certain of such requirements could cause the interest on the Bonds to be included in the gross income of the recipients thereof for purposes of federal income taxation retroactively to the date of issuance of the Bonds.

UNDERWRITING

Ferris, Baker Watts, Incorporated, and Crews & Associates, Inc., as Underwriters, have agreed, subject to certain conditions, to purchase the Bonds from the City at a price of $_____. The Underwriters will be obligated to purchase all of the Bonds if any are purchased. The Bonds may be offered and sold to certain dealers (including investment trusts, certain of which may be sponsored or managed by the Underwriters) at prices lower than the public offering price stated on the cover page of this Official Statement, and such public offering price also may be changed without prior notice, from time to time, by the Underwriters.

FINANCIAL STATEMENTS OF THE CITY

Included herein as Appendix B are the audited financial statements (and reports with respect thereto) of the City as of June 30, 1998, prepared by Tetrick & Bartlett, PLLC, certified public accountants. The financial statements have been included herein in reliance upon the reports of the preparers thereof as experts in auditing and accounting.

CONTINUING DISCLOSURE

The City has agreed in the Supplemental Resolution to an undertaking (the "Undertaking") for the benefit of the Registered Owners of the Bonds to provide:

(a) within 270 days (the State Tax Commissioner audits the City and the City will provide the audit within 30 days of receipt of the audit) after the end of its 1999 fiscal year and each subsequent fiscal year, to each nationally recognized municipal securities information repository and to any West Virginia State information depository ("State Depository"), core financial information and operating data for the prior fiscal year, including (i) the City's audited general purpose financial statements, prepared in accordance with generally accepted accounting principles in effect from time to time, and (ii) material historical quantitative data on the City's revenues, expenditures, and financial operations of the type found in this Official Statement under the caption "The System"; and

(b) in a timely manner, to each nationally recognized municipal securities information repository ("National Repository") or to the Municipal Securities Rulemaking Board ("MSRB"), and to the State Depository, notice of any of the following events with respect to the Bonds, if material:

(1) principal and interest payment delinquencies;
(2) non-payment related defaults;
(3) unscheduled draws on debt service reserves reflecting financial difficulties;
(4) unscheduled draws on credit enhancements reflecting financial difficulties;
(5) substitution of credit or liquidity providers, or their failure to perform;
(6) adverse tax opinions or events affecting the tax-exempt status of the security;
(7) modifications to rights if security holders;
(8) bond calls;
(9) defeasances;
(10) release, substitution, or sale of property securing repayment of the securities;
(11) rating changes; and
(12) failure of the City to comply with clause (a) above.

With respect to Event (8), the City does not undertake to provide the above-described event notice of a mandatory scheduled redemption, not otherwise contingent upon the occurrence of an event, if the terms, dates and amounts of redemption are set forth in detail herein, the only open issue is which bonds will be redeemed in the case of a partial redemption, notice of redemption is given to the Bondholders as required under the terms of the Bonds and public notice of the redemption is given pursuant to 1934 Act Release No. 23856 of the SEC, even if the originally scheduled amounts are reduced by prior optional redemptions or Bond purchases.

As of December 1, 1998, there is no State Depository and the nationally recognized municipal securities information repositories are: Bloomberg Municipal Repository, P.O. Box 840, Princeton New Jersey 08542-0840; Kenny Information Systems, Inc., 65 Broadway -- 16th Floor, New York, New York 10006; DPC Data Inc., One Executive Drive, Fort Lee, NJ 07024; and Thomson NRMSIR, Attn: Municipal Disclosure, 395 Hudson Street, 3d Floor, New York, NY 10014.

Any of the foregoing information may be supplied by including by specific reference information previously supplied to each National Repository and the State Depository or the Securities and Exchange Commission ("SEC"). Information will not be included by reference from any final official statement unless such final official statement is available from the MSRB.

This continuing disclosure obligation is being undertaken by the City to assist the Underwriters in complying with Rule 15c2-12 promulgated by the SEC. The City has agreed to give notice in a timely manner to each National Repository, or the MSRB, and to the State Depository of any failure to supply the requested information. However, any such failure will not constitute a default under the terms of the Bonds. Registered Owners may

contact the City Manager of the City at P. O. Box 1428, Fairmont, West Virginia 26554, (304)366-6211 for more information.

The City previously entered into a Continuing Disclosure Agreement, dated June 19, 1997 (the "1997 Agreement") with respect to the issuance of the Prior Bonds. The 1997 Agreement required that the City provide annual financial information to the Repositories no later than 150 days after the end of each Fiscal Year, commencing with the Fiscal Year ended June 30, 1997. Due to a delay in receipt of the audited financial statements, the City did not provide the required 1997 Fiscal Year annual financial information on or before the date specified in the 1997 Agreement. However, as of the date hereof the City has provided the required Fiscal Years 1997 and 1998 annual financial information to the Repositories.

MISCELLANEOUS

So far as any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of such statements will be realized. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the owners of the Bonds.

Copies of the Ordinance, the Supplemental Resolution, the Undertaking, and other applicable documents may be obtained from the City at the following address:

City of Fairmont
P. O. Box 1428
Fairmont, West Virginia 26554
(304)366-6211
Attention: City Manager

or, during the period of offering the Bonds, from the Underwriters. Ongoing financial information may be obtained from the City at the address set forth above.

The execution and distribution of this Official Statement has been duly authorized by the City.

CITY OF FAIRMONT, WEST VIRGINIA

By: Nick L. Gantasca
Mayor

Appendix A

GENERAL INFORMATION REGARDING THE CITY AND MARION COUNTY

The City of Fairmont, county seat of Marion County, West Virginia, was founded in 1820 and chartered as a city in 1899. The City is located in north central West Virginia, about 95 miles south of Pittsburgh, Pennsylvania, and 19 miles south of Morgantown, West Virginia. The Monongahela River begins in the City, making it the head of a great inland waterway system. There is a nine-foot channel from the City to Pittsburgh. The City covers 5.32 square miles, of which 31 percent is used for single family housing, 4.8 percent for multi-family housing, 8.3 percent for commercial uses, 3 percent for industrial purposes and 7 percent for other land uses. Approximately 36 percent of the land in the City is vacant. The System's service area includes the City and nine incorporated and unincorporated areas surrounding the City.

Population

The tables below present the populations of the City and of Marion County for each of the last six census periods.

CITY OF FAIRMONT POPULATION

Census Report	City Population	% Change
1940	23,105	- .2%
1950	29,346	+ 27.0
1960	27,477	- 6.4
1970	26,093	- 5.0
1980	23,863	- 8.5
1990	20,389	- 14.5
†1996	20,627	+ .01

Source: U.S. Census Bureau
†Source: Marion County Chamber of Commerce

MARION COUNTY POPULATION

Census Report	County Population	% Change
1940	68,683	+ 3.0%
1950	71,521	+ 4.1
1960	63,717	- 10.9
1970	61,356	- 3.7
1980	65,789	+ 7.2
1990	57,249	- 13.0
*1998	58,075	+ 1.0

Source: U.S. Census Bureau
*Source: wvonline.com

As recently as 1994, statewide research groups have noted that the population in the area has discontinued its downward trend, but the number now appears to be on the rise in Marion County.

Commerce and Industry

The City has long been an important trade area for North Central West Virginia. A downtown shopping area contains stores and speciality shops. A shopping mall, Middletown Mall, located on the edge of the City, which was opened in 1972, is now the location of the FBI offices and other area services entities. A major retail center (including Walmart and Sam's Warehouse) has located across from this facility. A 10 minute drive south on I-79 leads to both the Meadowbrood Mall, with its more than 100 places to shop and eat, and the Bridgeport Mall. Additionally, both the Morgantown Mall and Mountaineer Mall are within 20 miles of the City.

There is significant industrial activity in the area surrounding the City. Various industrial firms have facilities located in the area, including North American Philips Lighting Corporation, Alcan Aluminum Corporation and several smaller companies. Within the city limits is the I-79 Technology Park which includes NASA, Huntington Banks and the High-Tech Consortium Building. The area is also in close proximity to the recently completed FBI fingerprint center, a major economic development for the state as well as the county.

Several private and public initiatives revitalize the downtown area. These include the rehabilitation of retail storefronts to office facilities and the existence of speciality shops unique to the City. The Emporium, Squirrel Nutkin's Shoppe and The Craft Connection Gift Shop specialize in antiques and gifts of local artisans while shoppers looking for Amish creations from food to furniture patronize Country Corner and Myers Country Store.

Marion County is fortunate to have several well funded and staffed development organizations and business assistance programs. In addition to in-County resources, the County has an excellent working relationship with its neighboring counties. The Chamber is working cooperatively with the Harrison and Monongahela County Chambers to market the region, not just the individual political units.

The significant number of high technology public agencies and private firms now located in the area provides the foundation for tremendous growth. The high-tech companies include Lockheed-Martin, UNISYS, ManTech International, Electronic Warfare Associates, Computer Science Corporation, EG&G, and Hughes Information Systems. Several governmental agencies have located important facilities in the region and are providing the foundation upon which technology businesses are growing. These agencies include: NASA, the FBI, the Concurrent Engineering Research Center, and the Morgantown Energy Technology Center.

Employment

The following table indicates the major employment sectors of the Marion County economy and the percentage of the Marion County labor force employed in each sector for the years indicated.

MARION COUNTY LABOR FORCE ALLOCATION

Occupation	1980	1990
Employed persons 16 years & over	100.00%	100.00%
Executive, administrative and managerial	8.57	8.24
Professional specialty	10.23	12.29
Technicians and related support	1.93	3.02
Sales occupations	10.37	11.96
Administrative support, including clerical	13.18	14.27
Private household	0.33	0.59
Protective service	0.63	1.82
Service, executive protective and household	9.89	12.56
Farming, forestry and fishing	0.52	0.84
Precision production, craft and repair	21.03	17.92
Machine operators, assemblers and inspectors	10.25	5.38
Transportation and material moving	7.03	5.49
Handlers, equipment cleaners, helpers and laborers	6.05	5.62

Source: 1980 and 1990 Census of Population and Housing: Thomas Point Associates, Inc.

Listed below are the twelve major employers with facilities located in Marion County, their primary product or service and the approximate number of persons locally employed by each as of November 1, 1998.

MAJOR EMPLOYERS

Employer	Service	Employs
Marion County Board of Education	Education	1,116
Fairmont State College	Education	800
Fairmont General Hospital	Medical	581
Allegheny Power	Electrical Power	539
Consolidation Coal Company	Coal	450
IQI	Business	365
WesBanco	Banking	250
Marion County Commission	Government	240
Huntington Banks	Banking	227
Wal-Mart	Retail	220
Alcan Rolled Products Company	Aluminum	200
Philips Lighting Company	Electrical Fixtures	200

Source: Marion County Chamber of Commerce

The following table presents statistics regarding the labor force and historical employment levels in Marion County.

MARION COUNTY UNEMPLOYMENT RATES

Year	Unemployment Rate
1986	13.60%
1987	11.80
1988	10.40
1989	9.70
1990	8.60
1991	10.80
1992	14.60
1993	15.80
1994	11.00
1995	10.70
1996	9.70
1997	9.60

Source: West Virginia Bureau of Employment Programs, Labor & Economic Research.

Transportation

Marion County is bisected by Interstate 79 which connects with Interstate 68 20 miles to the north. Other major highways in the area include US 250, US 19, US 73, WV 218 and WV 310. The County is also 20 minutes from US 50 and only 30 minutes from Corridor G.

Passenger air service is provided by Fairmont Municipal Airport, Benedum Airport in Bridgeport, West Virginia, 14 miles south, and Morgantown Municipal Airport, in Morgantown, West Virginia, 20 miles north. The major airport serving the County is Pittsburgh International Airport in Pittsburgh, Pennsylvania which is within a 90 minute drive.

Area rail service is provided by the Chessie System Railroad, the B&O Railroad and the Monongahela Railway Co.

Passenger bus service is provided by Greyhound Buslines and Fairmont-Marion Country Transit Authority for national and local service respectively.

Utilities and Services

Electric service to Marion County is provided by Allegheny Power. Cable service is provided locally by CVI/Time Warner Cable and telephone service is provided by Bell Atlantic.

The City's regional construction collection and treatment system provided sewer to the City and surrounding areas including two municipalities and four public service districts. The Marion County Solid Waste Authority sponsors a recycling program featuring 10 area drop-off points.

Medical or Health Care

Marion County is served by Fairmont General Hospital (249 beds), located in Fairmont, which operates a 24-hour emergency room, inpatient care, a range of outpatient services, a center for behavioral medicine and addiction treatment, as well as a center for skilled nursing. Both MVA and MVA Hospice of Marion County provide in-home care services to the chronically and/or terminally ill utilizing a staff of both professional and volunteer caregivers. Also, the MVA Fairmont Clinic provides quality, multispecialty health care to the residents of North Central West Virginia. There are six nursing homes located in Marion County.

Lodging Facilities

There are 16 hotels/motels and the Acacia House Bed & Breakfast serving the County's tourist and business traveler groups. Additionally, the area is home to Camp Mar-Mac, a 120-acre park with 20 rustic cabins, and Pricketts Creek Campground serving Pricketts Fort State Park, featuring electricity and water, restrooms and shower facilities.

Located 30 minutes north off of US 68 is the Lakeview Resort and Conference Center, home to two championship golf courses overlooking Cheat Lake.

The Three Rivers Festival and Regatta and Other Festivals

The City is host to various fairs and festivals beginning with the Three Rivers Festival and Regatta each spring, which draws a tourist crowd to participate in the river activities and parade. The City also annually sponsors the NHPA/Affiliated Horseshoe Pitchers Mixed Tournament, and the Family Festival at Palatine Park features an annual Civil War Reenactment.

Each summer, Fairmont is host to the Mountaineer Area Council Ox Roast benefiting the Boy Scouts of America of Marion, Taylor, Preston and Monongalia Counties. The Fall Festival Weekend kicks off early fall in the area and the year is rounded out with the Annual Christmas at Pricketts Fort festival.

Parks and Recreation

The City is fortunate to host Pricketts Fort State Park which is home to an historic fort originally built in 1774. Additionally, Valley Falls State Park, a 1,145 acre day park along the Tygart River, offers fishing, hiking, cross country skiing and whitewater rafting within its boundaries. Also located close to the City are other West Virginia scenic and recreational areas including Blackwater Falls State Park, 3,860 acre Tygart Lake created by the Tygart Dam, ski slopes of Tucker County, six other State parks and the Monongahela National Forest.

Also of interest to the County is The Fairmont Dragway, a National Racing Association sanctioned drag strip for modern stock cars.

Finally, the area is home to the Old Schoolhouse Museum which showcases the Civil War era in its three floors of American culture.

Schools

The County has 19 public and four private elementary schools, and five public and one private secondary schools with a total enrollment of almost 9,100 in 1995.

Higher Education

There are five higher education institutions within thirty minutes of Marion County: Fairmont State College, West Virginia University, W. Va. Career College, Alderson-Broaddus, and Salem Teikyo University. West Virginia Wesleyan is less than an hour away. These institutions provide businesses with a pool of educated workers, training and education opportunities for the existing workforce, and research and development partnerships.

Communications

News service is provided by the Times West Virginian, a daily newspaper located in the City and the Mountain State Veteran and the Marion County Observer, both weekly publications. Other newspapers distributed in the area are the Clarksburg Exponent and Clarksburg Telegram, each a daily newspaper, and the Dominion Post (Morgantown) which is also printed daily.

WTUS 102.7 FM, WVUC-FM, WRLF-FM, WTCS-AM, WMMN-AM and WV Radio, Clarksburg are the local radio stations.

Financial Institutions

Banking service in the City is provided by Huntington Bank, Monongahela Valley Bank, Inc., One Valley Bank, Inc., the First Exchange Bank, WesBanco Bank and the Fairmont Federal Credit Union.

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Appendix B

Financial Statements of the City

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CITY OF FAIRMONT, WEST VIRGINIA
A CLASS II MUNICIPALITY IN MARION COUNTY

* *

INDEPENDENT AUDITOR'S REPORT AND RELATED FINANCIAL STATEMENTS

* *

FOR THE YEAR ENDED JUNE 30, 1998

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CITY OF FAIRMONT, WEST VIRGINIA
MUNICIPAL OFFICIALS
FOR THE YEAR ENDED JUNE 30, 1998

Office	Name	Term
	Elective	
Mayor:	Nick L. Fantasia	01/01/95 - 12/31/98
Council Members:		
1st District	Jerry Ragen	01/01/95 - 12/31/98
2nd District	Marcella Yaremchuk	01/01/97 - 12/31/00
3rd District	Nick L. Fantasia	01/01/95 - 12/31/98
4th District	Manuel Garcia	01/01/97 - 12/31/00
5th District	Robert L. Allen, Jr.	01/01/95 - 12/31/98
6th District	Kay Francis Meade	01/01/97 - 12/31/00
7th District	Rosemary C. Phillips	01/01/97 - 12/31/00
8th District	Charles G. Manly	01/01/95 - 12/31/98
9th District	John R. West, Jr.	01/01/95 - 12/31/98
	Appointive	
City Manager:	Bruce McDaniel	
Finance Director:	Fred Thompson	
City Clerk:	Janet Keller	
Municipal Judge:	Anthony Julian	

'NT, WEST VIRGINIA
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Cities Block Grant
Crime Area Grant Program
Governor's Contingency Grant Fund

PROPRIETARY FUND TYPE

Enterprise Funds

Water
Sanitary Sewer Board
Parking

Internal Service Fund

Worker's Compensation Trust Fund

FIDUCIARY FUND TYPE

Trust Funds

Policemen's Pension and Relief
Firemen's Pension and Relief
Police Fund

Account Groups

General Fixed Assets
General Long-Term Debt

Tetrick & Bartlett, PLLC
Certified Public Accountants
Consultants

122 N. Oak St. • PO Box 1916 • Clarksburg, WV 26302-1916 • (304) 624-5564 • Fax: (304) 624-5582 • E-mail: TB@tetrickbartlett.com

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Council
City of Fairmont
Fairmont, West Virginia

We have audited the accompanying general purpose financial statements and the combining and individual fund and account groups financial statements of the City of Fairmont, West Virginia as of and for the year ended June 30, 1998, as listed in the table of contents. These financial statements are the responsibility of the City of Fairmont, West Virginia's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion the general purpose financial statements and the combining and individual fund and account group financial statements referred to above present fairly, in all material respects, the financial position of the City of Fairmont, West Virginia, at June 30, 1998, and the results of its operations and cash flows of its proprietary and similar trust fund types for the year then ended in conformity with generally accepted accounting principles. Also, in our opinion, the combining and individual fund and account group financial statements referred to above present fairly, in all material respects, the financial position of each of the individual fund and account groups of the City of Fairmont, West Virginia, at June 30, 1998 and the results of operations of such funds and cash flows of the individual proprietary and similar trust funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated October 19, 1998 on our consideration of the City of Fairmont, West Virginia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the financial statements and the combining and individual fund and account group financial statements of City of Fairmont, West Virginia, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Tetrick • Bartlett, PLLC

Clarksburg, West Virginia

October 19, 1998

CITY OF FAIRMONT, WEST VIRGINIA
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1998

ASSETS

	GOVERNMENTAL FUND TYPES		PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES		ACCOUNT GROUPS		
	General	Special Revenue	Enterprise	Internal Service Workers' Compensation	Nonexpendable Trust	Expendable Trust	General Fixed Assets	General Long-Term Debt	Total (Memorandum Only) June 30, 1998
Cash	$ 257,371	$ 154,757	$ 676,633	$ 82,812	$ 34,470	$ 90,181	$ -0-	$ -0-	$ 1,296,224
Investments, at cost	60,884	-0-	523,504	546,317	6,097,201	-0-	-0-	-0-	7,227,906
Receivables, net of allowances:									
Taxes	542,427	-0-	-0-	-0-	-0-	-0-	-0-	-0-	542,427
Accounts	1,407,057	-0-	655,877	-0-	-0-	-0-	-0-	-0-	2,062,934
Special assessments	54,360	-0-	-0-	-0-	-0-	-0-	-0-	-0-	54,360
Other	894	-0-	183,033	-0-	-0-	-0-	-0-	-0-	183,927
Notes	-0-	-0-	868	-0-	-0-	-0-	-0-	-0-	868
Accrued interest	-0-	-0-	-0-	2,144	39,969	-0-	-0-	-0-	42,113
Due from:									
Other funds	15,285	-0-	125,000	-0-	454	-0-	-0-	-0-	140,739
Other governments	-0-	140,471	-0-	-0-	84,291	-0-	-0-	-0-	224,762
Inventory, at cost	-0-	-0-	93,617	-0-	-0-	-0-	-0-	-0-	93,617
Prepaid expenses:									
Deposits	-0-	-0-	-0-	14,927	-0-	-0-	-0-	-0-	14,927
Restricted:									
Investment for bond retirement	-0-	-0-	1,793,852	-0-	-0-	-0-	-0-	-0-	1,793,852
Customer deposits	29,808	-0-	54,217	-0-	-0-	-0-	-0-	-0-	84,025
Property, plant and equipment (net)	-0-	-0-	30,860,707	-0-	-0-	-0-	4,169,809	-0-	35,030,516
Unamortized bond discount and issue costs	-0-	-0-	4,684,412	-0-	-0-	-0-	-0-	-0-	4,684,412
Notes receivable	-0-	-0-	18,837	-0-	-0-	-0-	-0-	-0-	18,837
Amount to be provided for retirement of general long-term debt	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,330,568	1,330,568
TOTAL ASSETS	$ 2,368,086	$ 295,228	$ 39,670,557	$ 646,200	$ 6,256,385	$ 90,181	$ 4,169,809	$ 1,330,568	$ 54,827,014

LIABILITIES AND FUND EQUITY/BALANCES

	GOVERNMENTAL FUND TYPES		PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES		ACCOUNT GROUPS		
	General	Special Revenue	Enterprise	Internal Service Workers' Compensation	Nonexpendable Trust	Expendable Trust	General Fixed Assets	General Long-Term Debt	Total (Memorandum Only) June 30, 1998
Liabilities (payable from current assets)									
Accounts payable	$ 208,199	$ 144,778	$ 154,684	$ 11,623	$ 187	$ 8,328	$ -0-	$ -0-	$ 527,799
Claims payable	-0-	-0-	-0-	31,539	-0-	-0-	-0-	-0-	31,539
Other accrued expenses	149,534	-0-	32,715	-0-	-0-	-0-	-0-	-0-	182,249
Accrued compensated absences	296,986	-0-	266,625	-0-	-0-	-0-	-0-	-0-	563,611
Due to:									
Other funds	125,000	-0-	-0-	-0-	454	15,285	-0-	-0-	140,739
Current Liabilities (payable from restricted assets)									
Revenue bonds payable	-0-	-0-	710,000	-0-	-0-	-0-	-0-	-0-	710,000
Accrued revenue bond interest payable	-0-	-0-	259,205	-0-	-0-	-0-	-0-	-0-	259,205
Accrued interest payable	-0-	-0-	62,308	-0-	-0-	-0-	-0-	-0-	62,308
Customer deposits	27,024	-0-	62,283	-0-	-0-	-0-	-0-	-0-	89,307
Long-Term Liabilities (net of current portion)									
Revenue bonds payable	-0-	-0-	19,615,000	-0-	-0-	-0-	-0-	-0-	19,615,000
Notes payable	-0-	-0-	-0-	-0-	-0-	-0-	-0-	384,461	384,461
Accrued compensated absences	-0-	-0-	444,531	-0-	-0-	-0-	-0-	946,107	1,390,638
Total Liabilities	806,743	144,778	21,607,351	43,162	641	23,613	-0-	1,330,568	23,956,856
Fund Equity									
Contributed capital	-0-	-0-	22,112,062	-0-	-0-	-0-	-0-	-0-	22,112,062
Investment in general fixed assets	-0-	-0-	-0-	-0-	-0-	-0-	4,169,809	-0-	4,169,809
Retained earnings:									
Reserved	-0-	-0-	685,529	-0-	-0-	-0-	-0-	-0-	685,529
Unreserved (deficit)	-0-	-0-	(4,734,385)	-0-	-0-	-0-	-0-	-0-	(4,734,385)
Fund balances:									
Reserved for employees' retirement	-0-	-0-	-0-	-0-	6,255,744	-0-	-0-	-0-	6,255,744
Unreserved	1,561,343	150,450	-0-	603,038	-0-	66,568	-0-	-0-	2,381,399
Total fund equity	1,561,343	150,450	18,063,206	603,038	6,255,744	66,568	4,169,809	-0-	30,870,158
TOTAL LIABILITIES AND FUND EQUITY	$ 2,368,086	$ 295,228	$ 39,670,557	$ 646,200	$ 6,256,385	$ 90,181	$ 4,169,809	$ 1,330,568	$ 54,827,014

The accompanying notes are an integral part of the combined financial statements.

CITY OF FAIRMONT, WEST VIRGINIA
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1998

	GOVERNMENTAL FUND TYPES		FIDUCIARY FUND TYPE	Total
	General	Special Revenue	Expendable Trust Police Fund	(Memorandum Only) June 30, 1998
Revenues				
Taxes (including interest and penalties)	$ 4,434,291	$ -0-	$ -0-	$ 4,434,291
Licenses and permits	121,951	-0-	-0-	121,951
Intergovernmental:				
Federal	-0-	536,193	-0-	536,193
State	50,398	123,784	-0-	174,182
Charges for services	926,338	-0-	-0-	926,338
Fines and forfeits	15,297	-0-	242,053	257,350
Interest	12,646	774	1,281	14,701
Fire service fees and sidewalk assessments	936,612	-0-	-0-	936,612
Miscellaneous	472,226	-0-	-0-	472,226
Total revenues	6,969,759	660,751	243,334	7,873,844
Expenditures				
General government	1,344,177	-0-	-0-	1,344,177
Public safety	3,533,857	7,399	-0-	3,541,256
Highways and streets	1,204,271	11,765	-0-	1,216,036
Sanitation	943,294	-0-	-0-	943,294
Culture and recreation	132,892	-0-	-0-	132,892
Police refunds and remittances	-0-	-0-	107,847	107,847
Community development	-0-	537,558	-0-	537,558
Total expenditures	7,158,491	556,722	107,847	7,823,060
(Deficiency) excess of revenues over (under) expenditures	(188,732)	104,029	135,487	50,784
Other Financing Sources (Uses)				
Operating transfers in	143,763	-0-	-0-	143,763
Operating transfers (out)	-0-	-0-	(143,763)	(143,763)
Total other financing sources (uses)	143,763	-0-	(143,763)	-0-
(Deficiency) excess of revenues and other financing sources over (under) expenditures and other uses	(44,969)	104,029	(8,276)	50,784
Fund balances at beginning of year	1,606,312	46,421	74,844	1,727,577
Fund balances at end of year	$ 1,561,343	$ 150,450	$ 66,568	$ 1,778,361

The accompanying notes are an integral part of the combined financial statements.

CITY OF FAIRMONT, WEST VIRGINIA
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL AND COAL SEVERANCE FUNDS - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 1998

	GENERAL FUND			COAL SEVERANCE			TOTAL (MEMORANDUM ONLY)		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues									
Taxes (including interest and penalties):									
General property tax	$ 1,213,735	$ 1,205,328	$(8,407)	$ -0-	$ -0-	$ -0-	$ 1,213,735	$ 1,205,328	$(8,407)
Business and occupation tax	2,738,000	2,622,154	(115,846)	-0-	-0-	-0-	2,738,000	2,622,154	(115,846)
Alcoholic beverages tax	80,000	52,824	(27,176)	-0-	-0-	-0-	80,000	52,824	(27,176)
Utility services tax	530,000	509,336	(20,664)	-0-	-0-	-0-	530,000	509,336	(20,664)
Other taxes	16,000	13,545	(2,455)	-0-	-0-	-0-	16,000	13,545	(2,455)
Total taxes	4,577,735	4,403,187	(174,548)	-0-	-0-	-0-	4,577,735	4,403,187	(174,548)
Licenses and permits	101,000	121,951	20,951	-0-	-0-	-0-	101,000	121,951	20,951
Charges for services	910,000	902,792	(7,208)	-0-	-0-	-0-	910,000	902,792	(7,208)
Interest	11,000	12,646	1,646	-0-	774	774	11,000	13,420	2,420
Fire service fees and sidewalk assessments	900,000	936,612	36,612	-0-	-0-	-0-	900,000	936,612	36,612
Intergovernmental:									
State	30,000	50,398	20,398	40,000	48,784	8,784	70,000	99,182	29,182
Federal	169,800	-0-	(169,800)	-0-	-0-	-0-	169,800	-0-	(169,800)
Miscellaneous	589,300	487,523	(101,777)	-0-	-0-	-0-	589,300	487,523	(101,777)
Total revenues	7,288,835	6,915,109	(373,726)	40,000	49,558	9,558	7,328,835	6,964,667	(364,168)
Expenditures									
General government	1,421,057	1,344,177	76,880	-0-	-0-	-0-	1,421,057	1,344,177	76,880
Public safety	3,603,499	3,533,857	69,642	-0-	-0-	-0-	3,603,499	3,533,857	69,642
Highways and streets	1,313,345	1,204,271	109,074	86,000	11,765	74,235	1,399,345	1,216,036	183,309
Sanitation	966,589	943,294	23,295	-0-	-0-	-0-	966,589	943,294	23,295
Culture and recreation	134,345	132,892	1,453	-0-	-0-	-0-	134,345	132,892	1,453
Total expenditures	7,438,835	7,158,491	280,344	86,000	11,765	74,235	7,524,835	7,170,256	354,579
(Deficiency) excess of revenues over (under) expenditures	(150,000)	(243,382)	(93,382)	(46,000)	37,793	83,793	(196,000)	(205,589)	(9,589)
Other Financing Sources (Uses)									
Operating transfers in	80,000	143,763	63,763	-0-	-0-	-0-	80,000	143,763	63,763
Total other financing sources (uses)	80,000	143,763	63,763	-0-	-0-	-0-	80,000	143,763	63,763
(Deficiency) excess of revenues and other financing sources over (under) expenditures and other uses	$(70,000)	(99,619)	$(29,619)	$(46,000)	37,793	$ 83,793	$(116,000)	(61,826)	$ 54,174

CITY OF FAIRMONT, WEST VIRGINIA
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL AND COAL SEVERANCE FUNDS - BUDGETARY BASIS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 1998

	GENERAL FUND			COAL SEVERANCE			TOTAL (MEMORANDUM ONLY)		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Fund balances at beginning of year		$ 1,606,312			$ 38,830			$ 1,645,142	
Adjustments to conform with generally accepted accounting principles:									
To remove prior years tax receivables not recognized on accrual basis budget		(751,988)			-0-			(751,988)	
To recognize accrued tax receivables for financial statement purposes recognized on cash basis budget		806,638			-0-			806,638	
Fund balances at end of year		$ 1,561,343			$ 76,623			$ 1,637,966	

The accompanying notes are an integral part of the combined financial statements.

CITY OF FAIRMONT, WEST VIRGINIA
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS/FUND BALANCES - ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS FOR THE YEAR ENDED JUNE 30, 1998

	PROPRIETARY		FIDUCIARY	Total (Memorandum Only)
	Enterprise	Internal Service	Pension Trust	June 30, 1998
Operating Revenues				
Charges for services	$ 5,193,116	$ -0-	$ -0-	$ 5,193,116
Contributions:				
From employer	-0-	-0-	457,452	457,452
From employees	-0-	191,215	148,662	339,877
Insurance premium tax allocation	-0-	-0-	417,499	417,499
Interest	-0-	27,580	452,978	480,558
Gain on sale of investments	-0-	-0-	120,508	120,508
Miscellaneous	116,182	-0-	322	116,504
Total operating revenues	5,309,298	218,795	1,597,421	7,125,514
Operating Expenses				
Purchases and materials	15,530	-0-	-0-	15,530
Pumping	295,320	-0-	-0-	295,320
Treatment and disposal	799,625	-0-	-0-	799,625
Billing and collection	136,435	-0-	-0-	136,435
General and administrative	337,475	28,095	17,050	382,620
Operating expenses	2,008,432	-0-	-0-	2,008,432
Depreciation	2,767,796	-0-	-0-	2,767,796
Benefit payments	-0-	156,979	1,081,005	1,237,984
Total operating expenses	6,360,613	185,074	1,098,055	7,643,742
Operating (loss) income	(1,051,315)	33,721	499,366	(518,228)
Nonoperating Revenues (Expenses)				
Interest	157,030	-0-	-0-	157,030
Miscellaneous income	6,930	-0-	-0-	6,930
Interest and fiscal charges	(539,641)	-0-	-0-	(539,641)
Amortization of bond discount and issue costs	(244,371)	-0-	-0-	(244,371)
Total nonoperating revenues (expenses)	(620,052)	-0-	-0-	(620,052)
NET (LOSS) INCOME	(1,671,367)	33,721	499,366	(1,138,280)
Retained earnings/fund balances (deficit) at beginning of year - restated	(2,377,489)	569,317	5,756,378	3,948,206
Retained earnings/fund balances (deficit) at end of year	$(4,048,856)	$ 603,038	$ 6,255,744	$ 2,809,926

The accompanying notes are an integral part of the combined financial statements.

CITY OF FAIRMONT, WEST VIRGINIA
COMBINED STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1998

	PROPRIETARY		FIDUCIARY	Total (Memorandum Only)
	Enterprise	Internal Service	Pension Trust	June 30, 1998
Cash Flows From Operating Activities				
Operating (loss) income	$(1,044,385)	$ 6,141	$ 46,388	$(991,856)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	2,767,796	-0-	-0-	2,767,796
(Gain) on sale of investments	-0-	-0-	(120,508)	(120,508)
(Increase) decrease in:				
Accounts receivable	(40,251)	-0-	-0-	(40,251)
Due from other funds	(125,000)	-0-	(454)	(125,454)
Due from other governments	-0-	-0-	(84,291)	(84,291)
Inventory	12,461	-0-	-0-	12,461
Prepaid expenses	-0-	308	-0-	308
Increase (decrease) in:				
Accounts payable	(91,624)	(2,939)	(186)	(94,749)
Claims payable	-0-	(2,934)	-0-	(2,934)
Other accrued expenses	30,508	-0-	-0-	30,508
Accrued compensated absences	19,644	-0-	-0-	19,644
Due to other funds	(30,249)	-0-	454	(29,795)
Net cash provided by (used in) operating activities	1,498,900	576	(158,597)	1,340,879
Cash Flows From Capital and Related Financing Activities				
Decrease in restricted assets	52,416	-0-	-0-	52,416
Increase in restricted liabilities	328	-0-	-0-	328
Repayment of revenue bonds	(530,000)	-0-	-0-	(530,000)
Interest expense	(640,861)	-0-	-0-	(640,861)
Net cash (used in) capital and related financing activities	(1,118,117)	-0-	-0-	(1,118,117)
Cash Flows From Investing Activities				
Purchase (sale) of investment securities	321,896	(24,852)	(382,340)	(85,296)
Acquisition of property, plant and equipment	(729,950)	-0-	-0-	(729,950)
Interest on investments	157,029	26,754	456,323	640,106
Increase in contributed capital	46,293	-0-	-0-	46,293
Net cash (used in) provided by investing activities	(204,732)	1,902	73,983	(128,847)
Net increase (decrease) in cash	176,051	2,478	(84,614)	93,915
Cash at beginning of year	500,582	80,334	119,084	700,000
Cash at end of year	$ 676,633	$ 82,812	$ 34,470	$ 793,915

The accompanying notes are an integral part of the combined financial statements.

CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998

1. Summary of Significant Accounting Policies

The City of Fairmont, West Virginia complies with General Accepted Accounting Principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The remainder of the Notes are organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended June 30, 1998.

The City of Fairmont, West Virginia is incorporated under the provisions of the State of West Virginia. The City operates under a Council - Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, water, waste, recreation, education, public improvements, planning and zoning, and general administrative services.

A summary of the significant accounting policies of the City of Fairmont, West Virginia, is presented below.

(a) Reporting Entity

The City's financial statements include the operations of all organizations for which the City Council exercises oversight responsibility. Oversight responsibility is demonstrated by financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

(b) Funds and Account Groups

The accounts of the City are organized into funds and account groups, each of which is considered to be a separate accounting entity. The major fund categories and account groups are:

Governmental Fund Types

Governmental funds are accounted for using the current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available resources during a given period.

General Fund: The General Fund is the general operating fund of the municipality. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds: Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Proprietary Fund Types

Proprietary funds are accounted for using the economic resources measurement focus; the accounting objectives are determination of net income, financial position, and cash flows. All assets and liabilities associated with a proprietary fund's activities are included on its balance sheet. Proprietary fund equity is segregated into contributed capital and retained earnings.

Enterprise Funds: Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Fund: Internal Service Funds are used to account for goods and services provided by one department to other departments of the City on a cost-reimbursement basis.

Fiduciary Funds

Fiduciary funds account for assets held by the City in a trustee or agency capacity. Pension trust funds are accounted for in essentially the same manner as proprietary funds.

Account Groups

General Long-Term Debt Account Group

The General Long-Term Debt Account Group is used to account for long-term liabilities to be financed from government funds.

General Fixed Assets Account Group

The General Fixed Assets Account Group is used to account for the fixed assets of the General Fund.

(c) **Cash**

For purposes of the statement of cash flows, the City considers cash to be cash and cash equivalents.

(d) **Property, Plant and Equipment**

The accounting and reporting treatment applied to the property, plant and equipment and long-term liabilities associated with a fund are determined by its measurement focus. The City of Fairmont records the purchase of property, plant and equipment used in governmental fund type operations as expenditures in the governmental funds and capitalized at cost in the General Fixed Asset Account Group. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings and improvements	20 - 50 years
Infrastructure	20 - 65 years
Machinery and equipment	5 - 20 years
Vehicles	8 - 10 years

All proprietary funds and pension trust funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on the balance sheets. The reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increase (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible property, plant and equipment used by the proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Buildings	25 - 50 years
Improvements	10 - 20 years
Utility plant	10 - 20 years
Equipment	3 - 10 years

Long-term debt financed by general obligation bonds is accounted for in the general long-term debt group of accounts, as prescribed by generally accepted accounting principles.

(e) Basis of Accounting

Modified Accrual Basis of Accounting

The City used the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means that amount can be determined. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: business & occupation tax, hotel/motel tax, wine tax, liquor tax, property taxes, fire service fees, intergovernmental revenues, and investment income.

Accrual Basis of Accounting

The accrual basis of accounting is used in proprietary fund types and the pension trust funds. The accrual basis of accounting recognized revenues when earned. Expenses are recorded when incurred. Plan member contributions to the pension trust funds are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the City has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

(f) Budgets and Budgetary Accounting

All municipalities within West Virginia, are required by statute to prepare annual budgets (levy estimates) on prescribed forms for the General and Coal Severance Funds and submit these for approval to the State Tax Commissioner. These budgets are prepared in accordance with the following procedures:

1. The governing body of the municipality is required to hold a meeting or meetings between the seventh and twenty-eighth days of March to ascertain the financial condition of the municipality and to prepare the levy estimate (budget) for the fiscal year commencing July 1.

2. The budget is then forthwith submitted to the State Tax Commissioner for approval.

3. The governing body then reconvenes on the third Tuesday in April to hear objections from the public and to formally lay the levy.

Revisions are authorized only with the prior written approval of the State Tax Commissioner. The budgeted amounts reflected in the accompanying financial statements are such approved amounts.

The combined statement of revenues, expenditures, and changes in fund balances - budget and actual for the General Fund presents comparison of legally adopted budgets with actual data on a budgetary basis. Since accounting principles applied for purposes of developing data on a budgetary basis differs significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant entity and timing differences in excess of revenues and other sources of financial resources over expenditures and other uses of financial resources for the year ended June 30, 1998 is presented below:

(Deficiency) of revenues and other sources of financial resources under expenditures and other uses of financial resources (budgetary basis)	$(99,619)
Adjustments:	
To remove prior years tax receivables not recognized on accrual basis for budget	(751,988)
To recognize accrued tax receivables for financial statement purposes recognized on cash basis for budget	806,638
(Deficiency) of revenues and other sources of financial resources under expenditures and other uses of financial resources (GAAP basis)	$(44,969)

A) Unused appropriations for all of the above annually budgeted funds lapse at the year end.

B) The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

(g) Encumbrances

Encumbrance accounting is used for the General Fund and special revenue funds. Encumbrances are recorded when purchase orders are issued but are not considered expenditures until liabilities for payments are incurred. Encumbrances are reported as a reservation of fund balance on the balance sheet. Encumbrances do not lapse at the close of the fiscal year but are carried forward as reserved fund balance until liquidated.

(h) Cash and Investments

Cash on hand and deposits with banking institutions either in checking, savings accounts are presented as cash in the accompanying financial statements.

Municipalities are authorized by statute to provide excess funds to either the State Investment Pool or the Municipal Bond Commission for investment purposes, or to invest such funds in the following classes of securities: Obligations of the United States or any agency thereof, certificates of deposit and repurchase agreements.

(i) Inventories

The municipality considers inventories of materials and supplies utilized in governmental fund type and the Sanitary Sewer Board operations as expended at the time of purchase therefore, they do not appear in the municipality's financial statements. Inventories of materials and supplies utilized in the proprietary fund type operation, water fund however, are considered expended at the time of consumption; therefore, balances on hand at year end, valued at cost (first-in, first-out) are presented in the municipality's financial statements.

(j) Amortization

Debt discount and expense on bonds is amortized on the straight-line method from the date of issuance to the date of maturity. Amortization of debt discount and issue costs for fiscal year ended June 30, 1998 was $244,371.

(k) Compensated Absences

Compensated absences are those for which employees have a right to receive consideration for expected future absences. These absences should be accounted for in accordance with the provisions of National Council on Governmental Accounting (NOGA) Statement No. 4. In governmental funds, since the primary emphasis is on the flow of financial resources, only the current portion of the liability should be reported in the fund; the remainder should be reported in the general long-term debt account group. In proprietary funds, compensated absences should be accounted for in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 43 without modification.

The municipality's accounting policies related to compensated absences are summarized below:

Accumulated Vacation

For governmental funds, the cost of accumulated vacation pay expected to be paid within the next twelve months is recorded as a fund liability. Any amount that is expected to be paid after twelve months should be reflected in the general long-term debt account; however, the municipality considers the entire vacation liability as a fund liability. For proprietary funds, the cost of vacation leave is recorded as a liability when earned.

Accumulated Sick Leave

Municipal employees are entitled to payment of accrued sick leave. The municipality considers that entire sick leave liability as a general long-term debt account liability. For proprietary funds, the cost of sick leave is recorded as a liability when earned.

(l) Contributions in Aid of Construction

Contributions in aid of construction represent donations, grants and contributions from individuals and governmental agencies for construction projects.

(m) Pension Plans

The City provides separate defined benefit pension plans for uniformed police and fire department personnel. It is the City's policy to fund the normal cost and amortization of the unfunded prior service cost.

All other eligible employees are covered under the West Virginia Public Employee Retirement System due to the City's electing to be a participating public employer.

(n) Use of Estimates

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

(o) Total Columns on Combined Statements

Total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation since interfund activities have not been eliminated in the aggregation of the data.

2. Deposits and Investments

The City reporting entity considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Exceptions include the City of Fairmont, West Virginia's Policemen's Pension and Relief Fund and the Firemen's Pension and Relief Fund which classify only cash as cash equivalents in order to appropriately report investment activity.

Deposits

It is the City's policy for deposits to be 100% secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance. The City's deposits are categorized to give an indication of the level of risk assumed by the City at June 30, 1998. The categories are described as follows:

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

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

Category 3 - Uncollateralized.

Non-Pooled Deposits	Bank Balance	Category 1	Category 2	Category 3	Carrying Amount
General Fund	$ 321,272	$ 321,272	$ -0-	$ -0-	$ 257,371
Special Revenue Funds	154,757	154,757	-0-	-0-	154,757
Enterprise Funds	1,336,147	1,336,147	-0-	-0-	676,633
Internal Service Funds	114,447	114,447	-0-	-0-	82,812
Nonexpendable Trust Funds	40,547	40,547	-0-	-0-	34,470
Expendable Trust Funds	92,133	92,133	-0-	-0-	90,181
Total deposits	$ 2,059,303	$ 2,059,303	$ -0-	$ -0-	$ 1,296,224

Investments

Investment pools are under the custody of the City. Investing is performed in accordance with investment policies complying with State Statutes and the City Charter. Pooled funds may be invested in the State Investment Pool or the Municipal Bond Commission for investment purposes, or invested in the following classes of securities: Commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements and reverse repurchase agreements. The pension trust fund is also authorized to invest in corporate bonds rated AA or better by Standard & Poor's Corporation or AA or better by Moody's Bond Rating.

The City's investments are categorized to give an indication of the level of risk assumed by the City at June 30, 1998. The categories are described as follows:

Category 1 - Insured or registered, or securities held by the City or its agent in the City's name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.

Category 3 - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the City's name.

Type of Investments	Category 1	Category 2	Category 3	Carrying Amount	Market Value
Money Market	$ 220,926	$ -0-	$ -0-	$ 220,926	$ 220,926
Certificates of Deposits	1,477,620	-0-	-0-	1,477,620	1,473,598
U.S. Treasury Notes	1,801,110	-0-	-0-	1,801,110	2,061,603
Corporate Stocks and Bonds	3,812,275	-0-	-0-	3,812,275	3,981,055
	$ 7,311,931	$ -0-	$ -0-		
Investments in municipal bond commission				1,793,852	1,793,852
Total investments				$ 9,105,783	$ 9,531,034

3. Property Taxes

The taxes on real property and the interest and other charges upon such taxes attach as an enforceable lien on the first day of July. There is no lien denominated as such on personal property; however, statutes provide that the sheriff of a county may distrain for delinquent taxes any goods and chattels belonging to a person assessed. All current taxes assessed on real and personal property may be paid in two installments; the first installment is payable on September first of the year for which the assessment is made, and become delinquent on October first, and the second installment is payable on the first day of the following March and becomes delinquent on April first. Taxes paid on or before the date when they are payable, including both first and second installments, are subject to a discount of two and one-half percent. If taxes are not paid on or before the date on which they become delinquent, including both first and second installments, interest at the rate of nine percent annum is added from the date they become delinquent until paid.

All municipalities within the state are authorized to levy taxes not in excess of the following maximum levies per $100 of assessed valuation: On Class I property, twelve and five-tenths cents (12.5¢); on Class II property, twenty-five cents (25.0¢); and on Class IV property, fifty cents (50.0¢). In addition, municipalities may provide for an election to lay an excess levy, the rates not to exceed fifty percent of such authorized maximum levies, provided that at least sixty percent of the voters cast ballots in favor of the excess levy.

The levy rates levied by the City of Fairmont, West Virginia, per $100 of assessed valuation for each class of property for the fiscal year ended June 30, 1998 were as follows:

Class of Property	Assessed Valuations For Tax Purposes	Current Expense
Class I	$ 15,808,637	12.5¢
Class II	116,533,960	25.0¢
Class IV	202,054,351	50.0¢

4. Proprietary Fund Property, Plant and Equipment

A summary of property, plant and equipment of proprietary funds is presented below:

	Water Fund	Sewer Sanitary Board	Parking Fund	Total
Land	$ 213,073	$ 161,826	$ -0-	$ 374,899
Building	-0-	-0-	20,652	20,652
Collection and distribution system	18,774,503	16,548,498	-0-	35,323,001
Machinery and equipment	735,453	868,865	106,746	1,711,064
Treatment system	2,840,528	11,658,660	-0-	14,499,188
	22,563,557	29,237,849	127,398	51,928,804
Less: Accumulated depreciation	(9,321,960)	(11,643,224)	(102,913)	(21,068,097)
Property, plant and equipment (net)	$ 13,241,597	$ 17,594,625	$ 24,485	$ 30,860,707

5. General Fixed Assets - General Fund

The City of Fairmont's General Fund maintains a fixed asset register and records fixed assets purchased in the General Fixed Asset Account Group. All fixed assets are valued at historical cost or estimated historical cost if actual cost is not available.

The following is a summary of changes in the general fixed assets account group for the fiscal year:

	General Fixed Assets June 30, 1997	Additions	Retirements	General Fixed Assets June 30, 1998
Buildings and improvements	$ 1,338,403	$ 42,552	$ -0-	$ 1,380,955
Infrastructure	13,572,091	56,500	447,806	13,180,785
Machinery and equipment	1,088,944	-0-	368,638	720,306
Vehicles	1,769,718	94,670	-0-	1,864,388
	17,769,156	193,722	816,444	17,146,434
Less: Accumulated depreciation	12,732,613	568,738	324,726	12,976,625
Total general fixed assets	$ 5,036,543	$(375,016)	$(491,718)	$ 4,169,809
Investment in General Fixed Assets - from General Fund	$ 5,036,543	$(375,016)	$(491,718)	$ 4,169,809

6. Long-Term Debt

The following is a summary of the general long-term debt account group at June 30, 1998.

	General Long-Term Debt Account Group		
	July 1, 1997	Net Change	June 30, 1998
Compensated absences accrual	$ 955,838	$(9,731)	$ 946,107
Notes payable	-0-	384,461	384,461
	$ 955,838	$ 374,730	$ 1,330,568

Notes Payable

Wesbanco

5.50%; installment obligation; payable in monthly installments of $2,416; maturing August 2001; secured by a Ford Street Sweeper.	$ 84,070
5.50%; installment obligation; payable in monthly installments of $1,550; maturing August 2001; secured by a UCC.	53,976
5.75%; installment obligation; payable in monthly installments of $1,115; maturing August 2001; secured by a UCC.	38,666
5.50%; installment obligation; payable in monthly installments of $907; maturing June 2003; secured by a Subaru.	47,462
5.75%; installment obligation; payable in monthly installments of $1,755; maturing June 2005; secured by a Chevy One Ton.	121,096
5.50%; installment obligation; payable in monthly installments of $746; maturing June 2003; secured by a UCC.	39,191
	$ 384,461

The following is a summary of bonds payable at June 30, 1998:

	Issue Date	Maturity Date	Interest Rate(s)	Amount Issued	Amount Retired	Amount Outstanding
a.	1968	1998-1998	Various	$ 500,000	$ 500,000	$ -0-
b.	1988	1998-2011	Various	11,065,000	1,000,000	10,065,000
c.	1998	1999-2013	Various	10,260,000	-0-	10,260,000
Total revenue bonds payable at June 30, 1998						20,325,000
Less: Current portion due in upcoming year						710,000
Long-term revenue bonds payable at June 30, 1998						$ 19,615,000

a. Parking Revenue Bonds - Bond Issue of 1968

This issue was authorized for construction of a new off-street automobile parking facility and to refund the Parking Facilities Revenue Bonds dated May 1, 1950. The bonds were issued in the denomination of $5,000 each, bearing interest rates of 5.50%, and 5.75% payable annually on the first day of May of each year. At June 30, 1998, this bond issue was completely retired.

The balance with the Municipal Bond Commission at June 30, 1998 was $16,147 in the Sinking Fund Account and $5,586 in the Bond Reserve Account.

b. 1988 Series - Sewerage System Refunding Revenue Capital Appreciation Bonds

Series 1988 Sewerage System Refunding Revenue Capital Appreciation Bonds in the amount of $11,065,000 were issued pursuant to an ordinance enacted by the City of Fairmont on October 25, 1988 and supplemented by a resolution adopted on October 25, 1988. The bonds dated November 30, 1988 and sold as of November 30, 1988 mature serially through 2011 with effective yields from 6.60% to 7.75% per the following schedule.

Year	Amount	Effective Yield
1998	$ 500,000	6.80
1999	500,000	6.90
2000	745,000	7.00
2001	755,000	7.10
2002	755,000	7.20
2003	755,000	7.30
2004	760,000	7.40
2005	755,000	7.50
2006	755,000	7.60
2007	755,000	7.70
2008	755,000	7.75
2009	760,000	7.75
2010	755,000	7.75
2011	760,000	7.75
	$ 10,065,000	

The 1988 bonds were issued by the City in order to: (1) advance refund a portion of the City's existing Sewerage System Revenue Refunding Bonds, Series 1985; (2) pay the costs of certain additions and improvements to the City's Sewerage System and; (3) pay all costs and expenses associated with such refunding and the issuance of the Series 1988 Bonds.

The 1988 bonds are secured by a lien on and pledge of the net revenues derived from the operation of the system. These bonds are insured by the AMBAC Indemnity Corporation unconditionally guaranteeing the timely payment of principal and interest on the 1988 Series Bonds.

The Series 1988 Bonds are not subject to optional redemption prior to maturity.

As required by the 1988 Revenue Bond Ordinance, a Sinking Fund has been established with the West Virginia Municipal Bond Commission. Moneys in the Sinking Fund are to be used only for the purpose of paying principal of and interest on the bonds. Beginning 13 months prior to the first principal payment of the Series 1988 Bonds, monthly payments are required to be made into the Sinking Fund in amounts equaling 1/12th of the amount of principal due on the next principal payment date. The sinking fund account balance at June 30 1998 was $1,146,393.

No additional payments are required to be made into the Sinking Fund when the aggregate amount in the Sinking Fund is equal to the aggregate principal amount of bonds outstanding plus the amount of interest due or thereafter to become due on the bonds outstanding.

c. 1997 Series - Waterworks Refunding Revenue Bonds

Series 1997, Waterworks Refunding Revenue Bonds in the amount of $10,260,000 were issued pursuant to an ordinance enacted by the City of Fairmont on April 8, 1997 and supplemented by a resolution adopted on June 5, 1997 and sold as of June 19, 1997 mature serially through 2013 and bear interest from 4.25% to 5.375% per the following schedule.

Maturity	Principal Amount	Interest Rate	Maturity	Principal Amount	Interest Rate
1999	$ 210,000	4.250%	2007	715,000	5.000%
2000	520,000	4.400	2008	750,000	5.100
2001	545,000	4.500	2009	790,000	5.300
2002	565,000	4.600	2010	830,000	5.350
2003	595,000	4.700	2011	875,000	5.300
2004	625,000	4.750	2012	925,000	5.500
2005	650,000	4.800	2013	980,000	5.375
2006	685,000	4.850			
				$ 10,260,000	

The 1997 bonds were issued by the City in order to: (1) currently refund all of the Issuer's outstanding Waterworks Refunding Revenue Bonds, Series 1987, dated January 15, 1987; (2) fund a portion of the reserve account for the Bonds and to pay the initial premium for a debt service reserve account letter of credit for the balance thereof; and (3) pay costs of issuance thereof and other costs in connection with such refunding.

The 1997 bonds are secured by a lien on and pledge of the net revenues derived from the operation of the System. These bonds are insured by the Municipal Bond Insurance Association unconditionally guaranteeing the timely payment of principal and interest on the 1997 Series Bonds.

The Series 1997 bonds shall be redeemable prior to their stated dates of maturity at the option of the Issuer, as a whole at any time, or in part on any interest payment date, in inverse order of their maturities and by lot within a maturity, at the respective redemption prices as set forth in the bond ordinance.

As required by the 1997 Revenue Bond Ordinance, a sinking fund has been established with the West Virginia Municipal Bond Commission. Moneys in the sinking fund are to be used only for the purposes of paying principal of and interest on the bonds. Monthly payments are required to be made into the sinking fund of amounts equaling 1/6th of the amount of interest due on the next semiannual interest date plus 1/12th of the amount of principal due on the next principal payment date. The sinking fund account balance at June 30, 1998 was $631,312.

No additional payments are required to be made into the sinking fund when the aggregate amount in the sinking fund, including the reserve account, is equal to the aggregate principal amount of bonds outstanding plus the amount of interest due or thereafter to become due on the bonds outstanding.

7. Employees Retirement System

The City of Fairmont, West Virginia, elected to become a participating public employer under the West Virginia Public Employees Retirement System effective August 28, 1961 for the coverage of all eligible employees, except those employees of the police and fire departments covered by the City's Policemen's Pension and Relief Fund and the Firemen's Pension and Relief Fund. The municipality's contribution to the West Virginia Public Employees Retirement System for the year ended June 30, 1998 was:

Percentage of Payroll		Wages	Amount
Employer share	9.50%	2,531,299	$ 240,473
Employee share	4.50%	2,531,299	113,908
Total contribution			$ 354,381

A member who has attained age 60 and has earned five or more years of contributing service is eligible for a normal retirement benefit. The annual normal retirement benefit is payable in monthly installments, which is equal to 2% of the member's final average salary times the number of years of credited service. Final average salary is the average of the member's annual compensation during the three consecutive years of credited service (during the 10 years preceding the termination of employment) that produce the highest such average.

Employees whom have either attained age 55 and completed 10 years of credited service, or have completed 20 years of credited service, may elect to have their deferred vested benefit commence on the first of any month following their 55th birthday.

Accordingly to the latest actuarial study dated February 1997 of the West Virginia Public Employees' Retirement System prepared by Buck Consultants, the unfunded actuarial liability as of June 30, 1997 was $393,416,000. The valuation indicates that the current contribution levels will fund the benefits accruing during the year and amortize the existing unfunded liability within 25 years. Other relevant information also reported in that study is as follows:

Pension Benefit Obligation

Retirees and beneficiaries currently receiving benefits and vested terminated employees not yet receiving benefits	$ 918,599,000
Active participants:	
Accumulated member contributions	357,547,000
Employer-financed:	
Vested	285,398,000
Nonvested benefits	557,425,000
Total pension benefit obligation	$ 2,118,969,000
Net assets available for benefits, at cost value	$ 2,024,572,000
Net assets available for benefits, at market value	$ 1,988,588,000

The significant actuarial assumptions used in the valuation, were as follows:

Annual valuation interest assumption: 7.50%

Salary scales used are the same as used in the 1993 valuation.

Assets for valuation purposes are included at market value plus an amount estimated as the value of member contributions from the Teachers Retirement system expected to be transferred to Public Employees' Retirement System in the future by members of the Division of Rehabilitation Services.

Defined Benefit Pension Plans

The municipality has established and maintains the following employees retirement and benefits funds, as authorized by West Virginia Code §8-22-1, et seq., for all eligible employees.

(1) Policemen's Pension and Relief Fund
(2) Firemen's Pension and Relief Fund

Plan Descriptions

At July 1, 1998, the plan's membership consisted of the following:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them:

Firemen	45
Policemen	37
Total	82

Current employees:

Vested and nonvested:	
Firemen	39
Policemen	34
Total	73

	Policemen's Pension Plan	Firemen's Pension Plan
Other plan details:		
Eligibility	All paid members of the Police Department.	All paid members of the Fire Department.
Rate of employee contribution	7% of salary.	7% of salary.
Vesting period for normal retirement	20 years of service but no later than the date the participant reaches age 65.	20 years of service but no later than the date the participant reaches age 65.
Benefits	60% of average compensation, but not less than $6,000, plus an additional 2% for each full year of credited service in excess of 20 years, but not in excess of 25 years, plus an additional 1% for each full year of credited service in excess of 25 years, but not in excess of 30 years. In addition, 1% is granted for each full year of military service up to 4 years. However, maximum benefit received may not exceed 75%.	60% of average compensation, but not less than $6,000, plus an additional 2% for each full year of credited service in excess of 20 years, but not in excess of 25 years, plus an additional 1% for each full year of credited service in excess of 25 years, but not in excess of 30 years. In addition, 1% is granted for each full year of military service up to 4 years. However, maximum benefit received may not exceed 75%.

Funding Status and Progress

The amount shown on the following page as "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess progress made in accumulating sufficient assets to pay benefits when due.

The pension benefit obligation was determined as part of an actuarial valuation of the plan as of July 1, 1996, for the police and fire plans. Significant actuarial assumptions used in determining the pension benefit obligation included: (1) a rate of return on the investment of present and future assets of 7.5 percent per year compounded annually for both the fire pension plan and the police pension plans, (2) the assumption that benefits will increase 3.0 percent per year after retirement, and (3) projected salary increases of 4.0 percent per year for all plans.

As of July 1, 1996, the unfunded pension benefit obligations for the policemen's and firemen's pensions were $6,414,848 and $7,787,493, respectively.

	Policemen's	Firemen's
Pension Benefits Earned		
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	$ 5,584,498	$ 6,050,838
Current Employees		
Accumulated employee contributions including allocated investment earnings	579,392	871,292
Employer - financed vested	1,722,240	2,852,713
Employer - financed nonvested	363,001	828,983
Total pension benefits obligations	8,249,131	10,603,826
Net assets available for benefits, at market	2,156,156	3,230,622
Unfunded pension benefits earned	$ 6,092,975	$ 7,373,204

(a) Policemen's Pension and Relief Fund

The Policemen's Pension and Relief Fund of the municipality covers all eligible employees of the police department paid on a full-time basis from public funds. The municipality's contribution for the fiscal year ended June 30, 1998, was $197,571 and $198,852 was provided by the insurance premium tax allocation, for a total contribution of $396,423.

According to the latest actuarial study of the municipality's Policemen's Pension and Relief Fund, conducted by Foster Higgins, the unfunded past service liability as of July 1, 1996, was $6,414,848.

As required by West Virginia Code §8-22-20, in no event will the municipality be allowed to contribute less than the greater of:

(1) The average of the amounts contributed in the five fiscal years beginning fiscal year ending June 30, 1984.

(2) One hundred and seven percent (107%) of the prior year's required city contribution.

(3) The amount which, when added to the member contribution and the revenue from the state premium tax, equals the overall plans normal cost.

It was determined during this examination that the municipality did comply with the minimum required contribution per West Virginia Code §8-22-20 for the fiscal year ended June 30, 1998.

In presenting these recommended funding levels, Foster Higgins, assumed that the premium tax allocation will continue to be paid to the municipality and that it will remain at about the same level for the next three years.

(b) Firemen's Pension and Relief Fund

The Firemen's Pension and Relief Fund of the municipality covers all eligible employees of the fire department paid on a full-time basis from public funds. The municipality's contribution for the fiscal year ended June 30, 1998, was $259,881 and $218,647 was provided by the insurance premium tax allocation, for a total contribution of $478,528.

According to the latest actuarial study of the municipality's Firemen's Pension and Relief Fund, conducted by Foster Higgins, the unfunded past service liability as of July 1, 1996 was $7,787,493.

As required by West Virginia Code §8-22-20, in no event will the municipality be allowed to contribute less than the greater of:

(1) The average of the amounts contributed in the five fiscal years beginning fiscal year ending June 30, 1984.

(2) One hundred and seven percent (107%) of the prior year's required city contribution.

(3) The amount which, when added to the member contribution and the revenue from the state premium tax, equals the overall plans normal cost.

It was determined during this examination that the municipality did comply with the minimum required contribution per West Virginia Code §8-22-20 for the fiscal year ended June 30, 1998.

In presenting these recommended funding levels, Foster Higgins, assumed that the premium tax allocation will continue to be paid to the municipality and that it will remain at about the same level for the next three years.

8. Pending Litigation

The City of Fairmont has been named as a defendant in several cases which in the opinion of the municipality's attorney will have no material adverse effect to the City.

9. Workers' Compensation Fund

On July 5, 1983, the City of Fairmont adopted Ordinance No. 600 authorizing self-insured status for Workers' Compensation. This Ordinance provides for the payment to the West Virginia Workers' Compensation for costs of administering the fund, and the required amounts into a surplus fund for the coverage of catastrophe and second injury liability, and to pay all Workers' Compensation benefits anticipated to be payable that year. In addition, the Ordinance authorized all necessary procedures to insure that all Workers' Compensation payments are paid promptly to eligible employees. It further directed the purchase of excess insurance for the purpose of indemnifying the City against losses per accident in excess of a specific retention level and for the purpose of indemnifying the City against annual losses in the aggregate in excess of a specific retention level.

10. Lease

City of Fairmont is the lessor of land under an operating lease with an original lease term of 30 years expiring in 2,014. The lease includes the option to renew for two (2) subsequent periods of ten years each, by giving notice of at least 30 days prior to the expiration of the lease. Minimum lease payments to be received as of June 30, 1998 for each of the next five years are:

Year Ended June 30,	Amount
1999	$ 12,000
2000	12,000
2001	12,000
2002	12,000
2003	12,000
Thereafter	132,000
Total	$ 192,000

11. Interfund Balances

Individual fund interfund receivable and payable balances at June 30, 1998 are as follows:

	Due From Other Funds	Due to Other Funds
General fund	$ 15,285	$ 125,000
Enterprise funds:		
Water fund	125,000	-0-
Expendable trust funds:		
Police fund	-0-	15,285
Nonexpendable trust funds:		
Policemen's pension and relief fund	454	-0-
Firemen's pension and relief fund	-0-	454
	$ 140,739	$ 140,739

12. Segment Information for Enterprise Funds

The City maintains three enterprise funds which provide water, sanitary (sewer) and parking services. Segment information for the year ended June 30, 1998 was as follows:

	Water Fund	Sanitary Sewer Board	Parking Fund	Total Enterprise Funds
Operating revenues	$ 2,873,995	$ 2,435,303	$ -0-	$ 5,309,298
Depreciation and amortization expense	1,010,886	1,750,586	6,324	2,767,796
Operating income (loss)	278,803	(1,323,715)	(6,403)	(1,051,315)
Net (loss) income	(251,830)	(1,435,888)	16,351	(1,671,367)
Current capital:				
Contributions	20,213	26,080	-0-	46,293
Property, plant and equipment additions	410,364	319,586	-0-	729,950
Total assets	15,329,855	24,300,070	40,632	39,670,557
Bond and other long-term liabilities:				
Payable from operating revenues	10,572,431	10,197,100	-0-	20,769,531
Total fund equity	4,173,168	13,849,406	40,632	18,063,206

13. Deficit Retained Earnings

The Sanitary Sewer Board has a deficit retained earnings balance of $5,313,853 as of June 30, 1998. The elimination of the deficit balances is contingent on various charges for services and increasing revenues.

14. Unclaimed Deposits on Water Fund

After appropriate but failed attempts to refund customer's deposits, the City still retains several year's worth of old customer's deposits. Per "Rules and Regulations for the Government of Water Utilities", upon the completion of attempts to refund deposits, 'the deposit shall be considered as derelict property subject to recovery by the State of West Virginia under the provisions of Chapter 34, Article 2, Section 1 of the Code of West Virginia'. The City retains derelict funds totaling $24,221.

15. Restatement of Retained Earnings

It was determined during this examination that the retained earnings of the Water Fund required restatement as follows:

Retained earnings as previously stated	$ 1,067,776
Restatement:	
Additional fixed assets not previously recorded	408,419
Retained earnings as restated	$ 1,476,195

It was determined during this examination that the retained earnings of the Sanitary Sewer Board required restatement as follows:

Retained earnings as previously stated	$(3,824,436)
Restatement:	
Overstatement of accounts receivable	(53,529)
Retained earnings as restated	$(3,877,965)

CITY OF FAIRMONT, WEST VIRGINIA
COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS
JUNE 30, 1998

	Coal Severance Fund	HUD Special Purpose Grant Program WV15SPG25	Project Dare	Emergency Shelter Grant Program	High Crime Area Grant Program	Small Cities Block Grant	Governor's Contingency Grant	Total (Memorandum Only)
ASSETS								
Cash	$ 76,663	$ -0-	$ 192	$ -0-	$ -0-	$ 4,267	$ 73,635	$ 154,757
Due from:								
Other governments	-0-	17,456	-0-	27,634	-0-	95,381	-0-	140,471
TOTAL ASSETS	$ 76,663	$ 17,456	$ 192	$ 27,634	$ -0-	$ 99,648	$ 73,635	$ 295,228
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable	$ 40	$ 17,456	$ -0-	$ 27,634	$ -0-	$ 99,648	$ -0-	$ 144,778
Total liabilities	40	17,456	-0-	27,634	-0-	99,648	-0-	144,778
Fund Balances								
Unreserved	76,623	-0-	192	-0-	-0-	-0-	73,635	150,450
Total fund balances	76,623	-0-	192	-0-	-0-	-0-	73,635	150,450
TOTAL LIABILITIES AND FUND BALANCES	$ 76,663	$ 17,456	$ 192	$ 27,634	$ -0-	$ 99,648	$ 73,635	$ 295,228

The accompanying notes are an integral part of the combining financial statements.

CITY OF FAIRMONT, WEST VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 1998

	Coal Severance Fund	HUD Special Purpose Grant Program WV15SPG25	Project Dare	Emergency Shelter Grant Program	High Crime Area Grant Program	Small Cities Block Grant	Governor's Contingency Grant	Total (Memorandum Only)
Revenues								
Intergovernmental:								
Federal	$ -0-	$ 305,898	$ -0-	$ 60,009	$ -0-	$ 170,286	$ -0-	$ 536,193
State	48,784	-0-	-0-	-0-	-0-	-0-	75,000	123,784
Interest	774	-0-	-0-	-0-	-0-	-0-	-0-	774
Total revenues	49,558	305,898	-0-	60,009	-0-	170,286	75,000	660,751
Expenditures								
Public safety	-0-	-0-	8	-0-	7,391	-0-	-0-	7,399
Highways and streets	11,765	-0-	-0-	-0-	-0-	-0-	-0-	11,765
Community development	-0-	305,898	-0-	60,009	-0-	170,286	1,365	537,558
Total expenditures	11,765	305,898	8	60,009	7,391	170,286	1,365	556,722
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	37,793	-0-	(8)	-0-	(7,391)	-0-	73,635	104,029
Fund balances at beginning of year	38,830	-0-	200	-0-	7,391	-0-	-0-	46,421
Fund balances at end of year	$ 76,623	$ -0-	$ 192	$ -0-	$ -0-	$ -0-	$ 73,635	$ 150,450

The accompanying notes are an integral part of the combining financial statements.

CITY OF FAIRMONT, WEST VIRGINIA
COMBINING BALANCE SHEET - ENTERPRISE FUNDS
JUNE 30, 1998

ASSETS	Water	Sanitary Sewer Board	Parking	Total (Memorandum Only)
Current Assets				
Cash	$ 595,055	$ 81,578	$ -0-	$ 676,633
Investments, at cost	-0-	523,504	-0-	523,504
Receivables, net of allowances:				
Accounts	360,982	294,895	-0-	655,877
Other	-0-	183,033	-0-	183,033
Notes	-0-	868	-0-	868
Due from other funds	125,000	-0-	-0-	125,000
Inventory, at cost	89,102	4,515	-0-	93,617
Total current assets	1,170,139	1,088,393	-0-	2,258,532
Restricted Assets				
Investment for bond retirement	631,312	1,146,393	16,147	1,793,852
Customer deposits	54,217	-0-	-0-	54,217
Total restricted assets	685,529	1,146,393	16,147	1,848,069
Property, Plant and Equipment				
Land	213,073	161,826	-0-	374,899
Building	-0-	-0-	20,652	20,652
Collection and distribution system	18,774,503	16,548,498	-0-	35,323,001
Machinery and equipment	735,453	868,865	106,746	1,711,064
Treatment system	2,840,528	11,658,660	-0-	14,499,188
Less: Accumulated depreciation	(9,321,960)	(11,643,224)	(102,913)	(21,068,097)
Net property, plant and equipment	13,241,597	17,594,625	24,485	30,860,707
Other Assets				
Unamortized bond discount and issue costs	232,590	4,451,822	-0-	4,684,412
Notes receivable	-0-	18,837	-0-	18,837
Total other assets	232,590	4,470,659	-0-	4,703,249
TOTAL ASSETS	$ 15,329,855	$ 24,300,070	$ 40,632	$ 39,670,557

	Water	Sanitary Sewer Board	Parking	Total (Memorandum Only)
LIABILITIES AND FUND EQUITY				
Current Liabilities (payable from current assets)				
Accounts payable	$ 84,522	$ 70,162	$ -0-	$ 154,684
Other accrued expenses	17,577	15,138	-0-	32,715
Accrued compensated absences	98,361	168,264	-0-	266,625
Due to:				
Other funds	-0-	-0-	-0-	-0-
Total current liabilities (payable from current assets)	200,460	253,564	-0-	454,024
Current Liabilities (payable from restricted assets)				
Revenue bonds payable	210,000	500,000	-0-	710,000
Accrued revenue bond interest payable	259,205	-0-	-0-	259,205
Accrued interest payable	62,308	-0-	-0-	62,308
Customer deposits	62,283	-0-	-0-	62,283
Total current liabilities (payable from restricted assets)	593,796	500,000	-0-	1,093,796
Long-Term Liabilities (net of current portion)				
Revenue bonds payable	10,050,000	9,565,000	-0-	19,615,000
Accrued compensated absences	312,431	132,100	-0-	444,531
Total long-term liabilities	10,362,431	9,697,100	-0-	20,059,531
Total liabilities	11,156,687	10,450,664	-0-	21,607,351
Fund Equity				
Contributed capital	2,948,803	19,163,259	-0-	22,112,062
Retained earnings:				
Reserved	685,529	-0-	-0-	685,529
Unreserved (deficit)	538,836	(5,313,853)	40,632	(4,734,385)
Total fund equity	4,173,168	13,849,406	40,632	18,063,206
TOTAL LIABILITIES AND FUND EQUITY	$ 15,329,855	$ 24,300,070	$ 40,632	$ 39,670,557

The accompanying notes are an integral part of the combining financial statements.

CITY OF FAIRMONT, WEST VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS - ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 1998

	Water	Sanitary Sewer Board	Parking	Total (Memorandum Only)
Operating Revenues				
Charges for services	$ 2,769,995	$ 2,423,121	$ -0-	$ 5,193,116
Miscellaneous	104,000	12,182	-0-	116,182
Total operating revenues	2,873,995	2,435,303	-0-	5,309,298
Operating Expenses				
Purchases and materials	15,530	-0-	-0-	15,530
Pumping	295,320	-0-	-0-	295,320
Treatment and disposal	799,625	-0-	-0-	799,625
Billing and collection	136,435	-0-	-0-	136,435
General and administrative	337,396	-0-	79	337,475
Operating expenses	-0-	2,008,432	-0-	2,008,432
Depreciation	1,010,886	1,750,586	6,324	2,767,796
Total operating expenses	2,595,192	3,759,018	6,403	6,360,613
Operating income (loss)	278,803	(1,323,715)	(6,403)	(1,051,315)
Nonoperating Revenues (Expenses)				
Interest	15,859	116,692	24,479	157,030
Miscellaneous income	6,930	-0-	-0-	6,930
Interest and fiscal charges	(537,916)	-0-	(1,725)	(539,641)
Amortization of bond discount and issue costs	(15,506)	(228,865)	-0-	(244,371)
Total nonoperating revenues (expenses)	(530,633)	(112,173)	22,754	(620,052)
NET (LOSS) INCOME	(251,830)	(1,435,888)	16,351	(1,671,367)
Retained earnings at beginning of year - restated	1,476,195	(3,877,965)	24,281	(2,377,489)
Retained earnings at end of year	$ 1,224,365	$(5,313,853)	$ 40,632	$(4,048,856)

The accompanying notes are an integral part of the combining financial statements.

CITY OF FAIRMONT, WEST VIRGINIA
COMBINING STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 1998

	Water	Sanitary Sewer Board	Parking	Total (Memorandum Only)
Cash Flows from Operating Activities				
Operating income (loss)	$ 285,733	$(1,323,715)	$(6,403)	$(1,044,385)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	1,010,886	1,750,586	6,324	2,767,796
(Increase) decrease in:				
Accounts receivable	(25,243)	(15,008)	-0-	(40,251)
Due from other funds	(125,000)	-0-	-0-	(125,000)
Inventory	14,521	(2,060)	-0-	12,461
Increase (decrease) in:				
Accounts payable	(44,673)	(46,951)	-0-	(91,624)
Other accrued expenses	17,577	12,931	-0-	30,508
Accrued compensated absences	39,663	(20,019)	-0-	19,644
Due to other funds	(11,896)	(18,353)	-0-	(30,249)
Net cash provided by (used in) operating activities	1,161,568	337,411	(79)	1,498,900
Cash Flows From Capital and Related Financing Activities				
(Increase) decrease in restricted assets	(21,263)	66,353	7,326	52,416
Increase in restricted liabilities	328	-0-	-0-	328
Repayment of revenue bonds	-0-	(500,000)	(30,000)	(530,000)
Interest expense	(639,136)	-0-	(1,725)	(640,861)
Net cash (used in) capital and related financing activities	(660,071)	(433,647)	(24,399)	(1,118,117)

CITY OF FAIRMONT, WEST VIRGINIA
COMBINING STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 1998

	Water	Sanitary Sewer Board	Parking	Total (Memorandum Only)
Cash Flows From Investing Activities				
Sale of investments	$ -0-	$ 321,896	$ -0-	$ 321,896
Acquisition of property, plant and equipment	(410,364)	(319,586)	-0-	(729,950)
Interest on investments	15,859	116,692	24,478	157,029
Increase in contributed capital	20,213	26,080	-0-	46,293
Net cash (used in) provided by investing activities	(374,292)	145,082	24,478	(204,732)
Net increase in cash	127,205	48,846	-0-	176,051
Cash at beginning of year	467,850	32,732	-0-	500,582
Cash at end of year	$ 595,055	$ 81,578	$ -0-	$ 676,633

The accompanying notes are an integral part of the combining financial statements.

CITY OF FAIRMONT, WEST VIRGINIA
COMBINING BALANCE SHEET - PENSION TRUST FUNDS
JUNE 30, 1998

	Policemen's Pension and Relief	Firemen's Pension and Relief	Total (Memorandum Only)
ASSETS			
Cash	$ 332	$ 34,138	$ 34,470
Investments, at cost	2,337,876	3,759,325	6,097,201
Receivables, net of allowances:			
Accrued interest	14,692	25,277	39,969
Due from:			
Other funds	454	-0-	454
Other governments	31,816	52,475	84,291
TOTAL ASSETS	$ 2,385,170	$ 3,871,215	$ 6,256,385
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	$ -0-	$ 187	$ 187
Due to other funds	-0-	454	454
Total liabilities	-0-	641	641
Fund Balances			
Reserved for employees' retirement	2,385,170	3,870,574	6,255,744
TOTAL LIABILITIES AND FUND BALANCES	$ 2,385,170	$ 3,871,215	$ 6,256,385

The accompanying notes are an integral part of the combining financial statements.

CITY OF FAIRMONT, WEST VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES - PENSION TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1998

	Policemen's Pension and Relief	Firemen's Pension and Relief	Total (Memorandum Only)
Operating Revenues			
Contributions:			
Employer	$ 197,571	$ 259,881	$ 457,452
Employees	65,899	82,763	148,662
Insurance premium tax allocation	198,852	218,647	417,499
Interest	185,452	267,526	452,978
Gain on sale of investments	-0-	120,508	120,508
Miscellaneous	-0-	322	322
Total operating revenues	647,774	949,647	1,597,421
Operating Expenses			
General and administrative	606	16,444	17,050
Benefit payments	557,182	523,823	1,081,005
Total operating expenses	557,788	540,267	1,098,055
NET INCOME	89,986	409,380	499,366
Fund balances at beginning of year	2,295,184	3,461,194	5,756,378
Fund balances at end of year	$ 2,385,170	$ 3,870,574	$ 6,255,744

The accompanying notes are an integral part of the combining financial statements.

CITY OF FAIRMONT, WEST VIRGINIA
COMBINING STATEMENT OF CASH FLOWS - PENSION TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1998

	Policemen's Pension and Relief	Firemen's Pension and Relief	Total (Memorandum Only)
Cash Flows From Operating Activities			
Operating (loss) income	$(95,466)	$ 141,854	$ 46,388
Adjustments to reconcile operating (loss) income to net cash (used in) operating activities:			
(Gain) loss on sale of investments	-0-	(120,508)	(120,508)
(Increase) decrease in:			
Due from other funds	(454)	-0-	(454)
Due from other governments	(31,816)	(52,475)	(84,291)
Increase (decrease) in:			
Accounts payable	-0-	(186)	(186)
Due to other funds	-0-	454	454
Net cash (used in) operating activities	(127,736)	(30,861)	(158,597)
Cash Flows From Investing Activities			
Purchase of investment securities	(81,292)	(301,048)	(382,340)
Interest income	189,413	266,910	456,323
Net cash provided by (used by) investing activities	108,121	(34,138)	73,983
Net (decrease) in cash	(19,615)	(64,999)	(84,614)
Cash at beginning of year	19,947	99,137	119,084
Cash at end of year	$ 332	$ 34,138	$ 34,470

The accompanying notes are an integral part of the combining financial statements.

Tetrick & Bartlett, PLLC
Certified Public Accountants
Consultants

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

The Honorable Mayor and Council
City of Fairmont
Fairmont, West Virginia

We have audited the general purpose financial statements and the combining and individual accounts group financial statements of the City of Fairmont, West Virginia as of and for the year ended June 30, 1998, and have issued our report thereon dated October 19, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance
As part of obtaining reasonable assurance about whether the City of Fairmont, West Virginia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting
In planning and performing our audit, we considered the City of Fairmont, West Virginia's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the

design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Fairmont, West Virginia's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 98-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 98-1 to be a material weakness.

This report is intended for the information of the Municipal Officials of the City of Fairmont, West Virginia, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Tetrick, Bartlett, PLLC

Clarksburg, West Virginia

October 19, 1998

Tetrick & Bartlett, PLLC
Certified Public Accountants
Consultants
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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Honorable Mayor and Council
City of Fairmont
Fairmont, West Virginia

Compliance

We have audited the compliance of the City of Fairmont, West Virginia with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 1998. City of Fairmont, West Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Fairmont, West Virginia's management. Our responsibility is to express an opinion on the City of Fairmont, West Virginia's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Fairmont, West Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Fairmont, West Virginia's compliance with those requirements.

In our opinion, the City of Fairmont, West Virginia complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1998. However, the results of our auditing procedures disclosed instances

of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 98-2.

Internal Control Over Compliance
The management of the City of Fairmont, West Virginia is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Fairmont, West Virginia's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operations that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City of Fairmont, West Virginia's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 98-3.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we considered item 98-3 to be a material weakness.

This report is intended for the information of the Municipal Officials of the City of Fairmont, West Virginia, management and federal awarding agencies and pass-through entities, and the West Virginia State Tax Department. However, this report is a matter of public record and its distribution is not limited.

Jetuck, Bartlett, PLLC

Clarksburg, West Virginia

October 19, 1998

CITY OF FAIRMONT, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 1998

A. Summary of Audit Results

1. The auditor's report expresses a unqualified opinion on the financial statements of the City of Fairmont, West Virginia.

2 One reportable condition disclosed during the audit of the financial statements are reported in the report on compliance and internal control over financial reporting based on an audit of financial statements performed in accordance with Government Auditing Standards. This condition is reported as a material weakness.

3. No instances of noncompliance material to the financial statements of the City of Fairmont, West Virginia was disclosed during the audit.

4. One reportable condition disclosed during the audit of the major federal award programs is reported in the report on compliance with the requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133. This condition is reported as a material weakness.

5. The auditor's report on compliance for the major federal award programs for the City of Fairmont, West Virginia expresses an unqualified opinion.

6. Audit findings relative to the major federal award programs for the City of Fairmont, West Virginia expresses an unqualified opinion.

7. The program tested as a major program is Department of Housing and Urban Development CFDA number 14.219.

8. The threshold for distinguishing Types A and B programs was $300,000.

B. Findings - Financial Statements Audit

Reportable Conditions

98-1 Segregation of Duties

Condition: Responsibility for approving, executing and recording transactions and custody of the resulting asset arising from the transaction should be assigned to different individuals.

Criteria: Internal control should be implemented to the degree possible to assign to different individuals the responsibility for approving, executing and recording transactions and custody of the resulting asset arising from the transaction.

Effect: The lack of a complete segregation of duties increases the risk that errors or irregularities in recording, processing, summarizing and reporting financial data could occur and not be detected in a timely manner.

Recommendation: Responsibilities of approval, execution, recording and custody be distributed among the accounting staff to the degree possible. However, we recognize that complete segregation of duties is not economically feasible.

Entity's Response: To the extent possible, the City has segregated its duties. Any further segregation of duties would not be economically feasible.

C. Findings and Questioned Costs - Major Federal Award Program Audit

98-2 Department of Housing and Urban Development - CFDA Number 14.219 - Year ended June 30, 1998.

Condition: The City failed to comply with the cash management of funds in relation to the three day rule.

Criteria: All federal funds in excess of $5,000 must be disbursed by the City within three days of receipt of those funds from the Department of Housing and Urban Development. $ 110,007

Recommendation: The City should implement a cash management system that requires all funds received to be expended within three days of receipt.

Entity's Response: Federal funds are electronically wired to the bank by the Department of Housing and Urban Development. The bank does not notify the City upon receipt of the federal funds. The City will implement a system to assure that notification is received from the bank upon the funds being wired to the bank.

Total Department of Housing and Urban Development $ 110,007

98-3 Department of Housing and Urban Development - CFDA Number 14.219 - Year ended June 30, 1998.

Condition: Responsibility for approving, executing and recording transactions and custody of the resulting asset arising from the transaction should be assigned to different individuals.

Criteria: Internal control should be implemented to the degree possible to assign to different individuals the responsibility for approving, executing and recording transactions and custody of the resulting asset arising from the transaction.

CITY OF FAIRMONT, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 1998

Effect: The lack of a complete segregation of duties increases the risk that errors or irregularities in recording, processing, summarizing and reporting financial data could occur and not be detected in a timely manner.

Recommendation: Responsibilities of approval, execution, recording and custody be distributed among the accounting staff to the degree possible. However, we recognize that complete segregation of duties is not economically feasible.

Entity's Response: To the extent possible, the City has segregated its duties. Any further segregation of duties would not be economically feasible.

CITY OF FAIRMONT, WEST VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 1998

Federal Grantor/Pass-through Grantor/ Program Title		Federal CFDA Number	Agency or Pass-Through Number	Grant Number	Program or Award Amount	Accrued or (Deffered) Revenue at July 1, 1997	Receipts or Revenues Recognized	Federal Disbursements/ Expenditures	Accrued or (Deferred) Revenue at June 30, 1998
Department of Housing and Urban Development									
HUD Special Purpose Grant	*	14.219	N/A	WV15SPG25	$ 985,000	$ -0-	$ 288,443	$ 305,898	$ 17,455
Emergency Shelter Grant	*	14.219	N/A	98-1104	46,700	-0-	-0-	27,634	27,634
Emergency Shelter Grant	*	14.219	N/A	ESGP-97-4	50,895	-0-	10,222	10,222	-0-
Emergency Shelter Grant	*	14.219	N/A	95-014	25,000	-0-	25,000	25,000	-0-
Small Cities Block Grant		14.228	N/A	96-260	500,000	-0-	86,001	181,382	95,381
U.S. Department of Justice									
High Crime Area		16.580	N/A	96-LB-VX-1663	22,403	(7,391)	-0-	7,391	-0-
COPS Fast Program		16.580	N/A	97-LB-VX-3358	21,406	-0-	-0-	-0-	-0-

* Denotes major program

Notes to Schedule of Expenditures of Federal Awards

Note 1 - Significant Accounting Policies
The accompanying schedule of expenditures of federal awards is a summary of the cash activity of the City of Fairmont's federal award programs and does not present transactions that would be included in financial statements of the City presented on a modified accrual basis of accounting as contemplated by generally accepted accounting principles.

CITY OF FAIRMONT, WEST VIRGINIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 1998

Department of Housing and Urban Development

1997 - Finding Number 97-3 - Department of Housing and Urban Development

Condition: This finding was a reportable condition stating that the City did not have proper segregation of duties.

Recommendation: The auditor recommended that the City segregate duties regarding the responsibility for approving, executing and recording a transaction and custody of the resulting asset arising from the transaction be assigned to different individuals.

Current Status: The recommendation was adopted. The City has segregated duties to the extent possible. However, complete segregation of duties is not economically feasible. A similar finding was noted in the June 30, 1998 audit.

Appendix C

Proposed Form of Bond Counsel Opinion

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EXHIBIT C-1

[Form of Bond Counsel Opinion for Series 1998 Bonds]

December 30, 1998

$9,560,000
City of Fairmont
(West Virginia)
Water Revenue Bonds, Series 1998

City of Fairmont
Fairmont, West Virginia

Crews & Associates, Inc.
Charleston, West Virginia

Ferris, Baker Watts, Incorporated
Charleston, West Virginia

AMBAC Assurance Corporation
New York, New York

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance by the City of Fairmont (West Virginia) (the "Issuer") of its $9,515,000 aggregate principal amount Water Revenue Bonds, Series 1998 (the "Bonds").

The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 8, Article 19 of the West Virginia Code of 1931, as amended (the "Act"), and a Bond Ordinance duly enacted by the Issuer on November 10, 1998, as supplemented by a Supplemental Resolution duly adopted by the Issuer on December 17, 1998 (collectively, the "Ordinance"), and are subject to all the terms and conditions of the Ordinance. All capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Ordinance.

The Bonds are issued in fully registered form, are dated December 15, 1998 upon original issuance, mature on July 1 in the years and amounts and bear interest payable each January 1 and July 1, commencing July 1, 1999, as set forth in the Ordinance.

The Bonds are subject to mandatory sinking fund and optional redemption prior to maturity on the dates, in the amounts and at the redemption prices set forth in the Ordinance.

The Ordinance provides that the Bonds are issued for the purposes of paying a portion of the costs necessary (1) for acquisition and construction of additions, betterments and improvements (the "Project") for the Issuer's water treatment and distribution system (the "System"), (2) capitalizing interest on the Bonds during the period of acquisition and construction of the Project and for a period not to exceed six months thereafter, (3) to fund a reserve account for the Bonds, and (4) to pay costs of issuance thereof.

The Bonds have been sold to Ferris, Baker Watts, Incorporated and Crews & Associates, Inc. (collectively, the "Purchasers") pursuant to a Contract of Purchase dated December 17, 1998, and accepted by the Issuer (the "Contract of Purchase").

As to questions of fact material to our opinion, we have relied upon representations of the Issuer and others contained in the Ordinance and in the certified proceedings and other certifications of certain officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, and assuming compliance with the covenants and representations of the Issuer and others set forth in the Ordinance and the Registrar's Agreement and such certifications, we are of the opinion, under existing law, that:

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

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

3. Assuming due authorization, execution and delivery by the other parties thereto, the Contract of Purchase constitutes a valid, legal, binding and enforceable instrument of the Issuer in accordance with its terms.

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

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

thereunder (collectively, the "Code") that must be satisfied subsequent to issuance of the Bonds for interest thereon to be or continue to be excludable from gross income for federal income tax purposes and with all certifications, covenants and representations which may affect the excludability from gross income of the interest on the Bonds set forth in the Ordinance, the Escrow Agreement and the certifications of the Issuer and others. Failure to comply with such Code provisions or such certifications, covenants and representations could cause the interest on the Bonds to be includable in gross income retroactive to the date of issuance of the Bonds.

6. The Issuer has designated the Bonds as "qualified tax-exempt obligations" for purposes of the Code, and has covenanted that it does not reasonably expect to issue, together with subordinate entities, more than $10,000,000 of tax-exempt obligations (other than certain private activity bonds) during the calendar year 1998. Therefore, the Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code, and, in the case of certain financial institutions (within the meaning of Section 265(b)(5) of the Code), a deduction is allowed for 80% of that portion of such financial institutions' interest expense allocable to interest on the Bonds.

7. Under the Act, the interest on the Bonds is exempt from all taxation by the State of West Virginia, or any county, municipality or county commission, political subdivision or agency thereof, except inheritance, estate and transfer taxes.

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

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

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

We have examined the executed and authenticated Bonds of said issue, and in our opinion, said Bonds are in proper form and have been duly executed and authenticated.

Very truly yours,

STEPTOE & JOHNSON

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EXHIBIT C-2

[Form of Bond Counsel Opinion for Series 1999 Bonds]

January 14, 1998

$19,995,000
City of Fairmont
(West Virginia)
Water Revenue Bonds, Series 1999

City of Fairmont
Fairmont, West Virginia

Crews & Associates, Inc.
Charleston, West Virginia

Ferris, Baker Watts, Incorporated
Charleston, West Virginia

AMBAC Assurance Corporation
New York, New York

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance by the City of Fairmont (West Virginia) (the "Issuer") of its $19,995,000 aggregate principal amount Water Revenue Bonds, Series 1999 (the "Bonds").

The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 8, Article 19 of the West Virginia Code of 1931, as amended (the "Act"), and a Bond Ordinance duly enacted by the Issuer on November 10, 1998, as supplemented by a Supplemental Resolution duly adopted by the Issuer on December 17, 1998 (collectively, the "Ordinance"), and are subject to all the terms and conditions of the Ordinance. All capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Ordinance.

The Bonds are issued in fully registered form, are dated December 15, 1998 upon original issuance, mature on July 1 in the years and amounts and bear interest payable each January 1 and July 1, commencing July 1, 1999, as set forth in the Ordinance.

The Bonds are subject to mandatory sinking fund and optional redemption prior to maturity on the dates, in the amounts and at the redemption prices set forth in the Ordinance.

The Ordinance provides that the Bonds are issued for the purposes of paying a portion of the costs necessary (1) for acquisition and construction of additions, betterments and improvements (the "Project") for the Issuer's water treatment and distribution system (the "System"), (2) capitalizing interest

on the Bonds during the period of acquisition and construction of the Project and for a period not to exceed six months thereafter, (3) to fund a reserve account for the Bonds, and (4) to pay costs of issuance thereof.

The Bonds have been sold to Ferris, Baker Watts, Incorporated and Crews & Associates, Inc. (collectively, the "Purchasers") pursuant to a Contract of Purchase dated December 17, 1998, and accepted by the Issuer (the "Contract of Purchase").

As to questions of fact material to our opinion, we have relied upon representations of the Issuer and others contained in the Ordinance and in the certified proceedings and other certifications of certain officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, and assuming compliance with the covenants and representations of the Issuer and others set forth in the Ordinance and the Registrar's Agreement and such certifications, we are of the opinion, under existing law, that:

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

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

3. Assuming due authorization, execution and delivery by the other parties thereto, the Contract of Purchase constitutes a valid, legal, binding and enforceable instrument of the Issuer in accordance with its terms.

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

5. Under existing laws, regulations, published rulings and judicial decisions of the United States of America, as presently written and applied, the interest on the Bonds (including original issue discount properly allocable to owners of the Bonds) is excludable from gross income of the holders thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed upon individuals and corporations. It should be noted, however, that for the purpose of computing the alternative minimum tax on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. Ownership of tax-exempt obligations, including the Bonds, may result in collateral federal income tax consequences to certain taxpayers, including without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry such obligations. We

offer no opinion as to such collateral tax consequences or any other federal tax consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors as to such consequences. The opinions set forth above are subject to the condition that the Issuer comply, on a continuing basis, with all requirements of the Internal Revenue Code of 1986, as amended, and regulations thereunder (collectively, the "Code") that must be satisfied subsequent to issuance of the Bonds for interest thereon to be or continue to be excludable from gross income for federal income tax purposes and with all certifications, covenants and representations which may affect the excludability from gross income of the interest on the Bonds set forth in the Ordinance, the Escrow Agreement and the certifications of the Issuer and others. Failure to comply with such Code provisions or such certifications, covenants and representations could cause the interest on the Bonds to be includable in gross income retroactive to the date of issuance of the Bonds.

6. Under the Act, the interest on the Bonds is exempt from all taxation by the State of West Virginia, or any county, municipality or county commission, political subdivision or agency thereof, except inheritance, estate and transfer taxes.

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

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

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

We have examined the executed and authenticated Bonds of said issue, and in our opinion, said Bonds are in proper form and have been duly executed and authenticated.

Very truly yours,

STEPTOE & JOHNSON

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Appendix D

Summary of Certain Provisions of the Principal Documents

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EXHIBIT D

SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE
AS SUPPLEMENTED AND AMENDED

THE ORDINANCE

The following is a brief summary of certain terms, provisions and covenants of the Ordinance. This summary makes use of terms defined in the Ordinance, certain of which are defined in "Definitions" which follows. This summary does not purport to be final, complete or definitive, and is qualified by reference to the Ordinance in its entirety for the complete and actual terms, provisions and covenants thereof.

Definitions

"Act" means Chapter 8, Article 19 of the West Virginia Code of 1931, as amended and in effect on the date of delivery of the Series 1998 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 and Redemption Digest.

"Authorized Officer" means the City Manager of the Issuer or any other officer of the Issuer specifically designated by resolution of the Council of the Issuer.

"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, Clarksburg, West Virginia.

"Bondholder," "Holder ," "Owner," "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 Series 1998 Bonds, and in the event the Series 1998 Bonds are insured, shall initially mean the Bond Insurer set forth in the Supplemental Resolution.

"Bond Register" means the books of the Issuer maintained by the Registrar for the registration and transfer of Bonds.

"Bond Year" means with respect to each series of 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 1998 Bonds, the Series 1999 Bonds, the Prior Bonds and any additional parity Bonds hereafter issued within the terms, restrictions and conditions contained in the Ordinance.

"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 1998 Bonds, in substantially the form set forth in the Ordinance.

"City" or "Issuer" means the City of Fairmont, a municipal corporation and political subdivision of the State of West Virginia, in Marion County thereof, and, unless the context clearly indicates otherwise, includes the Council and any successor thereto.

"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 1998 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.

"Construction Fund" means the Construction Fund created by the Ordinance.

"Consulting Engineers" means Chapman Technical Group, St. Albans, West Virginia, or 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" means, collectively, those costs described in the Ordinance.

"Costs of Issuance Fund" means the Costs of Issuance Fund created by the Ordinance.

"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.

"Depreciation Fund" means the Depreciation Fund created by the Prior Ordinance and continued by the Ordinance.

"DTC" means The Depository Trust Company, New York, New York, or its successor thereof.

"DTC-eligible" means, with respect to the Series 1998 Bonds, meeting the qualifications prescribed by DTC.

"Event of Default" means any occurrence or event specified in the Ordinance.

"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), or any Tap Fees.

"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.

"Municipal Bond Insurance Policy" means the municipal bond insurance policy, if any, issued by the Bond Insurer simultaneously with the delivery of the Series 1998 Bonds, insuring the payment of the principal of and interest on all or any of the Series 1998 Bonds in accordance with the terms thereof.

"Net Proceeds" means the face amount of the Series 1998 Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds deposited in the Series 1998 Bonds Reserve Account. For purposes of the Private Business Use limitations, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Series 1998 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.

"Nonpurpose Investment" means any investment property which is acquired with the gross proceeds of the Series 1998 Bonds and is not acquired in order to carry out the governmental purpose of the Series 1998 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 fiscal agents, the Depository Bank, the Registrar and the Paying Agent, other than those capitalized as part of the costs, payments to pension or retirement funds, taxes and such other reasonable operating costs and expenses as should normally and regularly be included under generally accepted accounting principles; provided, that "Operating Expenses" does not include payments on account of the principal of or redemption premium, if any, or interest on the Bonds, charges for depreciation, losses from the sale or other disposition of, or any decrease in the value of, capital assets, amortization of debt discount or such miscellaneous deductions as are applicable to prior accounting periods.

"Ordinance" means the Ordinance and all ordinances, orders and resolutions supplemented hereto or amendatory hereof.

"Original Purchaser" means, collectively Ferris Baker Watts, Inc., Charleston, West Virginia, and Crews & Associates, Inc., Little Rock, Arkansas, as the purchasers of the Series 1998 Bonds directly from the Issuer, or, if the Issuer and such Original Purchaser do not agree to the purchase of the Series 1998 Bonds with interest rates and other terms allowable under the Act, such other person or persons, firm or firms, bank or banks, corporation or corporations or such other entity or entities as shall purchase the Series 1998 Bonds 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 1998 Bonds, 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 1998 Bonds.

"Outstanding," when used with reference to the Bonds or Prior Bonds and as of any particular date, describes all Bonds or Prior 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 the Ordinance and set aside for such payment (whether upon or prior to maturity); (c) any Bond deemed to have been paid as provided in the Ordinance; 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 or Prior Bond registered to the Issuer. Notwithstanding the foregoing, in the event that the Bond Insurer has paid principal of and/or interest on any Bond, such Bond shall be deemed to be Outstanding until such time as the Bond Insurer has been reimbursed in full.

"Paying Agent" means the Registrar or any other Paying Agent designated as such for the Series 1998 Bonds in the Supplemental Resolution, and any successor thereto, appointed in accordance with the Ordinance.

"Prior Bonds" means the Issuer's Waterworks Refunding Revenue Bonds, Series 1997, dated June 1, 1997, issued in the original aggregate principal amount of $10,260,000.

"Prior Ordinance" means the bond ordinance enacted by the Issuer on April 8, 1997, and a supplemental resolution adopted by the Issuer on June 5, 1997, authorizing the Prior Bonds.

"Private Business Use" means use (directly or indirectly) in a trade or business carried on by any person other than a governmental unit; provided that use as a member of the general public shall not be taken into account.

"Project" means the Project as described in the Ordinance.

"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 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 Bonds are privately placed, the price paid by the first buyer of the 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 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, collectively, the Qualified Investments defined in the Prior Ordinance, with such modifications as set forth in the Supplemental Resolution.

"Rebate Fund" means the Rebate Fund created by the Ordinance.

"Record Date" means the day of the month which shall be so stated in the Series 1998 Bonds, regardless of whether such day is a Saturday, Sunday or legal holiday.

"Redemption Accounts" means, collectively, the Series 1998 Bonds Redemption Account and the Series 1999 Bonds Redemption Account.

"Redemption Date" means the date fixed for redemption of the Prior Bonds, the Series 1998 Bonds or any other Bonds of the Issuer called for redemption.

"Redemption Price" means the price at which the Prior Bonds, the Series 1998 Bonds or any other Bonds of the Issuer may be called for redemption and includes the principal amount of such Bonds to be redeemed, plus interest and the premium, if any, required to be paid to effect such redemption.

"Registrar" means the bank to be designated in the Supplemental Resolution as the Registrar for the Series 1998 Bonds, and any successor thereto, appointed in accordance with the Ordinance.

"Regulations" means temporary and permanent regulations promulgated under the Code, and includes applicable regulations promulgated under the Internal Revenue Code of 1954.

"Reserve Accounts" means, collectively, the Series 1998 Bonds Reserve Account and the Series 1999 Bonds Reserve Account.

"Reserve Requirements" means, collectively, the Series 1998 Bonds Reserve Requirement and the Series 1999 Bonds Reserve Requirement.

"Revenue Fund" means the Revenue Fund created by the Prior Ordinance and continued by the Ordinance.

"Series 1998 Bonds" means the Water Revenue Bonds, Series 1998, of the Issuer, originally authorized to be issued pursuant to the Ordinance and the Supplemental Resolution.

"Series 1998 Bonds Redemption Account" means the Series 1998 Bonds Redemption Account created by the Ordinance.

"Series 1998 Bonds Reserve Account" means the Series 1998 Bonds Reserve Account created by the Ordinance.

"Series 1998 Bonds Reserve Requirement" means, as of any date of calculation, the lesser of (i) 10% of the stated principal amount of the Series 1998 Bonds, (ii) maximum annual principal and interest requirements on the Series 1998 Bonds, or (iii) 125% of the average annual principal and interest requirements on the Series 1998 Bonds.

"Series 1998 Bonds Sinking Fund" means the Series 1998 Bonds Sinking Fund created by the Ordinance.

"Series 1999 Bonds" means the Water Revenue Bonds, Series 1999, of the Issuer, constituting a series of the bonds originally authorized to be issued pursuant to the Ordinance and the Supplemental Resolution.

"Series 1999 Bonds Redemption Account" means the Series 1999 Bonds Redemption Account created by Section 4.02 of the Ordinance.

"Series 1999 Bonds Reserve Account" means the Series 1999 Bonds Reserve Account created by Section 4.02 of the Ordinance.

"Series 1999 Bonds Reserve Requirement" means, as of any date of calculation, the lesser of (i) 10% of the stated principal amount of the Series 1999 Bonds, (ii) maximum annual principal and interest requirements on the Series 1999 Bonds, or (iii) 125% of the average annual principal and interest requirements on the Series 1999 Bonds.

"Series 1999 Bonds Sinking Fund" means the Series 1999 Bonds Sinking Fund created by Section 4.02 hereof.

"Sinking Funds" means, collectively, the Series 1998 Bonds Sinking Fund and the Series 1999 Bonds Sinking Fund.

"State" means the State of West Virginia.

"Supplemental Resolution" means any ordinance or resolution amendatory or supplemental to the Ordinance and, when preceded by the article "the," refers specifically to the Supplemental Resolution or Resolutions to be adopted by the Issuer following enactment of the Ordinance, setting forth the final amounts, maturities, interest rates and other terms of the Series 1998 Bonds, authorizing the sale of the Series 1998 Bonds to the Original Purchaser and setting forth provisions specific to the Bond Insurer, if any; 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, collectively, the complete existing municipal waterworks 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.

"Term Bonds" means Bonds subject to mandatory sinking fund redemption, as described in the Ordinance.

Investment of Funds and Accounts

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 the Ordinance in Qualified Investments to the fullest extent possible under applicable laws, the Ordinance, the need for such moneys for the purposes set forth in the Ordinance 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 (unless otherwise required by the Bond Insurer and as set forth in the Supplemental Resolution):

(A) Qualified Investments acquired for the Series 1998 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 semiannually transfer from the Series 1998 Bonds Reserve Account to the Series 1998 Bonds Sinking Fund, any earnings on the moneys deposited therein and any other funds in excess of the Series 1998 Bonds Reserve Requirement; provided, however, that there shall at all times remain on deposit in the Series 1998 Bonds Reserve Account an amount at least equal to the Series 1998 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 1998 Bonds Reserve Account, whereupon it shall be valued immediately after such withdrawal. If amounts on deposit in the Series 1998 Bonds Reserve Account shall, at any time, be less than the Series 1998 Bonds Reserve Requirement, the 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 Series 1998 Bonds Sinking Fund and otherwise in accordance with the Ordinance.

(D) All amounts representing accrued and capitalized interest shall be held by the Bond Commission, pledged solely to the payment of interest on the Series 1998 Bonds and invested only in Government Obligations maturing at such times and in such amounts as are necessary to match the interest payments to which they are pledged.

(E) Notwithstanding the foregoing, all moneys deposited in the Series 1998 Bonds Sinking Fund may be invested by the Bond Commission in the West Virginia "consolidated fund" managed by the West Virginia Investment Management Board pursuant to Chapter 12, Article 6 of the West Virginia Code of 1931, as amended.

Arbitrage Restrictions

The Issuer covenants that (i) it will restrict the use of the proceeds of the Series 1998 Bonds in such manner and to such extent as may be necessary, so that the Series 1998 Bonds will not constitute "arbitrage bonds" under Section 148 of the Code and Regulations prescribed thereunder, and (ii) it will take all actions that may be required of it (including, without implied limitation, the timely filing of a federal information return with respect to the Series 1998 Bonds) so that the interest on the Series 1998 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.

Rebate of Excess Investment Earnings to the United States

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 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 in the Ordinance to the contrary, shall be paid from investment earnings on the underlying fund or account established under the Ordinance and on which such rebatable arbitrage was earned or from other lawfully available sources. Notwithstanding anything in the Ordinance to the contrary, the Rebate Fund shall be held free and clear of any lien or pledge under the Ordinance 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 at the time and the address prescribed by the Regulations as the same may be in effect from time to time 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 the Ordinance. The Issuer shall keep and retain, or cause to be kept and retained, records of the determinations made pursuant to the Ordinance 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 interest 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 1998 Bonds from gross income for federal income tax purposes.

Rates

Prior to the issuance of the Series 1998 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 City Clerk of the Issuer, which copy 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 make the prescribed payments into the funds and accounts created under the Ordinance. Such schedule 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 of rates or charges from time to time in effect shall be sufficient (i) to pay all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 120% of the maximum amount required in any year for payment of principal of and interest on the Series 1998 Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Series 1998 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. For purposes of this test, the terms "Gross Revenues" and "Net Revenues" shall not include proceeds from the sale of capital assets.

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 Issuer 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.

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 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.

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 the Ordinance, 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 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, pledge and source of and security for payment from such Revenues and in all other respects to the Bonds; provided that, no such subordinate obligations shall be issued unless all payments required to be made into all funds and accounts set forth in the Ordinance have been made and are current at the time of issuance of such subordinate obligations.

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 Bonds, and the interest thereon, upon any of the income and Gross Revenues of the System pledged for payment of the Bonds and the interest thereon in the Ordinance or upon the System or any part thereof.

Additional Parity Bonds

So long as the Prior Bonds are outstanding, the limitations on the issuance of parity obligations set forth in the Prior Ordinance shall be applicable. In addition, no 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 the Ordinance, except under the conditions and in the manner provided in the Ordinance.

No such additional parity Bonds shall be issued except for the purposes of financing the costs of the design, acquisition and construction of additions, betterments or improvements to the System, refunding all or a portion of the Bonds issued pursuant to the Ordinance, 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 of the Issuer a written statement by Independent Accountants, reciting the conclusion that the Net Revenues actually derived, subject to the adjustments provided in the Ordinance, from the System during the Fiscal Year preceding the date of the actual issuance of such additional parity Bonds, plus the estimated average increased annual Net Revenues to be received in each of the three succeeding years after the date of issuance of such parity Bonds, shall not be less than 120% 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 Series 1998 Bonds and the Prior Bonds then Outstanding;

(2) Any additional parity Bonds theretofore issued pursuant to the provisions contained in the Ordinance then Outstanding; and

(3) 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 required in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from any increase in rates enacted by the Issuer, the time for appeal of which shall have expired (without successful appeal) prior to the issuance of such additional parity Bonds, provided that, in the event the implementation of such 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 is, by the terms of the ordinance providing for such increase in rates, deferred pending completion of the acquisition and construction of any additions, betterments or improvements for the System, and further provided, that the debt service on such additional parity Bonds

during such construction period is payable from proceeds of such additional parity Bonds deposited in the Sinking Fund held by the Bond Commission, 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, may be assumed to mean "estimated average increased annual Net Revenues to be received in each of the 3 succeeding years commencing on the date of completion of such acquisition and construction."

The Net Revenues actually derived from the System during the preceding Fiscal Year 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, 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. For purposes of this test, the terms "Gross Revenues" and "Net Revenues" shall not include proceeds from the sale of capital assets.

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 1998 Bonds and the Prior Bonds, and all the covenants and other provisions of the 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 1998 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 the 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 the Ordinance required for and on account of such additional parity Bonds, in addition to the payments required for Bonds theretofore issued pursuant to the 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 of which on the Gross Revenues of the System is subject to the prior and superior lien of the Bonds on such Gross Revenues. The Issuer shall not issue any obligations whatsoever payable from the Gross 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 Gross Revenues, with the Bonds except in the manner and under the conditions provided in this section.

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

Insurance and Bonds

The Issuer hereby covenants and agrees, that so long as the Bonds remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance 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 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.

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.

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.

Events of Default

Each of the following events shall constitute an "Event of Default" with respect to the Series 1998 Bonds:

(A) If default occurs in the due and punctual payment of the principal of or interest on the Series 1998 Bonds; or

(B) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part in the Ordinance or any Supplemental Resolution or in the Series 1998 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

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

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

Remedies

Upon the happening and continuance of any Event of Default, any Bondholder 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 Bondholders, including the right to require the Issuer to perform its duties under the Act and the Ordinance; (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 Bondholders; and (v) by action or bill in equity enjoin any acts in violation of the Ordinance or the rights of the Bondholders; provided that, all rights and remedies of the Holders of the Series 1998 Bonds shall be on a parity with the Holders of the Prior Bonds.

No remedy by the terms of the 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 under the Ordinance 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 under the Ordinance by the Bondholders shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereto.

Appointment of Receiver

If there be any Event of Default existing and continuing, any Bondholder (or any Bond Insurer if the defaulted Bonds are insured) 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 under the Ordinance and the payment of Operating Expenses of the System and to apply such rates, rentals, fees, charges or other Revenues in conformity with the provisions of the 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 Bonds issued pursuant to the Ordinance and interest thereon and under any covenants of the 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 the 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 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 conferred upon him under the Ordinance, 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 contained in the Ordinance shall limit or restrict the jurisdiction of such court to enter such other and further orders and decrees as such court may deem necessary or appropriate for the exercise by the receiver of any function not specifically set forth in the Ordinance.

Any receiver appointed as provided in the Ordinance 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 Bonds issued pursuant to the 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 the 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.

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 1998 Bonds the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Ordinance, then the Ordinance and the pledges of the Gross Revenues and other moneys and securities pledged under the Ordinance, and all covenants, agreements and other obligations of the Issuer on behalf of the Holders of the Series 1998 Bonds made under the Ordinance, 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 1998 Bonds from gross income for federal income tax purposes.

Bonds for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide 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 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 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 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 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, as such term is limited by the provisions in the Ordinance or such additional securities as shall be set forth in the Supplemental Resolution.

Amendment of Ordinance

Prior to issuance of the Series 1998 Bonds, the Ordinance may be amended or supplemented in any way by the Supplemental Resolution. All provisions required by the Bond Insurer, if any, shall be set forth in the Supplemental Resolution and to the extent they constitute an amendment or modification of the Ordinance, shall be controlling. Following issuance of the Series 1998 Bonds, the Ordinance and any Supplemental Resolution may be amended or modified without the consent of any Bondholder or other person, solely for the purpose of maintaining the tax-exempt status of the Series 1998 Bonds, provided that, in the event any of the Series 1998 Bonds are insured, no such amendment or modification which adversely affects the security for such Bonds or the rights of the applicable Bond Insurer for such Bonds may be effected without the written consent of such Bond Insurer. Otherwise, no materially adverse amendment or modification to the Ordinance, or of any Supplemental Resolution, may be made without the written consent of the Holders of 60% in aggregate principal amount of the Bonds then Outstanding and affected thereby and the Bond Insurer, 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 Bond without the express written consent of the Holder of such Bond, nor reduce the percentage of Bonds required for consent to any such modification or amendment.

Amendments to Ordinance

Any references in the Ordinance to the Series 1998 Bonds shall be deemed to include the Series 1999 Bonds, and all covenants and provisions of the Ordinance related to the Series 1998 Bonds and the rights of the Holders of the Series 1998 Bonds shall be equally applicable to the Series 1999 Bonds and the rights of the Holders of the Series 1999 Bonds, where applicable.

Disposition of Proceeds of Bonds

Upon the issuance and delivery of the Series 1998 Bonds, the Issuer shall deposit the proceeds thereof as follows:

A. All interest accrued on the Series 1998 Bonds from the date thereof to the date of delivery thereof shall be deposited in the Series 1998 Bonds Sinking Fund and applied to payment of interest on the Series 1998 Bonds at the first interest payment date.

B. An amount of the proceeds of the Series 1998 Bonds equal to the Series 1998 Bonds Reserve Requirement shall be remitted to the Bond Commission for deposit in the Series 1998 Bonds Reserve Account, provided that, to the extent the Series 1998 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 1998 Bonds shall be deposited in the Series 1998 Bonds Reserve Account only to the extent needed to satisfy the balance of the Series 1998 Bonds Reserve Requirement.

C. An amount of the proceeds of the Series 1998 Bonds necessary to pay costs of issuance 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 1998 Bonds at the written direction of the Issuer. All such costs of issuance shall be paid within 60 days of the Closing Date. Moneys not to be applied immediately to pay such costs of issuance may be invested in accordance with the 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 6 months after the Closing Date, such unapplied proceeds shall be transferred by the Issuer to the Series 1998 Bonds Redemption Account. All such proceeds shall constitute a trust fund for such purposes, and there is hereby created a lien upon such moneys until so applied in favor of the Holders of the Series 1998 Bonds.

D. The balance of the proceeds of the Series 1998 Bonds shall be deposited with the Depository Bank in the Construction Fund and shall be drawn out, used and applied by the Issuer solely to pay Costs of the Project at the written direction of the Issuer. Moneys not to be applied immediately to pay such Costs of the Project may be invested in accordance with the Ordinance, subject however, to applicable yield restrictions as may be in effect under the Code. All such proceeds shall constitute a trust fund for such purposes, and there is hereby created a lien upon such moneys until so applied in favor of the Holders of the Series 1998 Bonds.

Upon the issuance and delivery of the Series 1999 Bonds, the Issuer shall forthwith deposit the proceeds thereof as follows:

E. All interest accrued on the Series 1999 Bonds from the date thereof to the date of delivery thereof shall be deposited in the Series 1999 Bonds Sinking Fund and applied to payment of interest on the Series 1999 Bonds at the first interest payment date.

F. An amount of the proceeds of the Series 1999 Bonds equal to the Series 1999 Bonds Reserve Requirement shall be remitted to the Bond Commission for deposit in the Series 1999 Bonds Reserve Account, provided that, to the extent the Series 1999 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 1999 Bonds shall be deposited in the Series 1999 Bonds Reserve Account only to the extent needed to satisfy the balance of the Series 1999 Bonds Reserve Requirement.

G. An amount of the proceeds of the Series 1999 Bonds necessary to pay costs of issuance 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 1999 Bonds at the written direction of the Issuer. All such costs of issuance shall be paid within 60 days of the Closing Date. Moneys not to be applied immediately to pay such costs of issuance may be invested in accordance with the 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 6 months after the Closing Date, such unapplied proceeds shall be transferred by the Issuer to the Series 1999 Bonds Redemption Account. All such proceeds shall constitute a trust fund for such purposes, and there is hereby created a lien upon such moneys until so applied in favor of the Holders of the Series 1999 Bonds.

H. The balance of the proceeds of the Series 1999 Bonds shall be deposited with the Depository Bank in the Construction Fund and shall be drawn out, used and applied by the Issuer solely to pay Costs of the Project at the written direction of the Issuer. Moneys not to be applied immediately to pay such Costs of the Project may be invested in accordance with the Ordinance, subject however, to applicable yield restrictions as may be in effect under the Code. All such proceeds shall constitute a trust fund for such purposes, and there is hereby created a lien upon such moneys until so applied in favor of the Holders of the Series 1999 Bonds.

Funds and Accounts

The following special funds or accounts are created with (or continued if previously established by the Prior Ordinance) and shall be held by the Bond Commission separate and apart from all other funds or accounts of the Bond Commission and from each other:

(1) Series 1997 Bonds Sinking Fund (established by Prior Ordinance);

(2) Within the Series 1997 Bonds Sinking Fund, the Series 1997 Bonds Reserve Account (established by Prior Ordinance);

(3) Within the Series 1997 Bonds Sinking Fund, the Series 1997 Bonds Redemption Account (established by Prior Ordinance);

(4) Series 1998 Bonds Sinking Fund;

(5) Within the Series 1998 Bonds Sinking Fund, the Series 1998 Bonds Reserve Account;

(6) Within the Series 1998 Bonds Sinking Fund, the Series 1998 Bonds Redemption Account;

(7) Series 1999 Bonds Sinking Fund;

(8) Within the Series 1999 Bonds Sinking Fund, the Series 1999 Bonds Reserve Account; and

(9) Within the Series 1999 Bonds Sinking Fund, the Series 1999 Bonds Redemption Account.

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 in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in the Ordinance 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 the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Bond Commission (i) for deposit in the Series 1997 A Bonds Sinking Fund, the amount required by the Prior Ordinance to pay the interest on and principal of the Prior Bonds; (ii) commencing 6 months prior to the first interest payment date of the Series 1998 Bonds, for deposit in the Series 1998 Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on the Series 1998 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 1998 Bonds Sinking Fund and the next ensuing semiannual interest payment date is more or less than 6 months, then such monthly payments shall be decreased or increased proportionately to provide, 1 month prior to the next ensuing semiannual interest payment date, the required amount of interest coming due on such date; provided further that, the initial amount required to be transferred from the Revenue Fund and deposited in the Series 1998 Bonds Sinking Fund shall be reduced by the amount of accrued interest on the Series 1998 Bonds deposited therein; (iii) commencing 6 months prior to the first interest payment date of the Series 1999 Bonds, for deposit in the Series 1999 Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on the Series 1999 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 1999 Bonds Sinking Fund and the next ensuing semiannual interest payment date is more or less than 6 months, then such monthly payments shall be decreased or increased proportionately to provide, 1 month prior to the next ensuing semiannual interest payment date, the required amount of interest coming due on such date; provided further that, the initial amount required to be transferred from the Revenue Fund and deposited in the Series 1999 Bonds Sinking Fund shall be reduced by the amount of accrued interest on the Series 1999 Bonds deposited therein; (iv) commencing 12 months prior to the first principal payment date or mandatory Redemption Date of the Series 1998 Bonds, for deposit in the Series 1998 Bonds Sinking Fund and in the Series 1998 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 of principal which will mature or be redeemed and become due on the Series 1998 Bonds on the next ensuing annual principal payment date or mandatory Redemption Date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1998 Bonds Sinking Fund and the next ensuing annual principal payment date or mandatory Redemption Date is more or less than 12 months, then such monthly payments shall be

decreased or increased proportionately to provide, 1 month prior to the next ensuing annual principal payment date or mandatory Redemption Date, the required amount of principal coming due on such date; and (v) commencing 12 months prior to the first principal payment date or mandatory Redemption Date of the Series 1999 Bonds, for deposit in the Series 1999 Bonds Sinking Fund and in the Series 1999 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 of principal which will mature or be redeemed and become due on the Series 1999 Bonds on the next ensuing annual principal payment date or mandatory Redemption Date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1999 Bonds Sinking Fund and the next ensuing annual principal payment date or mandatory Redemption Date is more or less than 12 months, then such monthly payments shall be decreased or increased proportionately to provide, 1 month prior to the next ensuing annual principal payment date or mandatory Redemption Date, the required amount of principal 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 Bond Commission (i) for deposit in the Series 1997 Bonds Reserve Account, the amount required by the Prior Ordinance; (ii) for deposit in the Series 1998 Bonds Reserve Account, an amount sufficient to remedy any decrease in value of the Series 1998 Bonds Reserve Account below the Series 1998 Bonds Reserve Requirement or any withdrawal from the Series 1998 Bonds Reserve Account, beginning with the first full calendar month following the date on which (a) the valuation of investments in the Series 1998 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 1998 Bonds Reserve Account is less than the Series 1998 Bonds Reserve Requirement, or (b) any amount is withdrawn from the Series 1998 Bonds Reserve Account for deposit into the Series 1998 Bonds Sinking Fund; and (iii) for deposit in the Series 1999 Bonds Reserve Account, an amount sufficient to remedy any decrease in value of the Series 1999 Bonds Reserve Account below the Series 1999 Bonds Reserve Requirement or any withdrawal from the Series 1999 Bonds Reserve Account, beginning with the first full calendar month following the date on which (a) the valuation of investments in the Series 1999 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 1999 Bonds Reserve Account is less than the Series 1999 Bonds Reserve Requirement, or (b) any amount is withdrawn from the Series 1999 Bonds Reserve Account for deposit into the Series 1999 Bonds Sinking Fund. To the extent Gross Revenues and any other legally available funds are available therefor, the amounts so deposited shall be used to restore the amount of moneys on deposit in the Series 1998 Bonds Reserve Account and the Series 1999 Bonds Reserve Account to an amount equal to the Series 1998 Bonds Reserve Requirement and the Series 1999 Bonds Reserve Requirement, respectively, to the full extent that such Gross Revenues are available; provided however, that if the shortfall in the Series 1998 Bonds Reserve Account or the Series 1999 Bonds Reserve Account is due to a decrease in value of respective 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 1998 Bonds Reserve Account or the Series 1999 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 1998 Bonds Reserve Account or the Series 1999 Bonds Reserve Account whenever and as long as the amounts on deposit therein shall be equal to the Series 1998 Bonds Reserve Requirement and the Series 1999 Bonds Reserve Requirement, respectively.

Amounts in the Series 1998 Bonds Reserve Account shall be used only for the purpose of making payments of principal of and interest on the Series 1998 Bonds when due, when amounts in the Series 1998 Bonds Sinking Fund are insufficient therefor and for no other purpose. Amounts in the Series 1999 Bonds Reserve Account shall be used only for the purpose of making payments of principal of and interest on the Series 1999 Bonds when due, when amounts in the Series 1999 Bonds Sinking Fund are insufficient therefor and for no other purpose.

(3) The Issuer shall next, each month, pay from the Revenue Fund the Operating Expenses of the System.

(4) The Issuer shall next, each month, from the moneys remaining in the Revenue Fund, transfer to the Depreciation Fund (as previously set forth in the Prior Ordinance 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 Depreciation Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII of the Ordinance. Withdrawals and disbursements may be made from the Depreciation Fund for replacements, emergency repairs, improvements or extensions to the System; provided, that any deficiencies in any reserve account (except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof) shall be promptly eliminated with moneys from the Depreciation Fund.

Moneys in the Series 1998 Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest on the Series 1998 Bonds as the same shall become due. Moneys in the Series 1998 Bonds Reserve Account shall be used only for the purpose of paying principal of and interest on the Series 1998 Bonds, as the same shall come due, when other moneys in the Series 1998 Bonds Sinking Fund are insufficient therefor, and for no other purpose except for permitted transfers to the Rebate Fund.

Moneys in the Series 1999 Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest on the Series 1999 Bonds as the same shall become due. Moneys in the Series 1999 Bonds Reserve Account shall be used only for the purpose of paying principal of and interest on the Series 1999 Bonds, as the same shall come due, when other moneys in the Series 1999 Bonds Sinking Fund are insufficient therefor, and for no other purpose except for permitted transfers to the Rebate Fund.

Except to the extent transferred to the Rebate Fund at the request of the Issuer, all investment earnings on moneys in the Series 1998 Bonds Sinking Fund and the Series 1998 Bonds Reserve Account shall be returned, not less than once each year, by the Bond Commission to the Issuer, and such amounts shall, during construction of the Project, be deposited in the Construction Fund, and following completion of construction of the Project, shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payment due on the Series 1998 Bonds, and then to the next ensuing principal payment due thereon.

Except to the extent transferred to the Rebate Fund at the request of the Issuer, all investment earnings on moneys in the Series 1999 Bonds Sinking Fund and the Series 1999 Bonds Reserve Account shall be returned, not less than once each year, by the Bond Commission to the Issuer, and such amounts shall, during construction of the Project, be deposited in the Construction Fund, and following completion of construction of the Project, shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payment due on the Series 1999 Bonds, and then to the next ensuing principal payment due thereon.

Except with respect to transfers to the Rebate Fund, any withdrawals from the Series 1998 Bonds Reserve Account which result in a reduction in the balance of the Series 1998 Bonds Reserve Account to below the Series 1998 Bonds Reserve Requirement and any withdrawals from the Series 1999 Bonds Reserve Account which result in a reduction in the balance of the Series 1999 Bonds Reserve Account to below the Series 1999 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 parity Bonds.

The Issuer shall not be required to make any further payments into the Series 1998 Bonds Sinking Fund or the Series 1998 Bonds Reserve Account when the aggregate amount of funds therein are at least equal to the aggregate principal amount of the Bonds issued pursuant to this Bond Legislation then Outstanding and all interest to accrue until the maturity thereof.

The Issuer shall not be required to make any further payments into the Series 1999 Bonds Sinking Fund or the Series 1999 Bonds Reserve Account when the aggregate amount of funds therein are at least equal to the aggregate principal amount of the Bonds issued pursuant to this Bond Legislation then Outstanding and all interest to accrue until the maturity thereof.

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 1998 Bonds and the Series 1999 Bonds, in accordance with the respective principal amounts then Outstanding.

The Bond Commission is hereby designated as the fiscal agent for the administration of the Series 1998 Bonds Sinking Fund, the Series 1998 Bonds Reserve Account, the Series 1998 Bonds Redemption Account, the Series 1999 Bonds Sinking Fund, the Series 1999 Bonds Reserve Account, and the Series 1999 Bonds Redemption Account created in the Ordinance and all amounts required for said accounts shall be remitted to the Bond Commission from the Revenue Fund by the Issuer at the times provided herein.

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 Bond Commission the required principal, interest and reserve payments with respect to the Series 1998 Bonds and the Series 1999 Bonds, 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 the Bond Legislation.

Moneys in the Series 1998 Bonds Sinking Fund, the Series 1998 Bonds Reserve Account, the Series 1998 Bonds Redemption Account, the Series 1999 Bonds Sinking Fund, the Series 1999 Bonds Reserve Account, and the Series 1999 Bonds Redemption Account shall be invested and reinvested by the Bond Commission in accordance with Section 8.01 hereof.

Except with respect to transfers to the Rebate Fund, the Series 1998 Bonds Sinking Fund, including the Series 1998 Bonds Reserve Account therein, shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 1998 Bonds Outstanding under the conditions and restrictions hereinafter set forth.

Except with respect to transfers to the Rebate Fund, the Series 1999 Bonds Sinking Fund, including the Series 1999 Bonds Reserve Account therein, shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 1999 Bonds 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 the Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into such funds during the following month or such other period as required by law, such excess shall be considered Surplus Revenues. Surplus Revenues may be used for any lawful purpose of the System.

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

D. The moneys in excess of the sum insured by the maximum amounts insured by FDIC in the Revenue Fund, the Depreciation Fund and the Rebate 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 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.

F. 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.

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

Bonds Secured by Pledge of Gross Revenues; Lien Position with Respect to Prior Bonds

The payment of the debt service of all of the Series 1998 Bonds issued hereunder shall be secured forthwith equally and ratably with each other by a first lien on the Gross Revenues derived from the System, on a parity with the lien on the Gross Revenues in favor of the Holders of the Prior Bonds and the Series 1999 Bonds and all moneys in the Series 1998 Bonds Sinking Fund, including the Series 1998 Bonds Reserve Account therein. The payment of the debt service of all of the Series 1999 Bonds issued hereunder shall be secured forthwith equally and ratably with each other by a first lien on the Gross Revenues derived from the System, on a parity with the lien on the Gross Revenues in favor of the Holders of the Prior Bonds and the Series 1998 Bonds and all moneys in the Series 1999 Bonds Sinking Fund, including the Series 1999 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, the Series 1998 Bonds and the Series 1999 Bonds and to make the payments into all funds and accounts and all other payments provided for in the Ordinance, are hereby irrevocably pledged in the manner provided in the Ordinance to the payment of the principal of and interest on the Prior Bonds, the Series 1998 Bonds and the Series 1999 Bonds as the same become due and for the other purposes provided in the Ordinance.

Statutory Mortgage Lien

For the further protection of the Holders of the Series 1998 Bonds and the Holders of the Series 1999 Bonds, a statutory mortgage lien upon the System for each series of Bonds is granted and created by the Act, which statutory mortgage liens are hereby recognized and declared to be valid and binding, shall take effect immediately upon the issuance of the Series 1998 Bonds and upon the issuance of the Series 1999 Bonds, respectively, and shall be on a parity with one another and with the statutory mortgage lien in favor of the Holders of the Prior Bonds.

Disbursement From the Construction Fund

Payments for Costs of the Project shall be made monthly.

Disbursements from the Construction Fund, except for payment of costs of issuance of the Bonds in excess of the moneys available in the Costs of Issuance Fund 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, 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 (except reimbursement to the Issuer for items previously paid by the Issuer);

(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 Construction Fund only the net amount remaining after deduction of any such portion. All payments made from the Construction 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 Construction Fund.

Pending such application, moneys in the Construction 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 Construction Fund to the Series 1998 Bonds Redemption Account and the Series 1999 Bonds Redemption Account, to be applied to redemption of the Series 1998 Bonds and the Series 1999 Bonds at the earliest redemption date thereof, to the extent feasible.

Appendix E

Form of Bond Insurance Policy

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Ambac

Municipal Bond Insurance Policy

Ambac Assurance Corporation
c/o CT Corporation Systems
44 East Mifflin Street, Madison, Wisconsin 53703
Administrative Office:
One State Street Plaza, New York, New York 10004
Telephone: (212) 668-0340

Issuer:

Policy Number:

Bonds:

Premium:

Ambac Assurance Corporation (Ambac) A Wisconsin Stock Insurance Company

in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to United States Trust Company of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of Bondholders, that portion of the principal of and interest on the above-described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Ambac will make such payments to the Insurance Trustee within one (1) business day following notification to Ambac of Nonpayment. Upon a Bondholder's presentation and surrender to the Insurance Trustee of such unpaid Bonds or appurtenant coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Bonds and coupons and shall be fully subrogated to all of the Bondholder's right to payment.

In cases where the Bonds are issuable only in a form whereby principal is payable to registered Bondholders or their assigns, the Insurance Trustee shall disburse principal to a Bondholder as aforesaid only upon presentation and surrender to the Insurance Trustee of the unpaid Bond, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to the Insurance Trustee, duly executed by the Bondholder or such Bondholder's duly authorized representative, so as to permit ownership of such Bond to be registered in the name of Ambac or its nominee. In cases where the Bonds are issuable only in a form whereby interest is payable to registered Bondholders or their assigns, the Insurance Trustee shall disburse interest to a Bondholder as aforesaid only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Bond and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to the Insurance Trustee, duly executed by the claimant Bondholder or such Bondholder's duly authorized representative, transferring to Ambac all rights under such Bond to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all the Bondholders' rights to payment on registered Bonds to the extent of the insurance disbursements so made.

In the event the trustee or paying agent for the Bonds has notice that any payment of principal of or interest on a Bond which has become Due for Payment and which is made to a Bondholder by or on behalf of the Issuer of the Bonds has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Bondholder" means any person other than the Issuer who, at the time of Nonpayment, is the owner of a Bond or of a coupon appertaining to a Bond. As used herein, "Due for Payment", when referring to the principal of bonds, is when the stated maturity date or a mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Bonds, is when the stated date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all principal of and interest on the Bonds which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Bonds prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Bond, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

President

AMBAC ASSURANCE CORPORATION CORPORATE SEAL WISCONSIN

Secretary

Effective Date:

Authorized Representative

UNITED STATES TRUST COMPANY OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Authorized Officer

SPECIMEN

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NEW ISSUE—FULL BOOK ENTRY

Rating: Moody's: "Aaa"
(See "Ratings" herein)

In the opinion of Bond Counsel, under existing laws, regulations, published rulings and judicial decisions of the United States of America, as presently written and applied, interest on the Bonds is excludable from gross income of the holders thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. It should be noted, however, that for purposes of computing the alternative minimum tax on corporations, such interest is taken into account in determining adjusted current earnings. Further, in the opinion of Bond Counsel, under existing laws of the State of West Virginia, as presently written and applied, the Bonds and the interest thereon are exempt from all taxation by the State of West Virginia, or any county, municipality or county commission, political subdivision or agency thereof. See "TAX MATTERS" herein.

CITY OF FAIRMONT, WEST VIRGINIA

$9,600,000
Water Revenue Bonds, Series 1998

$19,945,000
Water Revenue Bonds, Series 1999

Dated: December 15, 1998 for Series 1998 Bonds
January 1, 1999 for Series 1999 Bonds

Due: July 1, as shown below

The Bonds shall be issued only as fully registered Bonds, and when initially issued, will be registered to Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases will be made in book-entry form only and beneficial owners of the Bonds will not receive physical delivery of bond certificates. So long as DTC or its nominee is the registered owner of the Bonds, payments of the principal of and interest on such Bonds will be made directly to DTC. Disbursements of such payments to DTC participants is the responsibility of DTC, and disbursement of such payments to the beneficial owners is the responsibility of DTC participants (see "THE BONDS—Book-Entry Only System" herein).

The Bonds are being issued to provide funds, together with other funds available therefor; (i) to pay a portion of the costs of the acquisition and construction of certain additions, betterments and improvements (the "Project") to the existing water system (the "System") of the City of Fairmont, West Virginia (the "City"), including capitalized interest on the Bonds through January 1, 2002; (ii) to fund a reserve account for each series of Bonds; and (iii) to pay certain costs of issuance and related costs.

The Bonds are payable from and further secured by the Gross Revenues, as herein defined, derived from the System, and any additions, betterments and improvements thereto, and from funds on deposit in the sinking funds created therefor, including the reserve accounts established therein. The Bonds do not constitute a corporate indebtedness of the City within the meaning of any constitutional or statutory provisions or limitations, and the City shall not be obligated to pay the Bonds or any premium or the interest thereon except from such Gross Revenues and such funds on deposit. Neither the credit nor the taxing power of the City shall be deemed to be pledged to, nor shall a tax ever be levied for, the payment of the principal of or the premium, if any, or interest on the Bonds.

Payment of the principal of and interest on the Bonds when due will be guaranteed by a municipal bond insurance policy to be issued by Ambac Assurance Corporation (the "Insurer") simultaneously with the delivery of the Bonds.

Ambac

The Bonds are subject to redemption prior to maturity as more fully stated herein.

The City has designated the Series 1998 Bonds (but not the Series 1999 Bonds) as "qualified tax-exempt obligations" for purposes of Section 265(b) of the Code and has covenanted 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 obligations of the City 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 1998 Bonds, have been or shall be issued by the City, including all subordinate entities of the City, during the calendar year 1998.

WesBanco Bank Wheeling, Wheeling, West Virginia, is the Registrar and the West Virginia Municipal Bond Commission, Charleston, West Virginia, is the Paying Agent. Interest on the Bonds is payable semiannually on each July 1 and January 1, commencing July 1, 1999. Principal of the Bonds is payable on each July 1 in accordance with the following schedule:

Maturities, Amounts and Interest Rates
See Inside Cover

The Bonds are offered when, as and if issued and received by the Underwriters, subject to prior sale, to withdrawal or modification of the offering without notice and to the unqualified approval of legality by Steptoe & Johnson, Clarksburg, West Virginia, Bond Counsel. Certain legal matters will be passed upon for the City by Sansalone & Sansalone, Fairmont, West Virginia, counsel to the City. Certain legal matters will be passed upon for the Underwriters by Jackson & Kelly, Charleston, West Virginia, as counsel to the Underwriters. It is expected that the Series 1998 Bonds will be available for delivery at DTC, New York, New York, on or about December 30, 1998, and the Series 1999 Bonds will be available for delivery at DTC, New York, New York, on or about January 14, 1999.

FERRIS, BAKER WATTS, INCORPORATED

CREWS & ASSOCIATES, INC.

Dated: December 17, 1998

MATURITIES, AMOUNTS AND INTEREST RATES

Series 1998 Bonds
$1,475,000 Serial Bonds

Maturity Date (July 1)	Principal Amount	Interest Rate	Price/ Yield	Maturity Date (July 1)	Principal Amount	Interest Rate	Price/ Yield
2002	$105,000	3.60%	3.60%	2008	$125,000	4.05%	4.05%
2003	$100,000	3.70%	3.70%	2009	$130,000	4.10%	4.10%
2004	$105,000	3.75%	3.75%	2010	$135,000	4.20%	4.20%
2005	$110,000	3.85%	3.85%	2011	$140,000	4.25%	4.25%
2006	$115,000	3.95%	3.95%	2012	$145,000	4.30%	4.30%
2007	$120,000	4.00%	4.00%	2013	$145,000	4.35%	4.35%

$1,625,000 4.75% Term Bonds, Due July 1, 2018 at 100%
$3,055,000 4.90% Term Bonds, Due July 1, 2023 at 100%
$3,445,000 4.75% Term Bonds, Due July 1, 2029 at 96.108%

Series 1999 Bonds

$1,825,000 5.25% Term Bonds, Due July 1, 2015 at 104.521%
$2,020,000 5.25% Term Bonds, Due July 1, 2017 at 103.596%
$2,235,000 5.00% Term Bonds, Due July 1, 2019 at 100.895%
$3,000,000 5.25% Term Bonds, Due July 1, 2022 at 104.561%
$2,500,000 4.50% Term Bonds, Due July 1, 2024 at 92.165%
$8,365,000 5.00% Term Bonds, Due July 1, 2029 at 98.459%

(Accrued interest to be added)

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized by the City of Fairmont, West Virginia, or the Underwriters to give any information or to make any representations, other than as contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. The information set forth herein has been obtained from the City of Fairmont and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriters. The information and any expression of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the City of Fairmont, West Virginia, since the date hereof.

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

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CITY OF FAIRMONT, WEST VIRGINIA

MAYOR

Nick L. Fantasia

CITY MANAGER

E. Bruce McDaniel

COUNCIL

Jerry Ragen
Marcella Yaremchuk
Nick L. Fantasia
Manuel Garcia
Robert J. Allen, Jr.
Kay Francis Meade
Rosemary C. Phillips
Charles G. Manly
John R. West, Jr.

CITY ADMINISTRATION

Janet L. Keller - City Clerk
Anthony Julian - Municipal Judge
Fred Thompson - Finance Director
Douglas R. Amos - Utility Manager

BOND COUNSEL

Steptoe & Johnson
Clarksburg, West Virginia

SPECIAL COUNSEL TO THE CITY OF FAIRMONT

Sansalone & Sansalone
Fairmont, West Virginia

UNDERWRITERS

Ferris, Baker Watts, Incorporated
Crews & Associates, Inc.
Charleston, West Virginia

UNDERWRITERS COUNSEL

Jackson & Kelly
Charleston, West Virginia

OFFICIAL STATEMENT

relating to

CITY OF FAIRMONT, WEST VIRGINIA

$9,600,000
Water Revenue Bonds, Series 1998

$19,945,000
Water Revenue Bonds, Series 1999

December 17, 1998

INTRODUCTION

This Official Statement, including the cover page and appendices, is provided for the purpose of setting forth certain information concerning the City of Fairmont, West Virginia (the "City"), the City's municipal water system hereinafter described and defined and the City's $29,545,000 in aggregate principal amount of Water Revenue Bonds, Series 1998 and Series 1999 (collectively, the "Bonds"). The Bonds are being issued pursuant to the Constitution and laws of the State of West Virginia (the "State"), specifically Chapter 8, Article 19 of the Code of West Virginia, 1931, as amended (the "Act"), and an ordinance enacted by the Council of the City on November 10, 1998 (the "Ordinance"), as supplemented by a supplemental resolution adopted by the Council of the City on December 17, 1998 (the "Supplemental Resolution" and collectively with the Ordinance, hereinafter the "Ordinance").

The proceeds of the Bonds, together with other funds available therefor, will be used as follows: (i) to pay a portion of the costs of acquisition and construction of certain additions, betterments and improvements to the existing water system (the "System") of the City (the "Project"), including capitalized interest on the Bonds through January 1, 2002; (ii) to fund a reserve account (the "Reserve Accounts") in each of the sinking funds (the "Sinking Funds") established with the West Virginia Municipal Bond Commission for the Bonds in amounts equal to the maximum amount of principal and interest which will come due on the Bonds in any fiscal year; and (iii) to pay certain costs of issuance of the Bonds and related costs. See "FINANCING PLAN - Estimated Sources and Uses of Funds."

The Bonds are payable from and secured by the Gross Revenues, as defined in the Ordinance, derived from the System and any additions, betterments and improvements thereto, and from funds on deposit in the Sinking Funds, including the Reserve Accounts therein. The Bonds do not constitute corporate indebtedness of the City within the meaning of any constitutional or statutory provisions or limitations, and the City shall not be obligated to pay the Bonds or any premium or the interest thereon except from such Gross Revenues and such funds on deposit. Pursuant to the Ordinance, the City has covenanted and agreed

to establish and collect just and equitable rates and charges for the use of the System and the services rendered thereby as will always produce Gross Revenues equal to at least 120% of the maximum annual amount required to pay the principal of and interest on the Bonds and any Bonds subsequently issued on a parity therewith, in each fiscal year. See "SECURITY FOR THE BONDS - Rate Covenant."

Except for the Waterworks Refunding Revenue Bonds, Series 1997, dated June 1, 1997, issued in the original aggregate principal amount of $10,260,000 (the "Prior Bonds"), there are no outstanding obligations of the City. The City may issue additional bonds on a parity with the Bonds for the purpose of (i) financing the cost of the acquisition or construction of extensions, additions, betterments or improvements to the System; (ii) refunding all or a portion of one or more series of bonds; or (iii) all of such purposes, subject, in each case, to certain tests and conditions provided for by the Ordinance (any such additional parity Bonds are hereinafter referred to as the "Bonds"). See "SECURITY FOR THE BONDS - Additional Parity Bonds."

Brief descriptions of the Bonds, the Ordinance, certain provisions of the Supplemental Resolution, the System, the City, the Undertaking and certain provisions of the Act, are set forth in this Official Statement, as well as other information contained in the appendices hereto. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Ordinance, the Supplemental Resolution, the Undertaking, provisions of the Act and other applicable laws of the State are qualified in their entirety by reference to each such document or law. References herein to the Bonds are qualified in their entirety by reference to the form thereof included in the Ordinance and the information with respect thereto included in the aforesaid documents. Capitalized terms used and not otherwise defined in this Official Statement have the respective meanings given them in the Ordinance.

Bond Insurance

Payments of principal of and interest on the Bonds when due for payment and unpaid by reason of nonpayment under the circumstances hereinafter described, including any such payment of principal or interest made to any Registered Owner of Bonds which has been recovered from such registered owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, non-appealable order of a court having competent jurisdiction, will be insured by municipal bond insurance policies to be issued by Ambac Indemnity Corporation (the "Bond Insurer"). See "BOND INSURANCE."

FINANCING PLAN

The Project

The Bonds are being issued to provide moneys for acquiring and constructing certain extensions, additions, betterments and improvements to the System, consisting of rehabilitation and renovation of the existing storage to include two new water storage tanks and transmission mains and distribution system, a new water treatment facility, together with all appurtenant facilities, at a cost of approximately $24,000,000 (collectively, the "Project"), in accordance with the plans and specifications prepared or to be prepared by the Consulting Engineers.

Prior to the closing on the Series 1998 Bonds, the City will apply to the Public Service Commission of West Virginia (the "PSC") for an order granting the City a Certificate of Convenience and Necessity for the construction of the first phase of the Project (as later described). The PSC has 270 days from the date of application in which to grant or deny the certificate. The City intends to apply for the certificate for the second phase of the Project (as later described) on or about March 1, 1999 and anticipates it will receive the certificate in time to complete construction of the second phase on or about September 1, 2001. The City estimates an 18 month construction schedule for the second phase.

Estimated Sources and Uses of Funds

Sources of Funds

Principal Amount of Bonds	$29,545,000.00
Original Issue Premium	311,980.70
Accrued Interest	54,931.29
TOTAL	$29,911,911.99

Uses of Funds

Original Issue Discount	$ 458,859.05
Deposit to Reserve Account (1)	2,603,933.28
Underwriters' Discount	190,952.50
Costs of Issuance (2)	256,976.03
Debt Service Fund (capitalized interest)	4,059,593.40
Deposit to Construction Trust Fund	22,341,597.73
TOTAL	$29,911,911.99

(1) An amount equal to 125% of the average periodic principal and interest which will come due on each Series 1998 and 1999 bond issues.

(2) Includes bond insurance premium.

THE BONDS

General

The Series 1998 Bonds are dated and bear interest from December 15, 1998 upon original issuance. After original issuance, any Series 1998 Bond issued prior to the first interest payment will be dated December 15, 1998. The Series 1999 Bonds are dated and bear interest from January 1, 1999 upon original issuance. After original issuance, any Bond issued prior to the first interest payment will be dated January 1, 1999. Any Bonds issued on or subsequent to said first interest payment date will be dated as of the Interest Payment Date next preceding the date of authentication thereof; unless the date of authentication is after the Record Date but prior to the applicable Interest Payment Date or on such Interest Payment Date on which interest on said Bond shall have been paid in full or duly provided for, in which case said Bond shall be dated such Interest Payment Date; or, if interest on such Bond shall be in default, as shown by the records of the Registrar, as defined below, then any Bond issued in exchange for a Bond surrendered for transfer or exchange shall be dated as of the date to which interest has been paid in full. The Bonds will bear interest from their date, payable semiannually on each July 1 and January 1 in each year, commencing July 1, 1999 (each an "Interest Payment Date"), until maturity or until the date fixed for redemption if the Bond is called for prior redemption and payment on such date is provided for.

The Bonds will be issued as fully registered Bonds without coupons, in denominations of $5,000 and integral multiples thereof for any year of maturity. Interest on the Bonds shall be payable by check or draft made payable and mailed by the West Virginia Municipal Bond Commission, Charleston, West Virginia, as paying agent (in such capacity, the "Paying Agent"), to the Registered Owner thereof as of the applicable Record Date (each June 15 and December 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 Wesbanco Bank Wheeling, Wheeling, West Virginia, as registrar (in such capacity, the "Registrar") or, at the option of any Registered Owner of $500,000 or more of the Bonds, by wire transfer to a domestic bank account specified in writing at least 5 days prior to the Record Date by such Registered Owner. Principal of and premium, if any, on the Bonds shall be payable in any coin or currency which, on the respective date of such payment, is legal tender for the payment of public and private debts under the laws of the United States of America upon surrender thereof at the principal corporate trust office of the Paying Agent.

Ownership of any Bond may be transferred only by transfer of registration presented to the Registrar 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 his duly authorized attorney or legal representative. Upon any such transfer of a

Bond, there will be issued another Bond or Bonds, at the option of the Holder or transferee, 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. For every exchange or transfer of Bonds, the Registrar may make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer. Any applicable tax, governmental charge or charge to reimburse the Registrar for any tax or governmental charge shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such transfer or exchange. The Registrar shall not be obliged to make any such transfer or exchange of Bonds that have been called for redemption.

Book-Entry Bonds

The Bonds shall initially be issued in the form of one fully-registered bond for the aggregate principal amount of the Bonds of each maturity for each series, registered in the name of CEDE & CO., as nominee of DTC. Except as provided below, all of the Bonds shall be registered in the registration books kept by the Registrar in the name of CEDE & CO., as nominee of DTC; provided that if DTC shall request that the Bonds be registered in the name of a different nominee, the Registrar shall exchange all or any portion of the Bonds registered in the name of such nominee or nominees. No person other than DTC or its nominee shall be entitled to receive from the Issuer or the Registrar either a Bond or any other evidence of ownership of the Bonds, or any right to receive any payment in respect thereof unless DTC or its nominee shall transfer record ownership of all or any portion of the Bonds on the registration books maintained by the Registrar, in connection with discontinuing the book entry system as provided below.

At or prior to settlement for the Bonds, the Issuer and the Registrar shall execute or signify their approval of a representation letter addressed to DTC in a form satisfactory to DTC (the "Representation Letter"). Any successor Registrar shall, in its written acceptance of its duties under the Ordinance, agree to take any actions necessary from time to time to comply with the requirements of the Representation Letter.

So long as the Bonds or any portion thereof are registered in the name of DTC or any nominee thereof, all payments of the principal or Redemption Price of or interest on such Bonds shall be made to DTC or its nominee at the addresses set forth in the Representation Letter in New York Clearing House or equivalent next day funds on the dates provided for such payments to be made to any Bondholder under the 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 Bonds to the extent of the sum or sums so paid. In the event of the redemption of less than all of the Bonds Outstanding of any maturity, the Registrar shall not require surrender by DTC of the Bonds so redeemed, but DTC may return such Bonds and make an appropriate notation on the Bond certificate as to the amount of such partial redemption; provided that DTC shall deliver to the Registrar, upon request, a written confirmation of such

partial redemption. The records maintained by the Registrar shall be conclusive as to the amount of the Bonds of such maturity which have been redeemed.

The Issuer, the Paying Agent and the Registrar may treat DTC as the sole and exclusive owner of the Bonds registered in its name or the name of its nominee for the purposes of payment of the principal or Redemption Price of or interest on the Bonds, selecting the Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Bondholders under this Ordinance, registering the transfer of Bonds, obtaining any consent or other action to be taken by Bondholders for all other purposes whatsoever; and neither the Issuer nor the Registrar shall be affected by any notice to the contrary. Neither the Issuer nor the Registrar shall have any responsibility or obligation to any direct or indirect participant in DTC, any person claiming a beneficial ownership interest in the Bonds under or through DTC or any such participant, or any other person which is not shown on the registration books of the Registrar as being a Bondholder with respect to (i) the Bonds; (ii) the accuracy of any records maintained by DTC or any such participant; (iii) the payment by DTC or any such participant of any amount in respect of the principal or Redemption Price of or interest on the Bonds; (iv) any notice which is permitted or required to be given to Bondholders under the 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 Bonds; or (vi) any consent given or other action taken by DTC as Bondholder.

The book entry system for registration of the ownership of the Bonds may be discontinued at any time if either: (i) DTC determines to resign as securities depository for the Bonds; or (ii) the Issuer determines that continuation of the system of book entry transfers through DTC (or through a successor securities depository) is not in the best interest of the beneficial owners of the Bonds. In either of such events (unless in the case described in clause (ii) above, the Issuer appoints a successor securities depository), the Bonds shall be delivered in registered certificate form to such persons, and in such maturities and principal amounts, as may be designated by DTC, but without any liability on the part of the Issuer or the Registrar to do so, the Issuer and the Registrar shall cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of certificates evidencing the Bonds.

DTC management is aware that some computer applications, systems, and the like for processing data ("Systems") that are dependent upon calendar dates, including dates before, on, and after January 1, 2000, may encounter "Year 2000 problems." DTC has informed its Participants and other members of the financial community (the "Industry") that it has developed and is implementing a program so that its Systems, as the same relate to the timely payment of distributions (including principal and income payments) to security holders, book-entry deliveries, and settlement of trades within DTC ("DTC Services"), continue to function appropriately. This program includes a technical assessment and a remediation plan, each of which is complete. Additionally, DTC's plan includes a testing phase, which is expected to be completed within appropriate time frames.

However, DTC's ability to perform properly its services is also dependent upon other parties, including but not limited to issuers and their agents, as well as third party vendors from whom DTC licenses software and hardware, and third party vendors on whom DTC relies for information or the provision of services, including telecommunication and electrical utility service providers, among others. DTC has informed the Industry that it is contacting (and will continue to contact) third party vendors from whom DTC acquires services to: (i) impress upon them the importance of such services being Year 2000 compliant; and (ii) determine the extent of their efforts for Year 2000 remediation (and, as appropriate, testing) of their services. In addition, DTC is in the process of developing such contingency plans as it deems appropriate.

According to DTC, the foregoing information with respect to DTC has been provided to the Industry for informational purposes only and is not intended to serve as a representation, warranty, or contract modification of any kind.

Bonds - Optional Redemption

The Series 1999 Bonds maturing July 1, 2022 are not subject to optional redemption prior to maturity. The Series 1998 Bonds and the Series 1999 Bonds (except as previously noted) maturing on or after July 1, 2009 are subject to redemption prior to maturity at the option of the City on and after January 1, 2009, as a whole or in part at any time, in such order of maturity as shall be designated to the Registrar by the City and by lot within a maturity at the redemption price (expressed as a percentage of the principal amount) set forth below, plus interest accrued to the date fixed for redemption:

Period During Which Redeemed (Dates Inclusive)	Redemption Price
January 1, 2009 through December 31, 2009	102%
January 1, 2010 through December 31, 2010	101%
January 1, 2011 and thereafter	100%

Mandatory Sinking Fund Redemption

The Series 1998 Bonds maturing July 1, 2018, July 1, 2023 and July 1, 2029, are subject to annual mandatory redemption prior to their respective stated maturity dates, as set forth in the Ordinance, by random selection 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:

Series 1998 Bonds Maturing July 1, 2018

Year (July 1)	Principal Amount
2014	$295,000
2015	310,000
2016	325,000
2017	340,000
2018*	355,000

Series 1998 Bonds Maturing July 1, 2023

Year (July 1)	Principal Amount
2019	$375,000
2020	695,000
2021	675,000
2022	660,000
2023*	650,000

Series 1998 Bonds Maturing July 1, 2029

Year (July 1)	Principal Amount
2024	$635,000
2025	510,000
2026	535,000
2027	560,000
2028	590,000
2029*	615,000

* Final maturity.

The Series 1999 Bonds maturing July 1, 2015, July 1, 2017, July 1, 2019, July 1, 2022, July 1, 2024 and July 1, 2029, are subject to annual mandatory redemption prior to their respective stated maturity dates, as set forth in the Ordinance, by random selection 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:

Series 1999 Bonds Maturing July 1, 2015

Year (July 1)	Principal Amount
2014	$890,000
2015*	935,000

Series 1999 Bonds Maturing July 1, 2017

Year (July 1)	Principal Amount
2016	$ 985,000
2017*	1,035,000

Series 1999 Bonds Maturing July 1, 2019

Year (July 1)	Principal Amount
2018	$1,090,000
2019*	1,145,000

Series 1999 Bonds Maturing July 1, 2022

Year (July 1)	Principal Amount
2020	$ 900,000
2021	1,000,000
2022*	1,100,000

Series 1999 Bonds Maturing July 1, 2024

Year (July 1)	Principal Amount
2023	$1,200,000
2024*	1,300,000

Series 1999 Bonds Maturing July 1, 2029

Year (July 1)	Principal Amount
2025	$1,515,000
2026	1,590,000
2027	1,670,000
2028	1,750,000
2029*	1,840,000

* Final maturity.

SECURITY FOR THE BONDS

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

Sources of Payment

The payment of the debt service on all of the Bonds issued hereunder shall be secured 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, and all moneys in the Sinking Fund for each Series of Bonds, including the Reserve Account therein. Gross Revenues derived from the System in an amount sufficient to pay the principal of, premium, if any, and interest on the Prior Bonds and the Bonds and to make the payments into all funds and accounts and all other payments provided for in the Ordinance, and the funds in the Sinking Funds are irrevocably pledged to the payment of the principal of, premium, if any, and interest on the Prior Bonds and the Bonds as the same become due and for the other purposes provided in the Ordinance.

Rate Covenant

The City covenants and agrees in the Ordinance that the schedule of rates and charges from time to time in effect shall be sufficient (i) to pay all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 120% of the maximum annual amount required in any year to pay 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.

Reserve Account

Pursuant to the Ordinance, for each series of Bonds there will be created with the Bond Commission in the respective Sinking Fund a Reserve Account in an amount equal to the reserve requirement. See, Appendix D "Summary of Certain Provisions of the Ordinance as Supplemented and Amended." Moneys in the Reserve Account shall be used

only to pay principal of, or interest on the Bonds as due when other moneys in the respective Sinking Funds are insufficient therefor; provided, that any such moneys in excess of the Bond Reserve Requirement shall be withdrawn annually from the Reserve Account and deposited in the respective Sinking Funds. The City is required to restore any withdrawals from the Reserve Accounts which have the effect of reducing the value of the funds therein below the Reserve Account Requirement from the first Gross Revenues available after all other required payments to the Sinking Funds, including any deficiencies for prior payments, have been made in full; provided that such restoration is not required when the sum in the respective Sinking Fund, including the Reserve Account therein, is at least equal to the aggregate amount of Bonds outstanding, plus the amount of interest due or thereafter to become due on said Bonds.

The reserve account for the Prior Bonds is funded with a bank letter of credit. Simultaneously with the issuance of each series of the Bonds, the City intends to cash fund from Bond proceeds each respective Reserve Account to the reserve requirement.

Depreciation Fund

The City is required after the payments into the Sinking Funds described above and after the payment of Operating Expenses, on the first day of each month, commencing with the first month in which interest is payable from the Revenue Fund, to transfer to the Depreciation Fund a sum equal to 2-1/2% of the Gross Revenues each month, exclusive of any payment for the Reserve Accounts in the Sinking Funds.

Withdrawals and disbursements from the Depreciation Fund shall be made (a) to pay the reasonable costs of replacements, emergency repairs, improvements or extensions to the System; or (b) to make up any deficiency in the Reserve Accounts.

Application of Revenues

All Gross Revenues are to be deposited in the Revenue Fund established with a State banking corporation or national banking association selected by the City (the "Depository Bank"), for disposition in the following order of priority (except as described below): (1) first, (i) for monthly deposit in the Prior Bonds Sinking Fund, the amount required by the Prior Ordinance to pay the interest on and principal of the Prior Bonds; (ii) beginning six months prior to the first interest payment date of the Bonds, for deposit in the respective Sinking Funds, a sum equal to 1/6 of the amount of interest which will become due on the Bonds on the next ensuing semiannual interest payment date, and (iii) beginning 12 months prior to the first principal payment date or mandatory Redemption Date of the Bonds, for deposit in the respective Sinking Fund, and the Redemption Account therein in the case of the Term Bonds which are to be redeemed, a sum equal to 1/12 of the amount of principal which will mature or be redeemed and become due on the Bonds on the next ensuing annual principal payment date or mandatory Redemption Date (provided that, in the event the period to elapse between the date of such initial deposit in the respective Sinking Fund and the next ensuing annual principal payment date or mandatory Redemption Date is more or less than 12 months, then such monthly payments shall be decreased or increased proportionately to provide, 1 month prior to the next ensuing annual principal payment date or mandatory Redemption Date, the required amount of principal coming due on such date);

(2) next, for restoration of any deficiency in the funding of the Reserve Accounts; (3) next, to pay the current monthly Operating Expenses of the System; and (4) then, for monthly transfer to the Depreciation Fund, a sum equal to not less than two and one-half percent of Gross Revenues (less any amount transferred to the Reserve Account) received during the preceding month. Any amounts not required for deposits as set forth in (1) through (4) above shall be considered "system revenue" and such system revenue may be used for any purpose of the System.

As described under "Sources of Payment" above, the Bonds are secured by the Gross Revenues of the System.

Enforcement of Collections

The City covenants in the Ordinance to diligently enforce and collect all fees, rates, rentals or other charges for the services and facilities of the System and take all steps, actions and proceedings for the enforcement and collection of such fees, rates, rentals and other charges that shall become delinquent to the full extent permitted or authorized by the Act, the rules and regulations of the Public Service Commission of West Virginia and other laws of the State. Such fees, rates, rentals and charges, if not paid when due, shall, to the extent allowed by the Act, become a lien on the premises served by the System.

The City further covenants and agrees that it will, subject to applicable State law and regulations, and under such reasonable rules and regulations as may be prescribed by the Public Service Commission of West Virginia and the City, discontinue and shut off the services and facilities of the System to all delinquent users of the System and will not restore such services of the System until all delinquent amounts, plus reasonable interest penalty charges for the restoration of service, have been fully paid.

Additional Parity Bonds

The Ordinance provides for the issuance of additional bonds on a parity with the Bonds with respect to their lien on the Gross Revenues of the System and their source of and security for payment from said Gross Revenues (the "additional parity Bonds") for the following purposes and under the following conditions:

> No such additional parity Bonds shall be issued except for the purpose of (i) financing the costs of the acquisition or construction of extensions, additions, betterments or improvements to the System; (ii) refunding all or a portion of one or more series of Bonds; (iii) repaying claims which may exist against the revenues or facilities of the System; or (iv) all 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 Independent Accountants, reciting the conclusion that the Net Revenues actually derived, subject to the adjustment hereinafter provided, during the Fiscal Year preceding the date of actual issuance of such additional parity Bonds plus the estimated average increased annual Net Revenues to be received in each of the three succeeding years after completion of the improvements to be financed by such

additional parity Bonds, shall not be less than one hundred twenty percent (120%) of the largest aggregate amount that will mature and become due in any succeeding year for principal of and interest on the following:

A. The Bonds and Prior Bonds then Outstanding;

B. Any additional parity Bonds theretofore issued pursuant to the provisions contained in the Ordinance then Outstanding; and

C. The additional parity Bonds then proposed to be issued.

The "estimated average increased annual Net Revenues to be received in each of the three 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 any increase in rates enacted by the City, the period for appeal of which shall have expired (without successful appeal) prior to the issuance of such additional parity Bonds is, by the terms of the ordinance providing for such increase in rates deferred pending completion of the acquisition and construction of any additions, betterments or improvements for the System, and further provided, that the debt service on such additional parity Bonds during such construction period is payable from proceeds of such additional parity Bonds deposited in the Sinking Fund held by the Bond Commission, the "estimated average increased annual Net Revenues to be received in each of the three succeeding years" as that term is used in the computation provided in the above paragraph, may be assumed to mean "estimated average increased annual Net Revenues to be received in each of the three succeeding years commencing on the date of completion of such acquisition and construction."

The Net Revenues actually derived from the System during the preceding Fiscal Year hereinabove referred to may be adjusted by adding to such Net Revenues such additional Net Revenues which would have been received, in the opinions of the Independent Accountants, on account of increased rates, rentals, fees and charges for the System enacted by the City, the period for appeal of which has expired (without successful appeal) prior to issuance of such additional parity Bonds. For purposes of this test, the terms "Gross Revenues" and "Net Revenues" shall not include proceeds from the sale of capital assets.

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

BOND INSURANCE

Payment Pursuant to Municipal Bond Insurance Policy

Ambac Assurance has made a commitment to issue a municipal bond insurance policy (the "Municipal Bond Insurance Policy") relating to the Bonds effective as of the date of issuance of the Bonds. Under the terms of the Municipal Bond Insurance Policy, Ambac Assurance will pay to the United States Trust Company of New York, in New York, New

York or any successor thereto (the "Insurance Trustee") that portion of the principal of and interest on the Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer (as such terms are defined in the Municipal Bond Insurance Policy). Ambac Assurance will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which Ambac Assurance shall have received notice of Nonpayment from the Trustee/Paying Agent. The insurance will extend for the term of the Bonds and, once issued, cannot be canceled by Ambac Assurance.

The Municipal Bond Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Bonds, Ambac Assurance will remain obligated to pay principal of and interest on outstanding Bonds on the originally scheduled interest and principal payment dates including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Paying Agent has notice that any payment of principal of or interest on a Bond which has become Due for Payment and which is made to a Bondholder by or on behalf of the Issuer has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

The Municipal Bond Insurance Policy does **not** insure any risk other than Nonpayment, as defined in the Policy. Specifically, the Municipal Bond Insurance Policy does not cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity.

2. payment of any redemption, prepayment or acceleration premium.

3. nonpayment of principal or interest caused by the insolvency or negligence of any Trustee or Paying Agent, if any.

If it becomes necessary to call upon the Municipal Bond Insurance Policy, payment of principal requires surrender of Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Bonds to be registered in the name of Ambac Assurance to the extent of the payment under the Municipal Bond Insurance Policy. Payment of interest pursuant to the Municipal Bond Insurance Policy requires proof of Bondholder entitlement to interest payments and an appropriate assignment of the Bondholder's right to payment to Ambac Assurance.

Upon payment of the insurance benefits, Ambac Assurance will become the owner of the Bond, appurtenant coupon, if any, or right to payment of principal or interest on such Bond and will be fully subrogated to the surrendering Bondholder's rights to payment.

Ambac Assurance Corporation

Ambac Assurance Corporation ("Ambac Assurance") is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam and the Commonwealth of Puerto Rico, with admitted assets of approximately $3,200,000,000 (unaudited) and statutory capital of approximately $1,815,000,000 (unaudited) as of September 30, 1998. Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., Moody's Investors Service and Fitch IBCA, Inc. have each assigned a triple-A financial strength rating to Ambac Assurance.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially identical to those contained in its municipal bond insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the issuer of the Bonds.

Ambac Assurance makes no representation regarding the Bonds or the advisability of investing in the Bonds and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by Ambac Assurance and presented under the heading "BOND INSURANCE".

Available Information

The parent company of Ambac Assurance, Ambac Financial Group, Inc. (the "Company"), is subject to the information requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information may be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 and at the Commission's regional offices at 7 World Trade Center, New York, New York 10048 and Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such material can be obtained from the public reference section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. In addition, the aforementioned material may also be inspected at the offices of the New York Stock Exchange, Inc. (the "NYSE") at 20 Broad Street, New York, New York 10005. The Company's Common Stock is listed on the NYSE.

Copies of Ambac Assurance's financial statements prepared in accordance with statutory accounting standards are available from Ambac Assurance. The address of Ambac Assurance's administrative offices and its telephone number are One State Street Plaza, 17th Floor, New York, New York, 10004 and (212) 668-0340.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the Commission (File No. 1-10777) are incorporated by reference in this Official Statement:

1) The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997 and filed March 31, 1998;

2) The Company's Current Report on Form 8-K dated March 27, 1998 and filed on March 27, 1998;

3) The Company's Amendment to its Annual Report on Form 10-K/A for the fiscal year ended December 31, 1997 and filed on March 31, 1998;

4) The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 1998 and filed on May 15, 1998;

5) The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended June 30, 1998 and filed on August 14, 1998; and

6) The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended September 30, 1998 and filed on November 13, 1998.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in "AVAILABLE INFORMATION".

Notice of Sale

Ambac Assurance Corporation ("Ambac Assurance") has issued a commitment for municipal bond insurance relating to the Bonds. All bids may be conditioned upon the issuance effective as of the date on which the Bonds are issued, of a policy of insurance by Ambac Assurance, insuring the payment when due of principal of and interest on the Bonds. Each Bond will bear a legend referring to the insurance. The purchaser, holder or owner is not authorized to make any statements concerning the insurance beyond those set out here and in the bond legend without the approval of Ambac Assurance.

THE SYSTEM

History and Development

Development of the System began in 1902 with construction of a pump station on the Monongahela River and a related reservoir, serving the downtown area of the City

with 12-inch water mains. Filtration at the reservoir site commenced in 1911 and chlorination began soon thereafter. The present filtration plant, constructed in 1924, initially had a maximum capacity of four million gallons per day. In 1942 the existing raw water pump station was constructed on the Tygart Valley River. Provisions for increased filtration capacity plus addition of finished water storage tanks increased plant capacity to six million gallons per day by 1952. The eight million gallon per day capacity was achieved in 1963 with the installation of two additional filters and an additional storage tank. Emergency improvements at the water treatment plant were made to the clearwell, settling basins and flocculator basin in 1977.

In 1984, plant capacity was increased to the current twelve million gallons per day through improvements made to the plant as part of the 1980 Improvement Project. This increase was due to the construction of an additional 1.5 million gallons of storage, a new head house, upgraded piping and valves, computerized controls, a backwash tank and bulk chemical facilities.

Since 1987, the System has focused on internally upgrading the distribution system and lines and has significantly reduced the amount of unaccounted for water. Consulting engineers have recently completed a comprehensive review of the System in anticipation of the upcoming Project as described below.

Properties and Services

The primary functions of the System are raw water intake, water treatment, transmission and distribution, and administration.

The immediate source of raw water for the System is the Tygart Valley River which flows at a minimum rate of 34 cubic feet per second. Water flows to the point of System intake from the Tygart Dam, located in Grafton, West Virginia. The dam serves a watershed area of 878,720 acres and has a reservoir capacity of 298,550 acre feet. In the opinion of the Consulting Engineers, the City's water supply is not threatened by any currently perceived contaminant and the supply is expected to be sufficient to meet the maximum projected wholesale and retail demand for water throughout the term of the Bonds.

The City's raw water intake facility and pumping station are located on the Tygart Valley River. Raw water is pumped through two 20-inch lines to a raw water reservoir and water treatment plant by two 1,800 gallons per minute and two 3,200 gallons per minute pumps. The water treatment plant consists of flocculation and settling basins, chemical feed equipment, chlorination equipment, rapid sand filters and two 1,500,000 gallon clearwells for finished water storage. The present processing capacity of the water treatment plant is twelve million gallons per day.

The water treatment plant is constructed with the capability to completely treat water in accordance with Federal requirements under the Safe Drinking Water Act. The water quality for both raw water entering the water treatment plant and treated drinking water leaving the plant is continuously monitored by a complete bacteriological and chemical laboratory. Pertinent test data are certified and forwarded to the State Bureau of Public Health which monitors the City's compliance with applicable regulatory standards.

Other raw materials necessary for the production of drinking water include chemicals and power supply. Chemicals are purchased pursuant to annual contracts with reliable suppliers and the City has encountered no difficulties in obtaining adequate chemicals. The required electrical energy is furnished throughout the System by the Allegheny Power Company, and while short electrical interruptions are sometimes experienced, these interruptions have not created any serious problems for the System.

The City owns the transmission mains used to transport water from the water treatment plant to retail customers throughout the City and to the wholesale distribution areas. The transmission system is comprised of approximately 8 miles of 16 to 20-inch mains, 85 miles of 10 to 12-inch mains, 168 miles of 6 to 8-inch mains and 251 miles of 2 to 4-inch mains. Water pressure in the transmission mains is maintained presently by gravity and five booster stations. As part of an improvement project undertaken in 1983-84, a transmission loop for the water treatment plant was completed, a System storage tank was constructed and primary distribution lines were upgraded. These improvements permit adequate pressure maintenance with decreased operation of energy intensive booster pumps.

The Project

The City of Fairmont Water System Improvements Project is a major capital improvements project implementing the recommendations contained in the Comprehensive Study of the City's potable water system prepared by Chapman Technical Group and subsequently adopted by the Fairmont City Council in October, 1996. The Project will provide improved service to the City's approximately 14,000 customers and the nine (9) bulk purchase systems currently supplied by the City.

The construction of the system improvements will be undertaken during two distinct phases, namely Phase I and Phase II, and the following describes the proposed improvements to be included in each phase of construction.

The proposed Phase I improvements project can generally be described as the rehabilitation/renovation of the City's existing storage and distribution system and consists of the following work:

		Const. Cost
1.	Rehabilitation/renovation of five (5) existing water storage tanks being: a. Watson Tank b. Allegheny Tanks 1 & 2 c. Graham Heights Tank d. Sterling Heights Tank.	$1,000,000
2.	Renovation of the Hamilton Street Booster Station.	$ 100,000
3.	Installation of a 16" River Crossing of Monongahela River..	$ 300,000
4.	Major distribution system improvements throughout the system, consisting of undersized main replacement,	

increased fire protection inside city limits, and miscellaneous related improvements.	$4,100,000
Subtotal - Phase I Construction	$5,500,000

The proposed Phase II improvements of the Project can generally be described as the construction of a new water treatment facility, two new water storage tanks, and major transmission mains in the northeast and southern portions of the system and consists of the following work:

		Const. Cost
1.	Construction of a new 9.2 MGD Water Treatment Plant.	$ 9,600,000
2.	Construction of two (2) new water storage facilities being: a. 2.0 MG East Grafton Tank b. 1.0 MG Whitehall Tank	$ 1,500,000
3.	Installation of the following transmission mains: a. 24" East Grafton Tank supply line. b. 16" and 12" supply lines to East Grafton Road area. c. 16" supply line, including river crossing, through Colfax area to Route 250, south of Fairmont. d. 16" supply line Route 250 south to Whitehall Tank. e. 12" supply line Route 250 south to Middleton Mall and NASA Complex. f. 12" and 8" supply line from East Grafton Road to Scratches Run area.	$ 3,500,000
	Subtotal Phase II Construction	$14,600,000

The Phase I improvements are not dependent on the Phase II improvements and are anticipated to begin construction in early 1999. The Phase II improvements are anticipated to begin construction in mid to late 1999, with completion anticipated by late 2001.

Organization and Administration

Pursuant to the Act and the City Charter adopted in 1976, the City is governed under the council-manager form of municipal government, whereby the Council is the governmental authority and the City Manager, who is appointed for an indefinite term by the Council, administers the government. The City Council is charged with the responsibility to establish, alter or abolish any City department, office or agency, regulate rates charged for services by a public utility and authorize the borrowing of money. The City Manager is charged with the responsibility to appoint and remove City employees, including department heads, to direct and supervise the administration of most departments, offices and agencies, to see that all laws and ordinances are faithfully executed and to prepare and submit the annual budget.

Operation of the System was returned to the direct supervision of the City Manager as of July 1, 1983 by ordinance enacted by the City Council. During the immediately preceding period, a water commission had been established in 1977 by City ordinance for the custody, supervision, control and administration of the System. Administrative duplication and cost, and lack of coordination between City and water commission projects, prompted the consolidation of System management under the City Manager.

System operations are organized as four functions and assigned on that basis to two departments of City government: the Municipal Utility Department is responsible for treatment plant and pump station operation, utility meter reading, and transmission and distribution line maintenance; and the City Finance Department is responsible for accounting, billing and collections. The officers and employees of the City responsible for these operations, and a discussion of the financial management of the System, are set forth separately below.

Certain City Officers and Personnel

E. Bruce McDaniel has served as City Manager since April 1, 1997, and formerly as Utility Manager from March, 1982 to April, 1997 assuming responsibility for water treatment plant and pump station operation, and for utility meter reading, as of July 1, 1983. He has worked in the water and wastewater treatment field since 1969.

Douglas R. Amos has served as Utility Manager for the City of Fairmont from October 1997 to the present. He is responsible for the operation, maintenance and administration of the City's Water & Sanitary Sewer Departments. Previously, he served as Superintendent of the City's wastewater treatment plant. He holds a Bachelor of Science degree in Biology from Fairmont State College. He has more than ten years of utility management experience.

Frederick Thompson has been the Director of Finance since July 1, 1993 and has worked in the City Finance Department since March, 1991. He holds a Bachelor of Science degree from West Virginia State College in Business Administration.

Charles Straight has been the supervisor at the treatment plant since 1991. He has worked at the treatment plant for over 30 years and holds a Class IV Operator's Certificate from the State Department of Health.

Other Employees

Excluding the personnel named above and employees assigned to the City Manager or the City Finance Department, seven (7) persons are employed in water treatment plant and pump station operation, six (6) persons are employed in the meter division of the Municipal Utility Department, and sixteen persons are employed in transmission and distribution operations. All of these employees are members of the United Steelworkers Union of America, working pursuant to a contract with the City which expires July 1, 2001. The City considers its historical and current relationship with employees assigned to the System to be good.

Service Area

The System provides both retail and wholesale service. The retail service area consists of the City, the Town of Barracksville and several unincorporated adjacent areas in Marion County. This retail service area occupies approximately 32 square miles and contains approximately 43,500 people. The System also serves nine wholesale customers which provide retail service in Marion County and parts of Monongalia and Harrison Counties, an aggregate area of approximately 200 square miles containing approximately 27,100 persons. Thus the aggregate area of the combined wholesale and retail service areas is approximately 232 square miles, and the population served by retail service and wholesale supply is approximately 70,500 persons.

The retail and wholesale populations of the service area each have increased moderately, though not continuously, since 1991. The following table shows the historical population of the service area and water consumption in millions of gallons per day (MGD), as a whole and on a retail and whole sale basis.

POPULATION AND AVERAGE DAILY CONSUMPTION

Year Ended June 30	Retail Population	Retail Daily Consumption	Wholesale Population	Wholesale Daily Consumption	Total Population	Total Daily Consumption
		(MGD)		(MGD)		(MGD)
1991	41,640	2.70	25,050	1.07	66,690	3.77
1992	41,580	2.91	27,350	1.17	68,930	4.04
1993	42,120	2.68	26,910	1.15	69,030	3.83
1994	42,160	2.71	27,880	1.19	70,040	3.90
1995	42,730	2.78	26,380	1.13	69,110	3.91
1996	42,400	2.93	27,100	1.16	69,500	4.09
1997*	38,770	2.68	27,567	1.18	66,337	3.80

Sources: City Billing Records; Annual Public Service Commission Reports
*1998 Not Yet Available

Customer Statistics

The average numbers of customers of the System for the past five Fiscal Years are as follows:

CUSTOMER CATEGORY SUMMARY

Year Ended June 30	Residential and Commercial (1)	Industrial	Wholesale	Private Fire Protection	Total
1994	13,240	26	9	102	13,377
1995	13,448	23	9	103	13,583
1996	13,368	23	9	103	13,503
1997	13,514	23	9	123	13,669
1998	13,554	23	9	154	13,740

Source: City billing records.

(1) City records are available only as to the number of residential and commercial billing accounts. Therefore, the closing of any one account and the opening of a new account by any one residential or commercial user during any given fiscal year would be reflected in City records as two accounts and in the Customer Category Summary set forth above as two customers.

The City's customer count experiences seasonal fluctuation due to student activities. It is reasonable to expect growth in residential subdivisions and industrial/commercial developments along the I-79 corridor which could account for a 10% increase in the existing customer base. New customers in the service area include tenants of the I-79 Technology Park, Phase II of the Technology Park, now under construction, Lockheed-Martin and Star Motors Automobile Dealership.

The following table sets forth the major retail water customers of the System, their average daily consumption and the percentage of total average daily retail consumption and total average daily consumption represented by such consumption, for the fiscal year ended June 30, 1998:

Major Retail Users

Customer	Average Daily Consumption (gallons)	% of Total Daily Retail Consumption	% of Total Daily Consumption
North American Phillips*	73,000	2.8	1.9
Fairmont General Hospital	56,200	2.1	1.5
American Fiber Resources	51,600	2.0	1.4
Alcan Aluminum Corp.	22,500	0.9	0.6
The Arbors at Fairmont	18,000	0.7	0.5
Holiday Inn/Hi Five Lodging	13,400	0.5	0.4
Wishing Well Manor	10,400	0.4	0.3
Marion County Court House	8,900	0.3	0.2
Fairmont Arbors	7,700	0.3	0.2
Fairmont Emergency Hospital	6,800	0.3	0.2
Total:	268,500	10.3%	7.2%

Source: City billing records.

*Currently downsizing plant operations.

Wholesale Contracts

The City sells water to nine wholesale users, including two towns, five public service districts and two water associations, located throughout Marion County and in Monongalia and Harrison Counties, West Virginia. The terms of the sale and delivery of, and payment for, System water originally were established by separate contracts between the City and each of the respective wholesale users. While the provisions of such contracts were not uniform, they generally required that the City make available filtered water at a metered location in an amount sufficient to meet the demand of such wholesale user's retail customers, but subject to the adequacy of water supply for the City's retail and other wholesale customers. (Present System capacity of 12,000,000 gallons per day substantially exceeds the average 3.82 million gallons per day demand of the City's retail customers. Wholesale demand averages 1,120,490 gallons per day, leaving current capacity in excess of average aggregate daily demand equal to 7,059,510 gallons per day.) The contracts generally did not require any minimum purchase or payment by the wholesale users. The contracts further generally provided for a monthly billing of each wholesale user with payment to be made within 10 days thereafter. The contracts generally permitted extension of the contract term at the option of the wholesale user to be expressed in writing.

None of the contracts have been so extended in writing, and the terms of six of the contracts have expired. Those wholesale users whose contracts with the City have expired have continued to purchase water from the System, as indicated in the following Wholesale User Summary. Given the duration of the remaining wholesale contracts, no assurance can be given as to their validity under State law. The wholesale users have not made other provision for supplying water to their respective retail customers and any such alternative provision would entail substantial incurrence of capital expenditures for the construction of transmission mains to other water systems or the construction of a water treatment plant. The City continues to supply water to the wholesale customers substantially in the manner provided in the contracts, as discussed above. The City believes that its relationships with the wholesale users are good and does not anticipate cessation of use of System water by any of the wholesale users within the foreseeable future.

Wholesale users accounted for 27.4% of total average daily consumption during the fiscal year ended June 30, 1998, and 11.1% of Revenues during the same period.

Although the contracts have expired, the provision of water to the wholesale users by the System is continued annually by agreement. The System is the only provider of these services in the region.

There follows a tabular summary of the System's wholesale users, and their respective water purchases from the City for the year ending June 30, 1998.

WHOLESALE USER SUMMARY
(Fiscal Year Ended June 30, 1998)

Customer	Population Served	Number of Customers	Gallons of Water Purchased	Contract Revenues	Contract Date	Expires
Valley Falls	5,089	1,454	87,016,300	77,880	1966	Expired
TriCounty Water Assoc.	4,194	1,198	52,470,400	46,961	1958	Expired
Monumental PSD	3,682	1,052	55,281,900	49,477	1966	Expired
Little Creek PSD	3,235	924	55,089,000	49,305	1972	NA*
Town of Rivesville	2,851	815	41,839,300	37,446	1925	NA*
Ices Run PSD	2,500	714	37,086,000	33,660	1967	Expired
Town of Grant Town	2,461	703	41,320,800	36,982	1953	Expired
Paw Paw PSD	2,174	621	32,394,900	28,993	1963	Expired
Montana Water Assoc.	908	259	15,451,400	13,829	NA*	NA*

* Not available.

Rates

The current schedule of rates and charges has been in place since July 4, 1989. In preparation for the Project, the City Council on September 22, 1998, adopted a new rate ordinance (the "Rate Ordinance") with the rates becoming effective on the earlier of certified completion of the Project or December 1, 2001.

Pursuant to the Act, the governing body of a municipality must fix minimum rates and charges for the use of its municipal water system and increase such rates whenever necessary. Such rates and charges are required by the Act to be sufficient at all times to provide for the payment of interest on all bonds issued pursuant to the Act and to create a sinking fund to pay the principal of such bonds as and when the same becomes due, and reasonable reserves therefor, and to provide for the repair, maintenance and operation of the waterworks system, and to provide and adequate depreciation fund, and to make any other payments required or provided for in the applicable bond ordinance.

Except as described below, rates charged by municipally operated utilities in West Virginia generally are not subject to regulatory approval. Section 24-2-4b of the Code of West Virginia of 1931, as amended, provides that rates and charges established by municipally operated utilities shall be just, reasonable, applied without unjust discrimination or preference and based primarily on the costs of providing service. Rates and charges set by such utilities must be filed with the PSC. Any customer of a municipally operated utility aggrieved by a rate change may present to the PSC within 30 days of the adoption of the ordinance providing for the rate change a petition signed by not less than 25 percent of the retail customers served by the utility. Within 100 days from the filing of any such petition a hearing examiner must issue an order approving, disapproving or modifying the rate increase. Such order has the full force and effect of an order issued by the PSC. Also, if a municipally operated utility serves customers outside the boundaries of the municipality, the PSC is empowered to review, approve or modify such rates if, within 30 days of the adoption of the ordinance providing such rates, a customer (including a wholesale user) alleges that such rates are discriminatory. The PSC may determine the method by which such rates are reviewed and may grant and conduct a hearing on the matter if the customer or the municipality requests such a hearing.

No such filing of a petition or allegation of discrimination was received within 30 days following adoption of the Rate Ordinance.

The following table sets forth the rates and charges effective preceding the recent modification, and shows the current rates which were put in place July 4, 1989.

Current Rates

RETAIL WATER SYSTEM RATES AND CHARGES
Cost per 1,000 Gallons per Month

Gallons (1000)	Rates Prior to July 4, 1989	Current Rates as of July 4, 1989
First 25	$2.02	$2.38
Second 25	1.88	1.88
Third 25	1.65	1.65
Additional	1.36	1.36
Minimum monthly charge (5/8" meter)	5.54	5.95
Monthly Fee per Fire Hydrant	17.50	8.90
Current Resale Rate		.895

Source: Public Service Commission - Tariff

New Rates

Availability. Available for general domestic, commercial and industrial service.

Water Consumption (gallons used per month)		Rate (per 1000 gallons)
First	25,000	$3.75
Next	25,000	$2.96
Next	25,000	$2.60
All Over	75,000	$2.14
New Resale Rate		$1.93

Minimum Rates No bill shall be rendered for less than the following amounts, according to size of meter installed:

Size of Meter (inches)	Rate (per month)
5/8 or less	$ 9.37
3/4	$ 14.08
1	$ 23.45
1-3/4	$ 34.15
1-1/2	$ 46.81
2	$ 74.90
3	$140.44
4	$234.07
6	$468.15
8	$749.03

Tap Fee

Three Hundred Dollars ($300.00)

Reconnection Service Charge

Twenty-Five Dollars ($25.00)

Billing and Collections

The City renders a monthly bill to 1160 commercial and industrial customers of the System. Residential customers are billed once every two months. Payments are due 20 days after the billing date. If a bill remains unpaid beyond the due date, a 10 percent penalty is added to the delinquent account and delinquency procedures are initiated, including the mailing of two termination notices and termination of service 30 days after the initial due date. Service on delinquent accounts remains terminated until payment of the account is made. Upon reinstituting service to a previously delinquent account, a reconnection charge of $25.00 is required.

Termination procedures were established in July 1982. During the fiscal year ended June 30, 1998, service attributable to 401 delinquent accounts were terminated because of nonpayment.

The City has a policy of writing off accounts determined to be uncollectible. Also, the City has made a provision with respect to operating expenses on its balance sheets pertaining to the System for doubtful accounts, as follows:

SUMMARY OF DOUBTFUL ACCOUNTS

Year Ended June 30	Provision for Doubtful Accounts	Accounts Receivable Written Off
1996	$4,000	$81,603.75
1997	4,000	105,000.00
1998	4,000	113,650.00

Source: Audited Financial Reports prepared by Tetrick & Bartlett, PLLC, Certified Public Accountants and the Finance Department of the City.

Deferred payment plans are available for any residential customer who can demonstrate inability to pay a System bill in full and that service termination would be dangerous to such customer's health or safety.

System Budget and Expenditure

The City Manager, City Finance Department and Municipal Utility Department prepare draft budgets for System operations under their respective managements. The City budget is compiled from these, and other, draft budgets by the City Manager and submitted to the City Council on or before February 15 of each year. The budget is required by Charter to indicate operating expenditures and capital expenditures proposed for the ensuing fiscal year, detailed by offices, departments and agencies in terms of their respective work programs, and the method of financing such expenditures. The total of proposed expenditures may not exceed the total of estimated income. Prior to March 28 of each year, but following public hearing, the City Council is required to adopt the budget. Supplemental appropriations, or a reduction of appropriations, may be made by the City Council upon certification by the City Manager of an excess or insufficiency of revenues. No payment may be made except in accordance with appropriations set forth in the budget. As a matter of City practice, purchase orders are approved by the purchasing officer and payments are approved by the City Manager prior to disbursement of funds by the City accounting office. Separate accounting records are kept by the water accounting clerk and reviewed by the City utility accountant each year. Water accounting records are balanced with the records of the City Finance Department on a monthly basis.

Method of Accounting

The City maintains its accounts pertaining to the System on an accrual basis and in accordance with the guidelines of the PSC. The records of the City for the fiscal years ended June 30 of each of the past three years have been audited and are available for public inspection at the City.

Retirement System

All full-time City employees (176) and System employees (26) are covered under the West Virginia Public Employees Retirement System. Employees contribute 4.5% of gross income which contribution is matched by a 9.5% of gross income contribution by the City.

Year 2000 Status

The City represents that it has undertaken or will undertake an investigation to determine whether the operations of the System, including but not limited to any billing, collection and inventory computer programs of the System and any electronic or mechanical components of the City's water system, are Year 2000 Compliant. The City further represents that if it determines as a result of this investigation that any Mission-Critical Component of the System is not Year 2000 Compliant, the City (i) will take timely and affirmative action to repair or replace any such component, and (ii) will perform adequate testing to ensure the sound operation and Year 2000 Compliant status of the repaired or replaced component. For purpose of this paragraph, "Year 2000 Compliant" means, with respect to the information technology the City uses or will use in the operation of the System (including any date-sensitive microprocessors embedded in electronic or mechanical components of the System), the information technology is designed to be used prior to, during and after calendar Year 2000 A.D., and the information technology used during each such time period will accurately receive, provide and process data-time data (including, but not limited to, calculating, comparing and sequencing) from, into and between the twentieth and twenty-first centuries, including the years 1999 and 2000, and leap-year calculations, and will not malfunction, cease to function, or provide invalid or incorrect results as a result of date-time data. For purposes of this paragraph, "Mission-Critical Component" means any component of the System that would be critical to (a) the System's continued operation after January 1, 2000; (b) the City's ability to continue to bill its customers and collect amounts billed from those customers after January 1, 2000; or (c) the City's ability to make all principal and interest payments for the Bonds contemplated by the Resolution as and when they become due.

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Summary of Historical Revenues and Expenses

The following schedule summarizes historical revenues and expenses of the System for the five fiscal years ended June 30, 1998:

	1994	1995	1996	1997	1998
Operating Revenues	$2,939,106	$2,934,299	$3,033,146	$2,839,069	$2,873,995
Operating Expenses:					
Pumping Expense	$351,162	$302,554	$323,471	$350,337	$295,320
Treatment & Disposal	$931,766	$1,116,951	$904,555	659,955	$799,625
Purchases & Materials	$20,417	$21,213	$21,781	$21,781	$15,530
Billing & Collection	$109,303	$167,733	$146,620	$143,183	$136,435
Depreciation	$376,904	$379,417	$385,853	$385,853	$1,010,886
Administration & General	$258,093	$225,304	$272,440	$371,520	$337,396
Total Operating Expenses	$2,047,645	$2,213,172	$2,054,720	$1,932,629	$2,595,192
Operating Income (Loss)	$891,461	$721,127	$978,426	$906,440	$278,803
Nonoperating Revenue (Expenses):					
Miscellaneous Income	$3,750	$23,712	$11,702	$4,069	$6,930
Amortization of bond discount and issue costs	<$24,274>	<$24,275>	<$17,541>	<$298,838>	<$15,506>
Interest	$57,964	$62,251	$64,151	$68,357	$15,859
Interest & Fiscal Charges	<$760,530>	<$727,591>	<$710,402>	<$683,872>	<$537,916>
Loss on Retirement of Bonds	0	0	0	<$317,789>	0
Total Nonoperating Revenues (Expenses)	<$723,090>	<$665,903>	<$652,090>	<$1,228,073>	<$530,633>
Net Income (Loss)	$168,371	$55,224	$326,336	$321,633	$251,830
Retained Earnings (Beginning of Year)	$534,097	$702,468	$757,692	$1,797,828	$1,476,195
Retained Earnings (End of Year)	$702,468	$757,692	$1,084,028	$1,476,195	$1,224,365

See "Appendix B - Audited Financial Statement for Fiscal Year Ended June 30, 1998".

Annual Debt Service Requirements

The following table sets forth for each fiscal year during which Prior Bonds and the Bonds will be outstanding the amounts payable from Gross Revenues.

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DEBT SERVICE REQUIREMENTS

Year Ended June 30	Prior Bond Totals	Series 1998 Principal	Series 1998 Interest	Series 1999 Principal	Series 1999 Interest	Total
1999	$ 724,595.00	$	$245,038.11	$	$ 500,931.25	$ 1,470,564.36
2000	1,025,670.00		450,070.00		1,001,862.50	2,477,602.50
2001	1,027,790.00		450,070.00		1,001,862.50	2,479,722.50
2002	1,023,265.00	105,000.00	450,070.00		1,001,862.50	2,580,197.50
2003	1,027,275.00	100,000.00	446,290.00		1,001,862.50	2,575,427.50
2004	1,029,310.00	105,000.00	442,590.00		1,001,862.50	2,578,762.50
2005	1,024,622.50	110,000.00	438,652.50		1,001,862.50	2,575,137.50
2006	1,028,422.50	115,000.00	434,417.50		1,001,862.50	2,579,702.50
2007	1,025,200.00	120,000.00	429,875.00		1,001,862.50	2,576,937.50
2008	1,024,450.00	125,000.00	425,075.00		1,001,862.50	2,576,387.50
2009	1,026,200.00	130,000.00	420,012.50		1,001,862.50	2,578,075.00
2010	1,024,330.00	135,000.00	414,682.50		1,001,862.50	2,575,875.00
2011	1,024,925.00	140,000.00	409,012.50		1,001,862.50	2,575,800.00
2012	1,028,550.00	145,000.00	403,062.50		1,001,862.50	2,578,475.00
2013	1,032,675.00	145,000.00	396,827.50		1,001,862.50	2,576,365.00
2014		295,000.00	390,520.00	890,000.00	1,001,862.50	2,577,382.50
2015		310,000.00	376,507.50	935,000.00	955,137.50	2,576,645.00
2016		325,000.00	361,782.50	985,000.00	906,050.00	2,577,832.50
2017		340,000.00	346,345.00	1,035,000.00	854,337.50	2,575,682.50
2018		355,000.00	330,195.00	1,090,000.00	800,000.00	2,575,195.00
2019		375,000.00	313,332.50	1,145,000.00	745,500.00	2,578,832.50
2020		695,000.00	294,957.50	900,000.00	688,250.00	2,578,207.50
2021		675,000.00	260,902.50	1,000,000.00	641,000.00	2,576,902.50
2022		660,000.00	227,827.50	1,100,000.00	588,500.00	2,576,327.50
2023		650,000.00	195,487.50	1,200,000.00	530,750.00	2,576,237.50
2024		635,000.00	163,637.50	1,300,000.00	476,750.00	2,575,387.50
2025		510,000.00	133,475.00	1,515,000.00	418,250.00	2,576,725.00
2026		535,000.00	109,250.00	1,590,000.00	342,500.00	2,576,750.00
2027		560,000.00	83,837.50	1,670,000.00	263,000.00	2,576,837.50
2028		590,000.00	57,237.50	1,750,000.00	179,500.00	2,576,737.50
2029		615,000.00	29,212.50	1,840,000.00	92,000.00	2,576,212.50
TOTAL:	$15,097,280.00	$9,600,000.00	$9,930,253.11	$19,945,000.00	$24,010,393.75	$78,582,926.86

Coverage Ratios

Under the Ordinance, the City has covenanted to collect fees and charges such that Gross Revenues available for debt service are not less than 120% of the average annual debt service on all Bonds. See "SECURITY FOR THE BONDS -- Rate Covenant," herein.

The following table presents the historical debt service coverage ratio for the Prior Bonds for the fiscal years ended June 30, 1994 through June 30, 1998.

HISTORICAL DEBT SERVICE COVERAGE RATIO

Fiscal Years Ended June 30

	1994	1995	1996	1997	1998
Gross Revenues Available for Debt Service	$3,000,820	$3,020,262	$3,108,999	$2,911,495	$2,896,784
Debt Service Requirements	$1,042,236	$1,042,236	$1,042,236	$1,042,236	$1,032,675
Operating Expenses (excluding depreciation)	$1,670,741	$1,833,755	$1,668,867	$1,546,776	$1,584,306
Coverage Ratio	1.28%	1.14%	1.38%	1.31%	1.27%

Source: Annual Reports.

RATINGS

The Bonds will be assigned a rating of "Aaa" by Moody's Investors Service, Inc. on the understanding that the standard policy of the Insurer, insuring timely payment of the principal of and interest on the Bonds, will be issued by the Insurer upon delivery of the Bonds. This rating has been assigned with the understanding that upon delivery of the Bonds, a policy insuring the payment when due of the principal of and interest on such Bonds will be issued by AMBAC Indemnity Corporation. There is no assurance that this rating will continue for any period of time or that the rating will not be reviewed downward or withdrawn entirely by the assigning rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect upon the market price or value of the Bonds.

LITIGATION

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

LEGAL MATTERS

The authorization and issuance of the Bonds are subject to the approval of legality by Steptoe & Johnson, Clarksburg, West Virginia, Bond Counsel. Bond Counsel will render an opinion in substantially the form set forth in Appendix C to this Official Statement. Certain legal matters will be passed upon for the City by its counsel, Sansalone & Sansalone, Fairmont, West Virginia, and for the Underwriters by their counsel, Jackson & Kelly, Charleston, West Virginia.

TAX MATTERS

In the opinion of Steptoe & Johnson, Bond Counsel, under existing laws, regulations, published rulings and judicial decisions of the United States of America, as presently written and applied, the interest on the Bonds (a) is excludable from gross income for federal income tax purposes, and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. For the purposes of computing the alternative minimum tax on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. Under existing West Virginia law, the Bonds and the interest thereon are exempt from all taxation by the State of West Virginia or any county, municipality, or county commission, political subdivision or agency thereof.

The City has designated the Series 1998 Bonds as "qualified tax-exempt obligations" and has covenanted that it does not reasonably expect to issue more than $10,000,000 of tax-exempt obligations (other than private activity Bonds) during the calendar year 1998. Therefore, the Series 1998 Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b) (3) of the Code, and the provision of the Code which disallows all deductibility of interest expense incurred by financial institutions on debt incurred or to purchase or carry most tax-exempt obligations does not apply to the Bonds; accordingly, 80% of the interest expense of a financial institution incurred for the purpose of purchasing or carrying the Bonds is deductible for federal income tax purposes.

The opinions described above are subject to the condition that the City complies with all requirements of the Internal Revenue Code of 1986, as amended, and regulations thereunder (the "Code") that must be satisfied subsequent to issuance of the Bonds for interest

thereon to be or continue to be excluded from gross income for federal income tax purposes. The City has covenanted to comply with each such requirement. Failure to comply with certain of such requirements could cause the interest on the Bonds to be included in the gross income of the recipients thereof for purposes of federal income taxation retroactively to the date of issuance of the Bonds.

Original Issue Premium/Discount

The initial offering price of the Series 1999 Bonds maturing on July 1, 2015, 2017, 2019 and 2022 (the "Premium Bonds") is more than the amount payable on such Series 1999 Bonds at maturity.

The initial offering price of the Series 1998 Bonds maturing on July 1, 2029 and Series 1999 Bonds maturing on July 1, 2024 and July 1, 2029 (the "Discount Bonds") is less than the amount payable on such Series 1998 Bonds and Series 1999 Bonds at maturity. The difference between the initial public offering price at which a substantial amount of such Discount Bonds were sold and the amount payable at maturity constitutes an original issue discount ("OID"). In the case of an original Holder of a Discount Bond, the amount of the OID which is treated as having accrued with respect to such Bond is added to the cost basis of the Holder in determining, for federal income tax purposes, gain or loss upon its disposition (including its sale, redemption or payment at maturity). Bond Counsel is of the opinion that amounts received upon such disposition which are attributable to accrued OID will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Holders of Discount Bonds should consult their own tax advisors with respect to the determination for federal income tax purposes of OID accrued upon sale or redemption of such Discount Bonds, and with respect to the state and local tax consequences of owning such Discount Bonds.

The accrual or receipt of the interest on the Discount Bonds may otherwise affect the federal income tax liability of certain recipients. The extent of these and other consequences will depend upon the recipient's particular tax status or other items of income or deduction. Bond Counsel expresses no opinion regarding any such consequences, and investors should consult their tax advisors regarding the tax consequences of purchasing or holding Discount Bonds.

UNDERWRITING

Ferris, Baker Watts, Incorporated, and Crews & Associates, Inc., as Underwriters, have agreed, subject to certain conditions, to purchase the Bonds from the City at an aggregate purchase price (net of accrued interest) of $29,207,169.15 (par less Underwriters' discount of $190,952.50 less net original issue discount of $146,878.35). The Underwriters will be obligated to purchase all of the Bonds if any are purchased. The Bonds may be offered and sold to certain dealers (including investment trusts, certain of which may be sponsored or

managed by the Underwriters) at prices lower than the public offering price stated on the cover page of this Official Statement, and such public offering price also may be changed without prior notice, from time to time, by the Underwriters.

FINANCIAL STATEMENTS OF THE CITY

Included herein as Appendix B are the audited financial statements (and reports with respect thereto) of the City as of June 30, 1998, prepared by Tetrick & Bartlett, PLLC, certified public accountants. The financial statements have been included herein in reliance upon the reports of the preparers thereof as experts in auditing and accounting.

CONTINUING DISCLOSURE

The City has agreed in the Supplemental Resolution to an undertaking (the "Undertaking") for the benefit of the Registered Owners of the Bonds to provide:

(a) within 270 days (the State Tax Commissioner audits the City and the City will provide the audit within 30 days of receipt of the audit) after the end of its 1999 fiscal year and each subsequent fiscal year, to each nationally recognized municipal securities information repository and to any West Virginia State information depository ("State Depository"), core financial information and operating data for the prior fiscal year, including (i) the City's audited general purpose financial statements, prepared in accordance with generally accepted accounting principles in effect from time to time, and (ii) material historical quantitative data on the City's revenues, expenditures, and financial operations of the type found in this Official Statement under the caption "The System"; and

(b) in a timely manner, to each nationally recognized municipal securities information repository ("National Repository") or to the Municipal Securities Rulemaking Board ("MSRB"), and to the State Depository, notice of any of the following events with respect to the Bonds, if material:

(1) principal and interest payment delinquencies;
(2) non-payment related defaults;
(3) unscheduled draws on debt service reserves reflecting financial difficulties;
(4) unscheduled draws on credit enhancements reflecting financial difficulties;
(5) substitution of credit or liquidity providers, or their failure to perform;

(6) adverse tax opinions or events affecting the tax-exempt status of the security;
(7) modifications to rights if security holders;
(8) bond calls;
(9) defeasances;
(10) release, substitution, or sale of property securing repayment of the securities;
(11) rating changes; and
(12) failure of the City to comply with clause (a) above.

With respect to Event (8), the City does not undertake to provide the above-described event notice of a mandatory scheduled redemption, not otherwise contingent upon the occurrence of an event, if the terms, dates and amounts of redemption are set forth in detail herein, the only open issue is which bonds will be redeemed in the case of a partial redemption, notice of redemption is given to the Bondholders as required under the terms of the Bonds and public notice of the redemption is given pursuant to 1934 Act Release No. 23856 of the SEC, even if the originally scheduled amounts are reduced by prior optional redemptions or Bond purchases.

As of December 1, 1998, there is no State Depository and the nationally recognized municipal securities information repositories are: Bloomberg Municipal Repository, P.O. Box 840, Princeton New Jersey 08542-0840; Kenny Information Systems, Inc., 65 Broadway -- 16th Floor, New York, New York 10006; DPC Data Inc., One Executive Drive, Fort Lee, NJ 07024; and Thomson NRMSIR, Attn: Municipal Disclosure, 395 Hudson Street, 3rd Floor, New York, NY 10014.

Any of the foregoing information may be supplied by including by specific reference information previously supplied to each National Repository and the State Depository or the Securities and Exchange Commission ("SEC"). Information will not be included by reference from any final official statement unless such final official statement is available from the MSRB.

This continuing disclosure obligation is being undertaken by the City to assist the Underwriters in complying with Rule 15c2-12 promulgated by the SEC. The City has agreed to give notice in a timely manner to each National Repository, or the MSRB, and to the State Depository of any failure to supply the requested information. However, any such failure will not constitute a default under the terms of the Bonds. Registered Owners may contact the City Manager of the City at P. O. Box 1428, Fairmont, West Virginia 26554, (304)366-6211 for more information.

The City previously entered into a Continuing Disclosure Agreement, dated June 19, 1997 (the "1997 Agreement") with respect to the issuance of the Prior Bonds. The 1997 Agreement required that the City provide annual financial information to the Repositories no later than 150 days after the end of each Fiscal Year, commencing with the Fiscal Year ended June 30, 1997. Due to a delay in receipt of the audited financial statements, the City did not provide the required 1997 Fiscal Year annual financial information on or before the date specified in the 1997 Agreement. However, as of the date hereof the City has provided the required Fiscal Years 1997 and 1998 annual financial information to the Repositories.

MISCELLANEOUS

So far as any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of such statements will be realized. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the owners of the Bonds.

Copies of the Ordinance, the Supplemental Resolution, the Undertaking, and other applicable documents may be obtained from the City at the following address:

City of Fairmont
P. O. Box 1428
Fairmont, West Virginia 26554
(304)366-6211
Attention: City Manager

or, during the period of offering the Bonds, from the Underwriters. Ongoing financial information may be obtained from the City at the address set forth above.

The execution and distribution of this Official Statement has been duly authorized by the City.

CITY OF FAIRMONT, WEST VIRGINIA

By: /s/ Nick L. Fantasia
Mayor

Appendix A

GENERAL INFORMATION REGARDING THE CITY AND MARION COUNTY

The City of Fairmont, county seat of Marion County, West Virginia, was founded in 1820 and chartered as a city in 1899. The City is located in north central West Virginia, about 95 miles south of Pittsburgh, Pennsylvania, and 19 miles south of Morgantown, West Virginia. The Monongahela River begins in the City, making it the head of a great inland waterway system. There is a nine-foot channel from the City to Pittsburgh. The City covers 5.32 square miles, of which 31 percent is used for single family housing, 4.8 percent for multi-family housing, 8.3 percent for commercial uses, 3 percent for industrial purposes and 7 percent for other land uses. Approximately 36 percent of the land in the City is vacant. The System's service area includes the City and nine incorporated and unincorporated areas surrounding the City.

Population

The tables below present the populations of the City and of Marion County for each of the last six census periods.

CITY OF FAIRMONT POPULATION

Census Report	City Population	% Change
1940	23,105	- .2%
1950	29,346	+ 27.0
1960	27,477	- 6.4
1970	26,093	- 5.0
1980	23,863	- 8.5
1990	20,389	- 14.5
†1996	20,627	+ .01

Source: U.S. Census Bureau
†Source: Marion County Chamber of Commerce

MARION COUNTY POPULATION

Census Report	County Population	% Change
1940	68,683	+ 3.0%
1950	71,521	+ 4.1
1960	63,717	- 10.9
1970	61,356	- 3.7
1980	65,789	+ 7.2
1990	57,249	- 13.0
*1998	58,075	+ 1.0

Source: U.S. Census Bureau
*Source: wvonline.com

Marion County has experienced a historic downward trend in population, but the population now appears to be on the rise.

Commerce and Industry

The City has been an important trade area for North Central West Virginia. A downtown shopping area contains stores and speciality shops. Middletown Mall, located on the edge of the City, opened in 1972, and is now the location of the FBI offices and other area services entities. A major retail center (including Walmart and Sam's Warehouse) has located across from this facility. A 10 minute drive south on I-79 leads to both the Meadowbrook Mall, with its more than 100 places to shop and eat, and the Bridgeport Mall. Both the Morgantown Mall and Mountaineer Mall are within 20 miles of the City.

There is significant industrial activity in the area surrounding the City. Various industrial firms are located in the area, including North American Philips Lighting Corporation, Alcan Aluminum Corporation and several smaller companies. Within the City limits is the I-79 Technology Park which includes NASA, Huntington Banks and the High-Tech Consortium Building. The City is also in close proximity to the recently completed FBI fingerprint center.

Several private and public initiatives are revitalizing the downtown area. These include the rehabilitation of retail storefronts to office facilities and the creation of speciality shops unique to the City. The Emporium, Squirrel Nutkin's Shoppe and The Craft Connection Gift Shop specialize in antiques and gifts of local artisans while shoppers looking for Amish creations from food to furniture patronize Country Corner and Myers Country Store.

Marion County has several development organizations and business assistance programs. In addition to in-County resources, the County has an excellent working relationship with its neighboring counties. The Chamber is working cooperatively with the Harrison and Monongahela County Chambers to market the region.

The significant number of high technology public agencies and private firms now located in the area provides the foundation for growth. The high-tech companies include Lockheed-Martin, UNISYS, ManTech International, Electronic Warfare Associates, Computer Science Corporation, EG&G, and Hughes Information Systems. Several governmental agencies have located in the region and are providing the foundation upon which technology businesses are growing. These agencies include: NASA, the FBI, the Concurrent Engineering Research Center, and the Morgantown Energy Technology Center.

Employment

The following table indicates the major employment sectors of the Marion County economy and the percentage of the Marion County labor force employed in each sector for the years indicated.

MARION COUNTY LABOR FORCE ALLOCATION

Occupation	1980	1990
Employed persons 16 years & over	100.00%	100.00%
Executive, administrative and managerial	8.57	8.24
Professional specialty	10.23	12.29
Technicians and related support	1.93	3.02
Sales occupations	10.37	11.96
Administrative support, including clerical	13.18	14.27
Private household	0.33	0.59
Protective service	0.63	1.82
Service, executive protective and household	9.89	12.56
Farming, forestry and fishing	0.52	0.84
Precision production, craft and repair	21.03	17.92
Machine operators, assemblers and inspectors	10.25	5.38
Transportation and material moving	7.03	5.49
Handlers, equipment cleaners, helpers and laborers	6.05	5.62

Source: 1980 and 1990 Census of Population and Housing: Thomas Point Associates, Inc.

Listed below are the twelve major employers in Marion County, their primary product or service and the approximate number of persons locally employed by each, as of November 1, 1998.

MAJOR EMPLOYERS

Employer	Service	Employs
Marion County Board of Education	Education	1,116
Fairmont State College	Education	800
Fairmont General Hospital	Medical	581
Allegheny Power	Electrical Power	539
Consolidation Coal Company	Coal	450
IQI	Business	365
WesBanco	Banking	250
Marion County Commission	Government	240
Huntington Banks	Banking	227
Wal-Mart	Retail	220
Alcan Rolled Products Company	Aluminum	200
Philips Lighting Company	Electrical Fixtures	200

Source: Marion County Chamber of Commerce

The following table presents statistics regarding the labor force and historical employment levels in Marion County.

MARION COUNTY UNEMPLOYMENT RATES

Year	Unemployment Rate
1986	13.60%
1987	11.80
1988	10.40
1989	9.70
1990	8.60
1991	10.80
1992	14.60
1993	15.80
1994	11.00
1995	10.70
1996	9.70
1997	9.60
1998*	6.40

Source: West Virginia Bureau of Employment Programs, Labor & Economic Research.
*As of September 1998 (Marion County Chamber of Commerce)

Transportation

Marion County is bisected by Interstate 79 which connects with Interstate 68, 20 miles to the north. Other major highways in the area include US 250, US 19, US 73, WV

218 and WV 310. The County is also 20 minutes from US 50 and approximately 30 minutes from Corridor H.

Passenger air service is provided to Fairmont Municipal Airport, Benedum Airport in Bridgeport, West Virginia, 14 miles south, and Morgantown Municipal Airport, in Morgantown, West Virginia, 20 miles north. The major airport serving the County is Pittsburgh International Airport in Pittsburgh, Pennsylvania which is within a 90 minute drive.

Area rail service is provided by the Chessie System Railroad, the B&O Railroad and the Monongahela Railway Co.

Passenger bus service is provided by Greyhound Buslines and Fairmont-Marion Country Transit Authority for national and local service, respectively.

Utilities and Services

Electric service to Marion County is provided by Allegheny Power. Cable service is provided locally by CVI/Time Warner Cable and telephone service is provided by Bell Atlantic.

The City's regional wastewater collection and treatment system provides sewer service to the City and surrounding areas, including two municipalities and four public service districts. The Marion County Solid Waste Authority sponsors a recycling program featuring 10 area drop-off points.

Medical or Health Care

Marion County is served by Fairmont General Hospital (249 beds), located in Fairmont, which operates a 24-hour emergency room, inpatient care, a range of outpatient services, a center for behavioral medicine and addiction treatment, as well as a center for skilled nursing. Both MVA and MVA Hospice of Marion County provide in-home care services to the chronically and/or terminally ill utilizing a staff of both professional and volunteer caregivers. Also, the MVA Fairmont Clinic provides quality, multispecialty health care to the residents of North Central West Virginia. There are six nursing homes located in Marion County.

Lodging Facilities

There are 16 hotels/motels and the Acacia House Bed & Breakfast serving the County's tourist and business traveler groups. Additionally, the area is home to Camp Mar-Mac, a 120-acre park with 20 rustic cabins, and Pricketts Creek Campground serving Pricketts Fort State Park.

The Three Rivers Festival and Regatta and Other Festivals

The City is host to various fairs and festivals beginning with the Three Rivers Festival and Regatta each spring, which draws a tourist crowd to participate in the river activities and parade. The City also annually sponsors the NHPA/Affiliated Horseshoe Pitchers Mixed Tournament, and the Family Festival at Palatine Park features an annual Civil War Reenactment.

Each summer, Fairmont is host to the Mountaineer Area Council Ox Roast benefiting the Boy Scouts of America of Marion, Taylor, Preston and Monongalia Counties. The Fall Festival Weekend kicks off early fall in the area and the year is rounded out with the Annual Christmas at Pricketts Fort festival.

Parks and Recreation

Located in the City is Pricketts Fort State Park which is home to an historic fort originally built in 1774. Valley Falls State Park, a 1,145 acre day park along the Tygart River, offers fishing, hiking, cross country skiing and whitewater rafting. Also located close to the City are other West Virginia scenic and recreational areas including Blackwater Falls State Park, 3,860 acre Tygart Lake created by the Tygart Dam, ski areas of Tucker County, six other State parks and the Monongahela National Forest. The Fairmont Dragway, a National Racing Association sanctioned drag strip for modern stock cars, is located in the County. The area is also home to the Old Schoolhouse Museum which showcases the Civil War era.

Schools

The County has 19 public and four private elementary schools, and five public and one private secondary schools with a total enrollment of almost 9,100 in 1995.

Higher Education

There are five higher education institutions within thirty minutes of Marion County: Fairmont State College, West Virginia University, W. Va. Career College, Alderson-Broaddus College, and Salem Teikyo University. West Virginia Wesleyan is less than an hour away. These institutions provide businesses with a pool of educated workers, training and education opportunities for the existing workforce, and research and development partnerships.

Communications

News service is provided by the Times West Virginian, a daily newspaper located in the City and the Mountain State Veteran and the Marion County Observer, both weekly publications. Other daily newspapers distributed in the area are the Clarksburg Exponent, Clarksburg Telegram and the Dominion Post (Morgantown).

WTUS 102.7 FM, WVUC-FM, WRLF-FM, WTCS-AM, WMMN-AM and WV Radio, Clarksburg are the local radio stations.

Financial Institutions

Banking service in the City is provided by Huntington Bank, Monongahela Valley Bank, Inc., One Valley Bank, Inc., the First Exchange Bank, WesBanco Bank Wheeling and the Fairmont Federal Credit Union.

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Appendix B

Financial Statements of the City

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CITY OF FAIRMONT, WEST VIRGINIA
A CLASS II MUNICIPALITY IN MARION COUNTY

* *

INDEPENDENT AUDITOR'S REPORT AND RELATED FINANCIAL STATEMENTS

* *

FOR THE YEAR ENDED JUNE 30, 1998

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CITY OF FAIRMONT, WEST VIRGINIA
MUNICIPAL OFFICIALS
FOR THE YEAR ENDED JUNE 30, 1998

Office	Name	Term
	Elective	
Mayor:	Nick L. Fantasia	01/01/95 - 12/31/98
Council Members:		
1st District	Jerry Ragen	01/01/95 - 12/31/98
2nd District	Marcella Yaremchuk	01/01/97 - 12/31/00
3rd District	Nick L. Fantasia	01/01/95 - 12/31/98
4th District	Manuel Garcia	01/01/97 - 12/31/00
5th District	Robert L. Allen, Jr.	01/01/95 - 12/31/98
6th District	Kay Francis Meade	01/01/97 - 12/31/00
7th District	Rosemary C. Phillips	01/01/97 - 12/31/00
8th District	Charles G. Manly	01/01/95 - 12/31/98
9th District	John R. West, Jr.	01/01/95 - 12/31/98
	Appointive	
City Manager:	Bruce McDaniel	
Finance Director:	Fred Thompson	
City Clerk:	Janet Keller	
Municipal Judge:	Anthony Julian	

CITY OF FAIRMONT, WEST VIRGINIA
INDEX OF FUNDS
FOR THE YEAR ENDED JUNE 30, 1998

GOVERNMENTAL FUND TYPES

General Fund

Special Revenue Funds

Coal Severance Tax
DARE Grant Program
HUD Special Purpose Grant Program - WV15SPG25
Emergency Shelter Grant Program
Small Cities Block Grant
High Crime Area Grant Program
Governor's Contingency Grant Fund

PROPRIETARY FUND TYPE

Enterprise Funds

Water
Sanitary Sewer Board
Parking

Internal Service Fund

Worker's Compensation Trust Fund

FIDUCIARY FUND TYPE

Trust Funds

Policemen's Pension and Relief
Firemen's Pension and Relief
Police Fund

Account Groups

General Fixed Assets
General Long-Term Debt

Tetrick & Bartlett, PLLC
Certified Public Accountants
Consultants

122 N. Oak St. • PO Box 1916 • Clarksburg, WV 26302-1916 • (304) 624-5564 • Fax: (304) 624-5582 • E-mail: TB@tetrickbartlett.com

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Council
City of Fairmont
Fairmont, West Virginia

We have audited the accompanying general purpose financial statements and the combining and individual fund and account groups financial statements of the City of Fairmont, West Virginia as of and for the year ended June 30, 1998, as listed in the table of contents. These financial statements are the responsibility of the City of Fairmont, West Virginia's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion the general purpose financial statements and the combining and individual fund and account group financial statements referred to above present fairly, in all material respects, the financial position of the City of Fairmont, West Virginia, at June 30, 1998, and the results of its operations and cash flows of its proprietary and similar trust fund types for the year then ended in conformity with generally accepted accounting principles. Also, in our opinion, the combining and individual fund and account group financial statements referred to above present fairly, in all material respects, the financial position of each of the individual fund and account groups of the City of Fairmont, West Virginia, at June 30, 1998 and the results of operations of such funds and cash flows of the individual proprietary and similar trust funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated October 19, 1998 on our consideration of the City of Fairmont, West Virginia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the financial statements and the combining and individual fund and account group financial statements of City of Fairmont, West Virginia, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Tetrick • Bartlett, PLLC

Clarksburg, West Virginia

October 19, 1998

CITY OF FAIRMONT, WEST VIRGINIA
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1998

ASSETS

	GOVERNMENTAL FUND TYPES		PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES		ACCOUNT GROUPS		
	General	Special Revenue	Enterprise	Internal Service Workers' Compensation	Nonexpendable Trust	Expendable Trust	General Fixed Assets	General Long-Term Debt	Total (Memorandum Only) June 30, 1998
Cash	$ 257,371	$ 154,757	$ 676,633	$ 82,812	$ 34,470	$ 90,181	$ -0-	$ -0-	$ 1,296,224
Investments, at cost	60,884	-0-	523,504	546,317	6,097,201	-0-	-0-	-0-	7,227,906
Receivables, net of allowances:									
Taxes	542,427	-0-	-0-	-0-	-0-	-0-	-0-	-0-	542,427
Accounts	1,407,057	-0-	655,877	-0-	-0-	-0-	-0-	-0-	2,062,934
Special assessments	54,360	-0-	-0-	-0-	-0-	-0-	-0-	-0-	54,360
Other	894	-0-	183,033	-0-	-0-	-0-	-0-	-0-	183,927
Notes	-0-	-0-	868	-0-	-0-	-0-	-0-	-0-	868
Accrued interest	-0-	-0-	-0-	2,144	39,969	-0-	-0-	-0-	42,113
Due from:									
Other funds	15,285	-0-	125,000	-0-	454	-0-	-0-	-0-	140,739
Other governments	-0-	140,471	-0-	-0-	84,291	-0-	-0-	-0-	224,762
Inventory, at cost	-0-	-0-	93,617	-0-	-0-	-0-	-0-	-0-	93,617
Prepaid expenses:									
Deposits	-0-	-0-	-0-	14,927	-0-	-0-	-0-	-0-	14,927
Restricted:									
Investment for bond retirement	-0-	-0-	1,793,852	-0-	-0-	-0-	-0-	-0-	1,793,852
Customer deposits	29,808	-0-	54,217	-0-	-0-	-0-	-0-	-0-	84,025
Property, plant and equipment (net)	-0-	-0-	30,860,707	-0-	-0-	-0-	4,169,809	-0-	35,030,516
Unamortized bond discount and issue costs	-0-	-0-	4,684,412	-0-	-0-	-0-	-0-	-0-	4,684,412
Notes receivable	-0-	-0-	18,837	-0-	-0-	-0-	-0-	-0-	18,837
Amount to be provided for retirement of general long-term debt	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,330,568	1,330,568
TOTAL ASSETS	$ 2,368,086	$ 295,228	$ 39,670,557	$ 646,200	$ 6,256,385	$ 90,181	$ 4,169,809	$ 1,330,568	$ 54,827,014

LIABILITIES AND FUND EQUITY/BALANCES

	GOVERNMENTAL FUND TYPES		PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES		ACCOUNT GROUPS		Total
	General	Special Revenue	Enterprise	Internal Service Workers' Compensation	Nonexpendable Trust	Expendable Trust	General Fixed Assets	General Long-Term Debt	(Memorandum Only) June 30, 1998
Liabilities (payable from current assets)									
Accounts payable	$ 208,199	$ 144,778	$ 154,684	$ 11,623	$ 187	$ 8,328	$ -0-	$ -0-	$ 527,799
Claims payable	-0-	-0-	-0-	31,539	-0-	-0-	-0-	-0-	31,539
Other accrued expenses	149,534	-0-	32,715	-0-	-0-	-0-	-0-	-0-	182,249
Accrued compensated absences	296,986	-0-	266,625	-0-	-0-	-0-	-0-	-0-	563,611
Due to: Other funds	125,000	-0-	-0-	-0-	454	15,285	-0-	-0-	140,739
Current Liabilities (payable from restricted assets)									
Revenue bonds payable	-0-	-0-	710,000	-0-	-0-	-0-	-0-	-0-	710,000
Accrued revenue bond interest payable	-0-	-0-	259,205	-0-	-0-	-0-	-0-	-0-	259,205
Accrued interest payable	-0-	-0-	62,308	-0-	-0-	-0-	-0-	-0-	62,308
Customer deposits	27,024	-0-	62,283	-0-	-0-	-0-	-0-	-0-	89,307
Long-Term Liabilities (net of current portion)									
Revenue bonds payable	-0-	-0-	19,615,000	-0-	-0-	-0-	-0-	-0-	19,615,000
Notes payable	-0-	-0-	-0-	-0-	-0-	-0-	-0-	384,461	384,461
Accrued compensated absences	-0-	-0-	444,531	-0-	-0-	-0-	-0-	946,107	1,390,638
Total Liabilities	806,743	144,778	21,607,351	43,162	641	23,613	-0-	1,330,568	23,956,856
Fund Equity									
Contributed capital	-0-	-0-	22,112,062	-0-	-0-	-0-	-0-	-0-	22,112,062
Investment in general fixed assets	-0-	-0-	-0-	-0-	-0-	-0-	4,169,809	-0-	4,169,809
Retained earnings:									
Reserved	-0-	-0-	685,529	-0-	-0-	-0-	-0-	-0-	685,529
Unreserved (deficit)	-0-	-0-	(4,734,385)	-0-	-0-	-0-	-0-	-0-	(4,734,385)
Fund balances:									
Reserved for employees' retirement	-0-	-0-	-0-	-0-	6,255,744	-0-	-0-	-0-	6,255,744
Unreserved	1,561,343	150,450	-0-	603,038	-0-	66,568	-0-	-0-	2,381,399
Total fund equity	1,561,343	150,450	18,063,206	603,038	6,255,744	66,568	4,169,809	-0-	30,870,158
TOTAL LIABILITIES AND FUND EQUITY	$ 2,368,086	$ 295,228	$ 39,670,557	$ 646,200	$ 6,256,385	$ 90,181	$ 4,169,809	$ 1,330,568	$ 54,827,014

The accompanying notes are an integral part of the combined financial statements.

CITY OF FAIRMONT, WEST VIRGINIA
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1998

	GOVERNMENTAL FUND TYPES		FIDUCIARY FUND TYPE	Total
	General	Special Revenue	Expendable Trust Police Fund	(Memorandum Only) June 30, 1998
Revenues				
Taxes (including interest and penalties)	$ 4,434,291	$ -0-	$ -0-	$ 4,434,291
Licenses and permits	121,951	-0-	-0-	121,951
Intergovernmental:				
Federal	-0-	536,193	-0-	536,193
State	50,398	123,784	-0-	174,182
Charges for services	926,338	-0-	-0-	926,338
Fines and forfeits	15,297	-0-	242,053	257,350
Interest	12,646	774	1,281	14,701
Fire service fees and sidewalk assessments	936,612	-0-	-0-	936,612
Miscellaneous	472,226	-0-	-0-	472,226
Total revenues	6,969,759	660,751	243,334	7,873,844
Expenditures				
General government	1,344,177	-0-	-0-	1,344,177
Public safety	3,533,857	7,399	-0-	3,541,256
Highways and streets	1,204,271	11,765	-0-	1,216,036
Sanitation	943,294	-0-	-0-	943,294
Culture and recreation	132,892	-0-	-0-	132,892
Police refunds and remittances	-0-	-0-	107,847	107,847
Community development	-0-	537,558	-0-	537,558
Total expenditures	7,158,491	556,722	107,847	7,823,060
(Deficiency) excess of revenues over (under) expenditures	(188,732)	104,029	135,487	50,784
Other Financing Sources (Uses)				
Operating transfers in	143,763	-0-	-0-	143,763
Operating transfers (out)	-0-	-0-	(143,763)	(143,763)
Total other financing sources (uses)	143,763	-0-	(143,763)	-0-
(Deficiency) excess of revenues and other financing sources over (under) expenditures and other uses	(44,969)	104,029	(8,276)	50,784
Fund balances at beginning of year	1,606,312	46,421	74,844	1,727,577
Fund balances at end of year	$ 1,561,343	$ 150,450	$ 66,568	$ 1,778,361

The accompanying notes are an integral part of the combined financial statements.

CITY OF FAIRMONT, WEST VIRGINIA
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL AND COAL SEVERANCE FUNDS - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 1998

	GENERAL FUND			COAL SEVERANCE			TOTAL (MEMORANDUM ONLY)		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues									
Taxes (including interest and penalties):									
General property tax	$ 1,213,735	$ 1,205,328	$(8,407)	$ -0-	$ -0-	$ -0-	$ 1,213,735	$ 1,205,328	$(8,407)
Business and occupation tax	2,738,000	2,622,154	(115,846)	-0-	-0-	-0-	2,738,000	2,622,154	(115,846)
Alcoholic beverages tax	80,000	52,824	(27,176)	-0-	-0-	-0-	80,000	52,824	(27,176)
Utility services tax	530,000	509,336	(20,664)	-0-	-0-	-0-	530,000	509,336	(20,664)
Other taxes	16,000	13,545	(2,455)	-0-	-0-	-0-	16,000	13,545	(2,455)
Total taxes	4,577,735	4,403,187	(174,548)	-0-	-0-	-0-	4,577,735	4,403,187	(174,548)
Licenses and permits	101,000	121,951	20,951	-0-	-0-	-0-	101,000	121,951	20,951
Charges for services	910,000	902,792	(7,208)	-0-	-0-	-0-	910,000	902,792	(7,208)
Interest	11,000	12,646	1,646	-0-	774	774	11,000	13,420	2,420
Fire service fees and sidewalk assessments	900,000	936,612	36,612	-0-	-0-	-0-	900,000	936,612	36,612
Intergovernmental:									
State	30,000	50,398	20,398	40,000	48,784	8,784	70,000	99,182	29,182
Federal	169,800	-0-	(169,800)	-0-	-0-	-0-	169,800	-0-	(169,800)
Miscellaneous	589,300	487,523	(101,777)	-0-	-0-	-0-	589,300	487,523	(101,777)
Total revenues	7,288,835	6,915,109	(373,726)	40,000	49,558	9,558	7,328,835	6,964,667	(364,168)
Expenditures									
General government	1,421,057	1,344,177	76,880	-0-	-0-	-0-	1,421,057	1,344,177	76,880
Public safety	3,603,499	3,533,857	69,642	-0-	-0-	-0-	3,603,499	3,533,857	69,642
Highways and streets	1,313,345	1,204,271	109,074	86,000	11,765	74,235	1,399,345	1,216,036	183,309
Sanitation	966,589	943,294	23,295	-0-	-0-	-0-	966,589	943,294	23,295
Culture and recreation	134,345	132,892	1,453	-0-	-0-	-0-	134,345	132,892	1,453
Total expenditures	7,438,835	7,158,491	280,344	86,000	11,765	74,235	7,524,835	7,170,256	354,579
(Deficiency) excess of revenues over (under) expenditures	(150,000)	(243,382)	(93,382)	(46,000)	37,793	83,793	(196,000)	(205,589)	(9,589)
Other Financing Sources (Uses)									
Operating transfers in	80,000	143,763	63,763	-0-	-0-	-0-	80,000	143,763	63,763
Total other financing sources (uses)	80,000	143,763	63,763	-0-	-0-	-0-	80,000	143,763	63,763
(Deficiency) excess of revenues and other financing sources over (under) expenditures and other uses	$(70,000)	(99,619)	$(29,619)	$(46,000)	37,793	$ 83,793	$(116,000)	(61,826)	$ 54,174

CITY OF FAIRMONT, WEST VIRGINIA
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL AND COAL SEVERANCE FUNDS - BUDGETARY BASIS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 1998

	GENERAL FUND			COAL SEVERANCE			TOTAL (MEMORANDUM ONLY)		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Fund balances at beginning of year		$ 1,606,312			$ 38,830			$ 1,645,142	
Adjustments to conform with generally accepted accounting principles:									
To remove prior years tax receivables not recognized on accrual basis budget		(751,988)			-0-			(751,988)	
To recognize accrued tax receivables for financial statement purposes recognized on cash basis budget		806,638			-0-			806,638	
Fund balances at end of year		$ 1,561,343			$ 76,623			$ 1,637,966	

The accompanying notes are an integral part of the combined financial statements.

CITY OF FAIRMONT, WEST VIRGINIA
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS/FUND BALANCES - ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1998

	PROPRIETARY		FIDUCIARY	Total (Memorandum Only)
	Enterprise	Internal Service	Pension Trust	June 30, 1998
Operating Revenues				
Charges for services	$ 5,193,116	$ -0-	$ -0-	$ 5,193,116
Contributions:				
From employer	-0-	-0-	457,452	457,452
From employees	-0-	191,215	148,662	339,877
Insurance premium tax allocation	-0-	-0-	417,499	417,499
Interest	-0-	27,580	452,978	480,558
Gain on sale of investments	-0-	-0-	120,508	120,508
Miscellaneous	116,182	-0-	322	116,504
Total operating revenues	5,309,298	218,795	1,597,421	7,125,514
Operating Expenses				
Purchases and materials	15,530	-0-	-0-	15,530
Pumping	295,320	-0-	-0-	295,320
Treatment and disposal	799,625	-0-	-0-	799,625
Billing and collection	136,435	-0-	-0-	136,435
General and administrative	337,475	28,095	17,050	382,620
Operating expenses	2,008,432	-0-	-0-	2,008,432
Depreciation	2,767,796	-0-	-0-	2,767,796
Benefit payments	-0-	156,979	1,081,005	1,237,984
Total operating expenses	6,360,613	185,074	1,098,055	7,643,742
Operating (loss) income	(1,051,315)	33,721	499,366	(518,228)
Nonoperating Revenues (Expenses)				
Interest	157,030	-0-	-0-	157,030
Miscellaneous income	6,930	-0-	-0-	6,930
Interest and fiscal charges	(539,641)	-0-	-0-	(539,641)
Amortization of bond discount and issue costs	(244,371)	-0-	-0-	(244,371)
Total nonoperating revenues (expenses)	(620,052)	-0-	-0-	(620,052)
NET (LOSS) INCOME	(1,671,367)	33,721	499,366	(1,138,280)
Retained earnings/fund balances (deficit) at beginning of year - restated	(2,377,489)	569,317	5,756,378	3,948,206
Retained earnings/fund balances (deficit) at end of year	$(4,048,856)	$ 603,038	$ 6,255,744	$ 2,809,926

The accompanying notes are an integral part of the combined financial statements.

CITY OF FAIRMONT, WEST VIRGINIA
COMBINED STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1998

	PROPRIETARY		FIDUCIARY	Total
	Enterprise	Internal Service	Pension Trust	(Memorandum Only) June 30, 1998
Cash Flows From Operating Activities				
Operating (loss) income	$(1,044,385)	$ 6,141	$ 46,388	$(991,856)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	2,767,796	-0-	-0-	2,767,796
(Gain) on sale of investments	-0-	-0-	(120,508)	(120,508)
(Increase) decrease in:				
Accounts receivable	(40,251)	-0-	-0-	(40,251)
Due from other funds	(125,000)	-0-	(454)	(125,454)
Due from other governments	-0-	-0-	(84,291)	(84,291)
Inventory	12,461	-0-	-0-	12,461
Prepaid expenses	-0-	308	-0-	308
Increase (decrease) in:				
Accounts payable	(91,624)	(2,939)	(186)	(94,749)
Claims payable	-0-	(2,934)	-0-	(2,934)
Other accrued expenses	30,508	-0-	-0-	30,508
Accrued compensated absences	19,644	-0-	-0-	19,644
Due to other funds	(30,249)	-0-	454	(29,795)
Net cash provided by (used in) operating activities	1,498,900	576	(158,597)	1,340,879
Cash Flows From Capital and Related Financing Activities				
Decrease in restricted assets	52,416	-0-	-0-	52,416
Increase in restricted liabilities	328	-0-	-0-	328
Repayment of revenue bonds	(530,000)	-0-	-0-	(530,000)
Interest expense	(640,861)	-0-	-0-	(640,861)
Net cash (used in) capital and related financing activities	(1,118,117)	-0-	-0-	(1,118,117)
Cash Flows From Investing Activities				
Purchase (sale) of investment securities	321,896	(24,852)	(382,340)	(85,296)
Acquisition of property, plant and equipment	(729,950)	-0-	-0-	(729,950)
Interest on investments	157,029	26,754	456,323	640,106
Increase in contributed capital	46,293	-0-	-0-	46,293
Net cash (used in) provided by investing activities	(204,732)	1,902	73,983	(128,847)
Net increase (decrease) in cash	176,051	2,478	(84,614)	93,915
Cash at beginning of year	500,582	80,334	119,084	700,000
Cash at end of year	$ 676,633	$ 82,812	$ 34,470	$ 793,915

The accompanying notes are an integral part of the combined financial statements.

CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998

1. Summary of Significant Accounting Policies

The City of Fairmont, West Virginia complies with General Accepted Accounting Principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The remainder of the Notes are organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended June 30, 1998.

The City of Fairmont, West Virginia is incorporated under the provisions of the State of West Virginia. The City operates under a Council - Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, water, waste, recreation, education, public improvements, planning and zoning, and general administrative services.

A summary of the significant accounting policies of the City of Fairmont, West Virginia, is presented below.

(a) Reporting Entity

The City's financial statements include the operations of all organizations for which the City Council exercises oversight responsibility. Oversight responsibility is demonstrated by financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

(b) Funds and Account Groups

The accounts of the City are organized into funds and account groups, each of which is considered to be a separate accounting entity. The major fund categories and account groups are:

Governmental Fund Types

Governmental funds are accounted for using the current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available resources during a given period.

General Fund: The General Fund is the general operating fund of the municipality. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds: Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Proprietary Fund Types

Proprietary funds are accounted for using the economic resources measurement focus; the accounting objectives are determination of net income, financial position, and cash flows. All assets and liabilities associated with a proprietary fund's activities are included on its balance sheet. Proprietary fund equity is segregated into contributed capital and retained earnings.

Enterprise Funds: Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Fund: Internal Service Funds are used to account for goods and services provided by one department to other departments of the City on a cost-reimbursement basis.

Fiduciary Funds

Fiduciary funds account for assets held by the City in a trustee or agency capacity. Pension trust funds are accounted for in essentially the same manner as proprietary funds.

Account Groups

General Long-Term Debt Account Group

The General Long-Term Debt Account Group is used to account for long-term liabilities to be financed from government funds.

General Fixed Assets Account Group

The General Fixed Assets Account Group is used to account for the fixed assets of the General Fund.

(c) Cash

For purposes of the statement of cash flows, the City considers cash to be cash and cash equivalents.

(d) Property, Plant and Equipment

The accounting and reporting treatment applied to the property, plant and equipment and long-term liabilities associated with a fund are determined by its measurement focus. The City of Fairmont records the purchase of property, plant and equipment used in governmental fund type operations as expenditures in the governmental funds and capitalized at cost in the General Fixed Asset Account Group. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings and improvements	20 - 50 years
Infrastructure	20 - 65 years
Machinery and equipment	5 - 20 years
Vehicles	8 - 10 years

All proprietary funds and pension trust funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on the balance sheets. The reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increase (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible property, plant and equipment used by the proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Buildings	25 - 50 years
Improvements	10 - 20 years
Utility plant	10 - 20 years
Equipment	3 - 10 years

Long-term debt financed by general obligation bonds is accounted for in the general long-term debt group of accounts, as prescribed by generally accepted accounting principles.

(e) Basis of Accounting

Modified Accrual Basis of Accounting

The City used the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means that amount can be determined. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: business & occupation tax, hotel/motel tax, wine tax, liquor tax, property taxes, fire service fees, intergovernmental revenues, and investment income.

Accrual Basis of Accounting

The accrual basis of accounting is used in proprietary fund types and the pension trust funds. The accrual basis of accounting recognized revenues when earned. Expenses are recorded when incurred. Plan member contributions to the pension trust funds are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the City has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

(f) Budgets and Budgetary Accounting

All municipalities within West Virginia, are required by statute to prepare annual budgets (levy estimates) on prescribed forms for the General and Coal Severance Funds and submit these for approval to the State Tax Commissioner. These budgets are prepared in accordance with the following procedures:

1. The governing body of the municipality is required to hold a meeting or meetings between the seventh and twenty-eighth days of March to ascertain the financial condition of the municipality and to prepare the levy estimate (budget) for the fiscal year commencing July 1.

2. The budget is then forthwith submitted to the State Tax Commissioner for approval.

3. The governing body then reconvenes on the third Tuesday in April to hear objections from the public and to formally lay the levy.

Revisions are authorized only with the prior written approval of the State Tax Commissioner. The budgeted amounts reflected in the accompanying financial statements are such approved amounts.

The combined statement of revenues, expenditures, and changes in fund balances - budget and actual for the General Fund presents comparison of legally adopted budgets with actual data on a budgetary basis. Since accounting principles applied for purposes of developing data on a budgetary basis differs significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant entity and timing differences in excess of revenues and other sources of financial resources over expenditures and other uses of financial resources for the year ended June 30, 1998 is presented below:

(Deficiency) of revenues and other sources of financial resources under expenditures and other uses of financial resources (budgetary basis)	$(99,619)
Adjustments:	
To remove prior years tax receivables not recognized on accrual basis for budget	(751,988)
To recognize accrued tax receivables for financial statement purposes recognized on cash basis for budget	806,638
(Deficiency) of revenues and other sources of financial resources under expenditures and other uses of financial resources (GAAP basis)	$(44,969)

A) Unused appropriations for all of the above annually budgeted funds lapse at the year end.

B) The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

(g) Encumbrances

Encumbrance accounting is used for the General Fund and special revenue funds. Encumbrances are recorded when purchase orders are issued but are not considered expenditures until liabilities for payments are incurred. Encumbrances are reported as a reservation of fund balance on the balance sheet. Encumbrances do not lapse at the close of the fiscal year but are carried forward as reserved fund balance until liquidated.

(h) Cash and Investments

Cash on hand and deposits with banking institutions either in checking, savings accounts are presented as cash in the accompanying financial statements.

Municipalities are authorized by statute to provide excess funds to either the State Investment Pool or the Municipal Bond Commission for investment purposes, or to invest such funds in the following classes of securities: Obligations of the United States or any agency thereof, certificates of deposit and repurchase agreements.

(i) Inventories

The municipality considers inventories of materials and supplies utilized in governmental fund type and the Sanitary Sewer Board operations as expended at the time of purchase therefore, they do not appear in the municipality's financial statements. Inventories of materials and supplies utilized in the proprietary fund type operation, water fund however, are considered expended at the time of consumption; therefore, balances on hand at year end, valued at cost (first-in, first-out) are presented in the municipality's financial statements.

(j) Amortization

Debt discount and expense on bonds is amortized on the straight-line method from the date of issuance to the date of maturity. Amortization of debt discount and issue costs for fiscal year ended June 30, 1998 was $244,371.

(k) Compensated Absences

Compensated absences are those for which employees have a right to receive consideration for expected future absences. These absences should be accounted for in accordance with the provisions of National Council on Governmental Accounting (NOGA) Statement No. 4. In governmental funds, since the primary emphasis is on the flow of financial resources, only the current portion of the liability should be reported in the fund; the remainder should be reported in the general long-term debt account group. In proprietary funds, compensated absences should be accounted for in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 43 without modification.

The municipality's accounting policies related to compensated absences are summarized below:

Accumulated Vacation

For governmental funds, the cost of accumulated vacation pay expected to be paid within the next twelve months is recorded as a fund liability. Any amount that is expected to be paid after twelve months should be reflected in the general long-term debt account; however, the municipality considers the entire vacation liability as a fund liability. For proprietary funds, the cost of vacation leave is recorded as a liability when earned.

Accumulated Sick Leave

Municipal employees are entitled to payment of accrued sick leave. The municipality considers that entire sick leave liability as a general long-term debt account liability. For proprietary funds, the cost of sick leave is recorded as a liability when earned.

(l) Contributions in Aid of Construction

Contributions in aid of construction represent donations, grants and contributions from individuals and governmental agencies for construction projects.

(m) Pension Plans

The City provides separate defined benefit pension plans for uniformed police and fire department personnel. It is the City's policy to fund the normal cost and amortization of the unfunded prior service cost.

All other eligible employees are covered under the West Virginia Public Employee Retirement System due to the City's electing to be a participating public employer.

(n) Use of Estimates

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

(o) Total Columns on Combined Statements

Total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation since interfund activities have not been eliminated in the aggregation of the data.

2. Deposits and Investments

The City reporting entity considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Exceptions include the City of Fairmont, West Virginia's Policemen's Pension and Relief Fund and the Firemen's Pension and Relief Fund which classify only cash as cash equivalents in order to appropriately report investment activity.

Deposits

It is the City's policy for deposits to be 100% secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance. The City's deposits are categorized to give an indication of the level of risk assumed by the City at June 30, 1998. The categories are described as follows:

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

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

Category 3 - Uncollateralized.

Non-Pooled Deposits	Bank Balance	Category 1	Category 2	Category 3	Carrying Amount
General Fund	$ 321,272	$ 321,272	$ -0-	$ -0-	$ 257,371
Special Revenue Funds	154,757	154,757	-0-	-0-	154,757
Enterprise Funds	1,336,147	1,336,147	-0-	-0-	676,633
Internal Service Funds	114,447	114,447	-0-	-0-	82,812
Nonexpendable Trust Funds	40,547	40,547	-0-	-0-	34,470
Expendable Trust Funds	92,133	92,133	-0-	-0-	90,181
Total deposits	$ 2,059,303	$ 2,059,303	$ -0-	$ -0-	$ 1,296,224

CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 1998

Investments

Investment pools are under the custody of the City. Investing is performed in accordance with investment policies complying with State Statutes and the City Charter. Pooled funds may be invested in the State Investment Pool or the Municipal Bond Commission for investment purposes, or invested in the following classes of securities: Commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements and reverse repurchase agreements. The pension trust fund is also authorized to invest in corporate bonds rated AA or better by Standard & Poor's Corporation or AA or better by Moody's Bond Rating.

The City's investments are categorized to give an indication of the level of risk assumed by the City at June 30, 1998. The categories are described as follows:

Category 1 - Insured or registered, or securities held by the City or its agent in the City's name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.

Category 3 - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the City's name.

Type of Investments	Category 1	Category 2	Category 3	Carrying Amount	Market Value
Money Market	$ 220,926	$ -0-	$ -0-	$ 220,926	$ 220,926
Certificates of Deposits	1,477,620	-0-	-0-	1,477,620	1,473,598
U.S. Treasury Notes	1,801,110	-0-	-0-	1,801,110	2,061,603
Corporate Stocks and Bonds	3,812,275	-0-	-0-	3,812,275	3,981,055
	$ 7,311,931	$ -0-	$ -0-		
Investments in municipal bond commission				1,793,852	1,793,852
Total investments				$ 9,105,783	$ 9,531,034

3. Property Taxes

The taxes on real property and the interest and other charges upon such taxes attach as an enforceable lien on the first day of July. There is no lien denominated as such on personal property; however, statutes provide that the sheriff of a county may distrain for delinquent taxes any goods and chattels belonging to a person assessed. All current taxes assessed on real and personal property may be paid in two installments; the first installment is payable on September first of the year for which the assessment is made, and become delinquent on October first, and the second installment is payable on the first day of the following March and becomes delinquent on April first. Taxes paid on or before the date when they are payable, including both first and second installments, are subject to a discount of two and one-half percent. If taxes are not paid on or before the date on which they become delinquent, including both first and second installments, interest at the rate of nine percent annum is added from the date they become delinquent until paid.

All municipalities within the state are authorized to levy taxes not in excess of the following maximum levies per $100 of assessed valuation: On Class I property, twelve and five-tenths cents (12.5¢); on Class II property, twenty-five cents (25.0¢); and on Class IV property, fifty cents (50.0¢). In addition, municipalities may provide for an election to lay an excess levy, the rates not to exceed fifty percent of such authorized maximum levies, provided that at least sixty percent of the voters cast ballots in favor of the excess levy.

The levy rates levied by the City of Fairmont, West Virginia, per $100 of assessed valuation for each class of property for the fiscal year ended June 30, 1998 were as follows:

Class of Property	Assessed Valuations For Tax Purposes	Current Expense
Class I	$ 15,808,637	12.5¢
Class II	116,533,960	25.0¢
Class IV	202,054,351	50.0¢

4. Proprietary Fund Property, Plant and Equipment

A summary of property, plant and equipment of proprietary funds is presented below:

	Water Fund	Sewer Sanitary Board	Parking Fund	Total
Land	$ 213,073	$ 161,826	$ -0-	$ 374,899
Building	-0-	-0-	20,652	20,652
Collection and distribution system	18,774,503	16,548,498	-0-	35,323,001
Machinery and equipment	735,453	868,865	106,746	1,711,064
Treatment system	2,840,528	11,658,660	-0-	14,499,188
	22,563,557	29,237,849	127,398	51,928,804
Less: Accumulated depreciation	(9,321,960)	(11,643,224)	(102,913)	(21,068,097)
Property, plant and equipment (net)	$ 13,241,597	$ 17,594,625	$ 24,485	$ 30,860,707

5. General Fixed Assets - General Fund

The City of Fairmont's General Fund maintains a fixed asset register and records fixed assets purchased in the General Fixed Asset Account Group. All fixed assets are valued at historical cost or estimated historical cost if actual cost is not available.

The following is a summary of changes in the general fixed assets account group for the fiscal year:

	General Fixed Assets June 30, 1997	Additions	Retirements	General Fixed Assets June 30, 1998
Buildings and improvements	$ 1,338,403	$ 42,552	$ -0-	$ 1,380,955
Infrastructure	13,572,091	56,500	447,806	13,180,785
Machinery and equipment	1,088,944	-0-	368,638	720,306
Vehicles	1,769,718	94,670	-0-	1,864,388
	17,769,156	193,722	816,444	17,146,434
Less: Accumulated depreciation	12,732,613	568,738	324,726	12,976,625
Total general fixed assets	$ 5,036,543	$(375,016)	$(491,718)	$ 4,169,809
Investment in General Fixed Assets - from General Fund	$ 5,036,543	$(375,016)	$(491,718)	$ 4,169,809

6. Long-Term Debt

The following is a summary of the general long-term debt account group at June 30, 1998.

	General Long-Term Debt Account Group		
	July 1, 1997	Net Change	June 30, 1998
Compensated absences accrual	$ 955,838	$(9,731)	$ 946,107
Notes payable	-0-	384,461	384,461
	$ 955,838	$ 374,730	$ 1,330,568

Notes Payable

Wesbanco

5.50%; installment obligation; payable in monthly installments of $2,416; maturing August 2001; secured by a Ford Street Sweeper.	$ 84,070
5.50%; installment obligation; payable in monthly installments of $1,550; maturing August 2001; secured by a UCC.	53,976
5.75%; installment obligation; payable in monthly installments of $1,115; maturing August 2001; secured by a UCC.	38,666
5.50%; installment obligation; payable in monthly installments of $907; maturing June 2003; secured by a Subaru.	47,462
5.75%; installment obligation; payable in monthly installments of $1,755; maturing June 2005; secured by a Chevy One Ton.	121,096
5.50%; installment obligation; payable in monthly installments of $746; maturing June 2003; secured by a UCC.	39,191
	$ 384,461

The following is a summary of bonds payable at June 30, 1998:

	Issue Date	Maturity Date	Interest Rate(s)	Amount Issued	Amount Retired	Amount Outstanding
a.	1968	1998-1998	Various	$ 500,000	$ 500,000	$ -0-
b.	1988	1998-2011	Various	11,065,000	1,000,000	10,065,000
c.	1998	1999-2013	Various	10,260,000	-0-	10,260,000
Total revenue bonds payable at June 30, 1998						20,325,000
Less: Current portion due in upcoming year						710,000
Long-term revenue bonds payable at June 30, 1998						$ 19,615,000

a. Parking Revenue Bonds - Bond Issue of 1968

This issue was authorized for construction of a new off-street automobile parking facility and to refund the Parking Facilities Revenue Bonds dated May 1, 1950. The bonds were issued in the denomination of $5,000 each, bearing interest rates of 5.50%, and 5.75% payable annually on the first day of May of each year. At June 30, 1998, this bond issue was completely retired.

The balance with the Municipal Bond Commission at June 30, 1998 was $16,147 in the Sinking Fund Account and $5,586 in the Bond Reserve Account.

b. 1988 Series - Sewerage System Refunding Revenue Capital Appreciation Bonds

Series 1988 Sewerage System Refunding Revenue Capital Appreciation Bonds in the amount of $11,065,000 were issued pursuant to an ordinance enacted by the City of Fairmont on October 25, 1988 and supplemented by a resolution adopted on October 25, 1988. The bonds dated November 30, 1988 and sold as of November 30, 1988 mature serially through 2011 with effective yields from 6.60% to 7.75% per the following schedule.

Year	Amount	Effective Yield
1998	$ 500,000	6.80
1999	500,000	6.90
2000	745,000	7.00
2001	755,000	7.10
2002	755,000	7.20
2003	755,000	7.30
2004	760,000	7.40
2005	755,000	7.50
2006	755,000	7.60
2007	755,000	7.70
2008	755,000	7.75
2009	760,000	7.75
2010	755,000	7.75
2011	760,000	7.75
	$ 10,065,000	

The 1988 bonds were issued by the City in order to: (1) advance refund a portion of the City's existing Sewerage System Revenue Refunding Bonds, Series 1985; (2) pay the costs of certain additions and improvements to the City's Sewerage System and; (3) pay all costs and expenses associated with such refunding and the issuance of the Series 1988 Bonds.

The 1988 bonds are secured by a lien on and pledge of the net revenues derived from the operation of the system. These bonds are insured by the AMBAC Indemnity Corporation unconditionally guaranteeing the timely payment of principal and interest on the 1988 Series Bonds.

The Series 1988 Bonds are not subject to optional redemption prior to maturity.

As required by the 1988 Revenue Bond Ordinance, a Sinking Fund has been established with the West Virginia Municipal Bond Commission. Moneys in the Sinking Fund are to be used only for the purpose of paying principal of and interest on the bonds. Beginning 13 months prior to the first principal payment of the Series 1988 Bonds, monthly payments are required to be made into the Sinking Fund in amounts equaling 1/12th of the amount of principal due on the next principal payment date. The sinking fund account balance at June 30 1998 was $1,146,393.

No additional payments are required to be made into the Sinking Fund when the aggregate amount in the Sinking Fund is equal to the aggregate principal amount of bonds outstanding plus the amount of interest due or thereafter to become due on the bonds outstanding.

c. 1997 Series - Waterworks Refunding Revenue Bonds

Series 1997, Waterworks Refunding Revenue Bonds in the amount of $10,260,000 were issued pursuant to an ordinance enacted by the City of Fairmont on April 8, 1997 and supplemented by a resolution adopted on June 5, 1997 and sold as of June 19, 1997 mature serially through 2013 and bear interest from 4.25% to 5.375% per the following schedule.

Maturity	Principal Amount	Interest Rate	Maturity	Principal Amount	Interest Rate
1999	$ 210,000	4.250%	2007	715,000	5.000%
2000	520,000	4.400	2008	750,000	5.100
2001	545,000	4.500	2009	790,000	5.300
2002	565,000	4.600	2010	830,000	5.350
2003	595,000	4.700	2011	875,000	5.300
2004	625,000	4.750	2012	925,000	5.500
2005	650,000	4.800	2013	980,000	5.375
2006	685,000	4.850			
				$ 10,260,000	

The 1997 bonds were issued by the City in order to: (1) currently refund all of the Issuer's outstanding Waterworks Refunding Revenue Bonds, Series 1987, dated January 15, 1987; (2) fund a portion of the reserve account for the Bonds and to pay the initial premium for a debt service reserve account letter of credit for the balance thereof; and (3) pay costs of issuance thereof and other costs in connection with such refunding.

The 1997 bonds are secured by a lien on and pledge of the net revenues derived from the operation of the System. These bonds are insured by the Municipal Bond Insurance Association unconditionally guaranteeing the timely payment of principal and interest on the 1997 Series Bonds.

The Series 1997 bonds shall be redeemable prior to their stated dates of maturity at the option of the Issuer, as a whole at any time, or in part on any interest payment date, in inverse order of their maturities and by lot within a maturity, at the respective redemption prices as set forth in the bond ordinance.

As required by the 1997 Revenue Bond Ordinance, a sinking fund has been established with the West Virginia Municipal Bond Commission. Moneys in the sinking fund are to be used only for the purposes of paying principal of and interest on the bonds. Monthly payments are required to be made into the sinking fund of amounts equaling 1/6th of the amount of interest due on the next semiannual interest date plus 1/12th of the amount of principal due on the next principal payment date. The sinking fund account balance at June 30, 1998 was $631,312.

No additional payments are required to be made into the sinking fund when the aggregate amount in the sinking fund, including the reserve account, is equal to the aggregate principal amount of bonds outstanding plus the amount of interest due or thereafter to become due on the bonds outstanding.

7. Employees Retirement System

The City of Fairmont, West Virginia, elected to become a participating public employer under the West Virginia Public Employees Retirement System effective August 28, 1961 for the coverage of all eligible employees, except those employees of the police and fire departments covered by the City's Policemen's Pension and Relief Fund and the Firemen's Pension and Relief Fund. The municipality's contribution to the West Virginia Public Employees Retirement System for the year ended June 30, 1998 was:

Percentage of Payroll		Wages	Amount
Employer share	9.50%	2,531,299	$ 240,473
Employee share	4.50%	2,531,299	113,908
Total contribution			$ 354,381

A member who has attained age 60 and has earned five or more years of contributing service is eligible for a normal retirement benefit. The annual normal retirement benefit is payable in monthly installments, which is equal to 2% of the member's final average salary times the number of years of credited service. Final average salary is the average of the member's annual compensation during the three consecutive years of credited service (during the 10 years preceding the termination of employment) that produce the highest such average.

Employees whom have either attained age 55 and completed 10 years of credited service, or have completed 20 years of credited service, may elect to have their deferred vested benefit commence on the first of any month following their 55th birthday.

Accordingly to the latest actuarial study dated February 1997 of the West Virginia Public Employees' Retirement System prepared by Buck Consultants, the unfunded actuarial liability as of June 30, 1997 was $393,416,000. The valuation indicates that the current contribution levels will fund the benefits accruing during the year and amortize the existing unfunded liability within 25 years. Other relevant information also reported in that study is as follows:

Pension Benefit Obligation

Retirees and beneficiaries currently receiving benefits and vested terminated employees not yet receiving benefits	$ 918,599,000
Active participants:	
Accumulated member contributions	357,547,000
Employer-financed:	
Vested	285,398,000
Nonvested benefits	557,425,000
Total pension benefit obligation	$ 2,118,969,000
Net assets available for benefits, at cost value	$ 2,024,572,000
Net assets available for benefits, at market value	$ 1,988,588,000

The significant actuarial assumptions used in the valuation, were as follows:

Annual valuation interest assumption: 7.50%

Salary scales used are the same as used in the 1993 valuation.

Assets for valuation purposes are included at market value plus an amount estimated as the value of member contributions from the Teachers Retirement system expected to be transferred to Public Employees' Retirement System in the future by members of the Division of Rehabilitation Services.

Defined Benefit Pension Plans

The municipality has established and maintains the following employees retirement and benefits funds, as authorized by West Virginia Code §8-22-1, et seq., for all eligible employees.

(1) Policemen's Pension and Relief Fund
(2) Firemen's Pension and Relief Fund

Plan Descriptions

At July 1, 1998, the plan's membership consisted of the following:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them:

Firemen	45
Policemen	37
Total	82

Current employees:

Vested and nonvested:	
Firemen	39
Policemen	34
Total	73

	Policemen's Pension Plan	Firemen's Pension Plan
Other plan details:		
Eligibility	All paid members of the Police Department.	All paid members of the Fire Department.
Rate of employee contribution	7% of salary.	7% of salary.
Vesting period for normal retirement	20 years of service but no later than the date the participant reaches age 65.	20 years of service but no later than the date the participant reaches age 65.
Benefits	60% of average compensation, but not less than $6,000, plus an additional 2% for each full year of credited service in excess of 20 years, but not in excess of 25 years, plus an additional 1% for each full year of credited service in excess of 25 years, but not in excess of 30 years. In addition, 1% is granted for each full year of military service up to 4 years. However, maximum benefit received may not exceed 75%.	60% of average compensation, but not less than $6,000, plus an additional 2% for each full year of credited service in excess of 20 years, but not in excess of 25 years, plus an additional 1% for each full year of credited service in excess of 25 years, but not in excess of 30 years. In addition, 1% is granted for each full year of military service up to 4 years. However, maximum benefit received may not exceed 75%.

Funding Status and Progress

The amount shown on the following page as "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess progress made in accumulating sufficient assets to pay benefits when due.

The pension benefit obligation was determined as part of an actuarial valuation of the plan as of July 1, 1996, for the police and fire plans. Significant actuarial assumptions used in determining the pension benefit obligation included: (1) a rate of return on the investment of present and future assets of 7.5 percent per year compounded annually for both the fire pension plan and the police pension plans, (2) the assumption that benefits will increase 3.0 percent per year after retirement, and (3) projected salary increases of 4.0 percent per year for all plans.

As of July 1, 1996, the unfunded pension benefit obligations for the policemen's and firemen's pensions were $6,414,848 and $7,787,493, respectively.

	Policemen's	Firemen's
Pension Benefits Earned		
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	$ 5,584,498	$ 6,050,838
Current Employees		
Accumulated employee contributions including allocated investment earnings	579,392	871,292
Employer - financed vested	1,722,240	2,852,713
Employer - financed nonvested	363,001	828,983
Total pension benefits obligations	8,249,131	10,603,826
Net assets available for benefits, at market	2,156,156	3,230,622
Unfunded pension benefits earned	$ 6,092,975	$ 7,373,204

(a) Policemen's Pension and Relief Fund

The Policemen's Pension and Relief Fund of the municipality covers all eligible employees of the police department paid on a full-time basis from public funds. The municipality's contribution for the fiscal year ended June 30, 1998, was $197,571 and $198,852 was provided by the insurance premium tax allocation, for a total contribution of $396,423.

According to the latest actuarial study of the municipality's Policemen's Pension and Relief Fund, conducted by Foster Higgins, the unfunded past service liability as of July 1, 1996, was $6,414,848.

As required by West Virginia Code §8-22-20, in no event will the municipality be allowed to contribute less than the greater of:

(1) The average of the amounts contributed in the five fiscal years beginning fiscal year ending June 30, 1984.

(2) One hundred and seven percent (107%) of the prior year's required city contribution.

(3) The amount which, when added to the member contribution and the revenue from the state premium tax, equals the overall plans normal cost.

It was determined during this examination that the municipality did comply with the minimum required contribution per West Virginia Code §8-22-20 for the fiscal year ended June 30, 1998.

In presenting these recommended funding levels, Foster Higgins, assumed that the premium tax allocation will continue to be paid to the municipality and that it will remain at about the same level for the next three years.

(b) Firemen's Pension and Relief Fund

The Firemen's Pension and Relief Fund of the municipality covers all eligible employees of the fire department paid on a full-time basis from public funds. The municipality's contribution for the fiscal year ended June 30, 1998, was $259,881 and $218,647 was provided by the insurance premium tax allocation, for a total contribution of $478,528.

According to the latest actuarial study of the municipality's Firemen's Pension and Relief Fund, conducted by Foster Higgins, the unfunded past service liability as of July 1, 1996 was $7,787,493.

As required by West Virginia Code §8-22-20, in no event will the municipality be allowed to contribute less than the greater of:

(1) The average of the amounts contributed in the five fiscal years beginning fiscal year ending June 30, 1984.

(2) One hundred and seven percent (107%) of the prior year's required city contribution.

(3) The amount which, when added to the member contribution and the revenue from the state premium tax, equals the overall plans normal cost.

It was determined during this examination that the municipality did comply with the minimum required contribution per West Virginia Code §8-22-20 for the fiscal year ended June 30, 1998.

In presenting these recommended funding levels, Foster Higgins, assumed that the premium tax allocation will continue to be paid to the municipality and that it will remain at about the same level for the next three years.

8. Pending Litigation

The City of Fairmont has been named as a defendant in several cases which in the opinion of the municipality's attorney will have no material adverse effect to the City.

9. Workers' Compensation Fund

On July 5, 1983, the City of Fairmont adopted Ordinance No. 600 authorizing self-insured status for Workers' Compensation. This Ordinance provides for the payment to the West Virginia Workers' Compensation for costs of administering the fund, and the required amounts into a surplus fund for the coverage of catastrophe and second injury liability, and to pay all Workers' Compensation benefits anticipated to be payable that year. In addition, the Ordinance authorized all necessary procedures to insure that all Workers' Compensation payments are paid promptly to eligible employees. It further directed the purchase of excess insurance for the purpose of indemnifying the City against losses per accident in excess of a specific retention level and for the purpose of indemnifying the City against annual losses in the aggregate in excess of a specific retention level.

10. Lease

City of Fairmont is the lessor of land under an operating lease with an original lease term of 30 years expiring in 2,014. The lease includes the option to renew for two (2) subsequent periods of ten years each, by giving notice of at least 30 days prior to the expiration of the lease. Minimum lease payments to be received as of June 30, 1998 for each of the next five years are:

Year Ended June 30,	Amount
1999	$ 12,000
2000	12,000
2001	12,000
2002	12,000
2003	12,000
Thereafter	132,000
Total	$ 192,000

11. Interfund Balances

Individual fund interfund receivable and payable balances at June 30, 1998 are as follows:

	Due From Other Funds	Due to Other Funds
General fund	$ 15,285	$ 125,000
Enterprise funds:		
Water fund	125,000	-0-
Expendable trust funds:		
Police fund	-0-	15,285
Nonexpendable trust funds:		
Policemen's pension and relief fund	454	-0-
Firemen's pension and relief fund	-0-	454
	$ 140,739	$ 140,739

12. Segment Information for Enterprise Funds

The City maintains three enterprise funds which provide water, sanitary (sewer) and parking services. Segment information for the year ended June 30, 1998 was as follows:

	Water Fund	Sanitary Sewer Board	Parking Fund	Total Enterprise Funds
Operating revenues	$ 2,873,995	$ 2,435,303	$ -0-	$ 5,309,298
Depreciation and amortization expense	1,010,886	1,750,586	6,324	2,767,796
Operating income (loss)	278,803	(1,323,715)	(6,403)	(1,051,315)
Net (loss) income	(251,830)	(1,435,888)	16,351	(1,671,367)
Current capital:				
Contributions	20,213	26,080	-0-	46,293
Property, plant and equipment additions	410,364	319,586	-0-	729,950
Total assets	15,329,855	24,300,070	40,632	39,670,557
Bond and other long-term liabilities:				
Payable from operating revenues	10,572,431	10,197,100	-0-	20,769,531
Total fund equity	4,173,168	13,849,406	40,632	18,063,206

13. Deficit Retained Earnings

The Sanitary Sewer Board has a deficit retained earnings balance of $5,313,853 as of June 30, 1998. The elimination of the deficit balances is contingent on various charges for services and increasing revenues.

14. Unclaimed Deposits on Water Fund

After appropriate but failed attempts to refund customer's deposits, the City still retains several year's worth of old customer's deposits. Per "Rules and Regulations for the Government of Water Utilities", upon the completion of attempts to refund deposits, 'the deposit shall be considered as derelict property subject to recovery by the State of West Virginia under the provisions of Chapter 34, Article 2, Section 1 of the Code of West Virginia'. The City retains derelict funds totaling $24,221.

15. Restatement of Retained Earnings

It was determined during this examination that the retained earnings of the Water Fund required restatement as follows:

Retained earnings as previously stated	$ 1,067,776
Restatement:	
Additional fixed assets not previously recorded	408,419
Retained earnings as restated	$ 1,476,195

It was determined during this examination that the retained earnings of the Sanitary Sewer Board required restatement as follows:

Retained earnings as previously stated	$(3,824,436)
Restatement:	
Overstatement of accounts receivable	(53,529)
Retained earnings as restated	$(3,877,965)

CITY OF FAIRMONT, WEST VIRGINIA
COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS
JUNE 30, 1998

	Coal Severance Fund	HUD Special Purpose Grant Program WV15SPG25	Project Dare	Emergency Shelter Grant Program	High Crime Area Grant Program	Small Cities Block Grant	Governor's Contingency Grant	Total (Memorandum Only)
ASSETS								
Cash	$ 76,663	$ -0-	$ 192	$ -0-	$ -0-	$ 4,267	$ 73,635	$ 154,757
Due from:								
Other governments	-0-	17,456	-0-	27,634	-0-	95,381	-0-	140,471
TOTAL ASSETS	$ 76,663	$ 17,456	$ 192	$ 27,634	$ -0-	$ 99,648	$ 73,635	$ 295,228
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable	$ 40	$ 17,456	$ -0-	$ 27,634	$ -0-	$ 99,648	$ -0-	$ 144,778
Total liabilities	40	17,456	-0-	27,634	-0-	99,648	-0-	144,778
Fund Balances								
Unreserved	76,623	-0-	192	-0-	-0-	-0-	73,635	150,450
Total fund balances	76,623	-0-	192	-0-	-0-	-0-	73,635	150,450
TOTAL LIABILITIES AND FUND BALANCES	$ 76,663	$ 17,456	$ 192	$ 27,634	$ -0-	$ 99,648	$ 73,635	$ 295,228

The accompanying notes are an integral part of the combining financial statements.

CITY OF FAIRMONT, WEST VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 1998

	Coal Severance Fund	HUD Special Purpose Grant Program WV15SPG25	Project Dare	Emergency Shelter Grant Program	High Crime Area Grant Program	Small Cities Block Grant	Governor's Contingency Grant	Total (Memorandum Only)
Revenues								
Intergovernmental:								
Federal	$ -0-	$ 305,898	$ -0-	$ 60,009	$ -0-	$ 170,286	$ -0-	$ 536,193
State	48,784	-0-	-0-	-0-	-0-	-0-	75,000	123,784
Interest	774	-0-	-0-	-0-	-0-	-0-	-0-	774
Total revenues	49,558	305,898	-0-	60,009	-0-	170,286	75,000	660,751
Expenditures								
Public safety	-0-	-0-	8	-0-	7,391	-0-	-0-	7,399
Highways and streets	11,765	-0-	-0-	-0-	-0-	-0-	-0-	11,765
Community development	-0-	305,898	-0-	60,009	-0-	170,286	1,365	537,558
Total expenditures	11,765	305,898	8	60,009	7,391	170,286	1,365	556,722
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	37,793	-0-	(8)	-0-	(7,391)	-0-	73,635	104,029
Fund balances at beginning of year	38,830	-0-	200	-0-	7,391	-0-	-0-	46,421
Fund balances at end of year	$ 76,623	$ -0-	$ 192	$ -0-	$ -0-	$ -0-	$ 73,635	$ 150,450

The accompanying notes are an integral part of the combining financial statements.

CITY OF FAIRMONT, WEST VIRGINIA
COMBINING BALANCE SHEET - ENTERPRISE FUNDS
JUNE 30, 1998

ASSETS	Water	Sanitary Sewer Board	Parking	Total (Memorandum Only)
Current Assets				
Cash	$ 595,055	$ 81,578	$ -0-	$ 676,633
Investments, at cost	-0-	523,504	-0-	523,504
Receivables, net of allowances:				
Accounts	360,982	294,895	-0-	655,877
Other	-0-	183,033	-0-	183,033
Notes	-0-	868	-0-	868
Due from other funds	125,000	-0-	-0-	125,000
Inventory, at cost	89,102	4,515	-0-	93,617
Total current assets	1,170,139	1,088,393	-0-	2,258,532
Restricted Assets				
Investment for bond retirement	631,312	1,146,393	16,147	1,793,852
Customer deposits	54,217	-0-	-0-	54,217
Total restricted assets	685,529	1,146,393	16,147	1,848,069
Property, Plant and Equipment				
Land	213,073	161,826	-0-	374,899
Building	-0-	-0-	20,652	20,652
Collection and distribution system	18,774,503	16,548,498	-0-	35,323,001
Machinery and equipment	735,453	868,865	106,746	1,711,064
Treatment system	2,840,528	11,658,660	-0-	14,499,188
Less: Accumulated depreciation	(9,321,960)	(11,643,224)	(102,913)	(21,068,097)
Net property, plant and equipment	13,241,597	17,594,625	24,485	30,860,707
Other Assets				
Unamortized bond discount and issue costs	232,590	4,451,822	-0-	4,684,412
Notes receivable	-0-	18,837	-0-	18,837
Total other assets	232,590	4,470,659	-0-	4,703,249
TOTAL ASSETS	$ 15,329,855	$ 24,300,070	$ 40,632	$ 39,670,557

	Water	Sanitary Sewer Board	Parking	Total (Memorandum Only)
LIABILITIES AND FUND EQUITY				
Current Liabilities (payable from current assets)				
Accounts payable	$ 84,522	$ 70,162	$ -0-	$ 154,684
Other accrued expenses	17,577	15,138	-0-	32,715
Accrued compensated absences	98,361	168,264	-0-	266,625
Due to:				
Other funds	-0-	-0-	-0-	-0-
Total current liabilities (payable from current assets)	200,460	253,564	-0-	454,024
Current Liabilities (payable from restricted assets)				
Revenue bonds payable	210,000	500,000	-0-	710,000
Accrued revenue bond interest payable	259,205	-0-	-0-	259,205
Accrued interest payable	62,308	-0-	-0-	62,308
Customer deposits	62,283	-0-	-0-	62,283
Total current liabilities (payable from restricted assets)	593,796	500,000	-0-	1,093,796
Long-Term Liabilities (net of current portion)				
Revenue bonds payable	10,050,000	9,565,000	-0-	19,615,000
Accrued compensated absences	312,431	132,100	-0-	444,531
Total long-term liabilities	10,362,431	9,697,100	-0-	20,059,531
Total liabilities	11,156,687	10,450,664	-0-	21,607,351
Fund Equity				
Contributed capital	2,948,803	19,163,259	-0-	22,112,062
Retained earnings:				
Reserved	685,529	-0-	-0-	685,529
Unreserved (deficit)	538,836	(5,313,853)	40,632	(4,734,385)
Total fund equity	4,173,168	13,849,406	40,632	18,063,206
TOTAL LIABILITIES AND FUND EQUITY	$ 15,329,855	$ 24,300,070	$ 40,632	$ 39,670,557

The accompanying notes are an integral part of the combining financial statements.

CITY OF FAIRMONT, WEST VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS - ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 1998

	Water	Sanitary Sewer Board	Parking	Total (Memorandum Only)
Operating Revenues				
Charges for services	$ 2,769,995	$ 2,423,121	$ -0-	$ 5,193,116
Miscellaneous	104,000	12,182	-0-	116,182
Total operating revenues	2,873,995	2,435,303	-0-	5,309,298
Operating Expenses				
Purchases and materials	15,530	-0-	-0-	15,530
Pumping	295,320	-0-	-0-	295,320
Treatment and disposal	799,625	-0-	-0-	799,625
Billing and collection	136,435	-0-	-0-	136,435
General and administrative	337,396	-0-	79	337,475
Operating expenses	-0-	2,008,432	-0-	2,008,432
Depreciation	1,010,886	1,750,586	6,324	2,767,796
Total operating expenses	2,595,192	3,759,018	6,403	6,360,613
Operating income (loss)	278,803	(1,323,715)	(6,403)	(1,051,315)
Nonoperating Revenues (Expenses)				
Interest	15,859	116,692	24,479	157,030
Miscellaneous income	6,930	-0-	-0-	6,930
Interest and fiscal charges	(537,916)	-0-	(1,725)	(539,641)
Amortization of bond discount and issue costs	(15,506)	(228,865)	-0-	(244,371)
Total nonoperating revenues (expenses)	(530,633)	(112,173)	22,754	(620,052)
NET (LOSS) INCOME	(251,830)	(1,435,888)	16,351	(1,671,367)
Retained earnings at beginning of year - restated	1,476,195	(3,877,965)	24,281	(2,377,489)
Retained earnings at end of year	$ 1,224,365	$(5,313,853)	$ 40,632	$(4,048,856)

The accompanying notes are an integral part of the combining financial statements.

CITY OF FAIRMONT, WEST VIRGINIA
COMBINING STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 1998

	Water	Sanitary Sewer Board	Parking	Total (Memorandum Only)
Cash Flows from Operating Activities				
Operating income (loss)	$ 285,733	$(1,323,715)	$(6,403)	$(1,044,385)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	1,010,886	1,750,586	6,324	2,767,796
(Increase) decrease in:				
Accounts receivable	(25,243)	(15,008)	-0-	(40,251)
Due from other funds	(125,000)	-0-	-0-	(125,000)
Inventory	14,521	(2,060)	-0-	12,461
Increase (decrease) in:				
Accounts payable	(44,673)	(46,951)	-0-	(91,624)
Other accrued expenses	17,577	12,931	-0-	30,508
Accrued compensated absences	39,663	(20,019)	-0-	19,644
Due to other funds	(11,896)	(18,353)	-0-	(30,249)
Net cash provided by (used in) operating activities	1,161,568	337,411	(79)	1,498,900
Cash Flows From Capital and Related Financing Activities				
(Increase) decrease in restricted assets	(21,263)	66,353	7,326	52,416
Increase in restricted liabilities	328	-0-	-0-	328
Repayment of revenue bonds	-0-	(500,000)	(30,000)	(530,000)
Interest expense	(639,136)	-0-	(1,725)	(640,861)
Net cash (used in) capital and related financing activities	(660,071)	(433,647)	(24,399)	(1,118,117)

CITY OF FAIRMONT, WEST VIRGINIA
COMBINING STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 1998

	Water	Sanitary Sewer Board	Parking	Total (Memorandum Only)
Cash Flows From Investing Activities				
Sale of investments	$ -0-	$ 321,896	$ -0-	$ 321,896
Acquisition of property, plant and equipment	(410,364)	(319,586)	-0-	(729,950)
Interest on investments	15,859	116,692	24,478	157,029
Increase in contributed capital	20,213	26,080	-0-	46,293
Net cash (used in) provided by investing activities	(374,292)	145,082	24,478	(204,732)
Net increase in cash	127,205	48,846	-0-	176,051
Cash at beginning of year	467,850	32,732	-0-	500,582
Cash at end of year	$ 595,055	$ 81,578	$ -0-	$ 676,633

The accompanying notes are an integral part of the combining financial statements.

CITY OF FAIRMONT, WEST VIRGINIA
COMBINING BALANCE SHEET - PENSION TRUST FUNDS
JUNE 30, 1998

	Policemen's Pension and Relief	Firemen's Pension and Relief	Total (Memorandum Only)
ASSETS			
Cash	$ 332	$ 34,138	$ 34,470
Investments, at cost	2,337,876	3,759,325	6,097,201
Receivables, net of allowances:			
Accrued interest	14,692	25,277	39,969
Due from:			
Other funds	454	-0-	454
Other governments	31,816	52,475	84,291
TOTAL ASSETS	$ 2,385,170	$ 3,871,215	$ 6,256,385
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	$ -0-	$ 187	$ 187
Due to other funds	-0-	454	454
Total liabilities	-0-	641	641
Fund Balances			
Reserved for employees' retirement	2,385,170	3,870,574	6,255,744
TOTAL LIABILITIES AND FUND BALANCES	$ 2,385,170	$ 3,871,215	$ 6,256,385

The accompanying notes are an integral part of the combining financial statements.

CITY OF FAIRMONT, WEST VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES - PENSION TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1998

	Policemen's Pension and Relief	Firemen's Pension and Relief	Total (Memorandum Only)
Operating Revenues			
Contributions:			
Employer	$ 197,571	$ 259,881	$ 457,452
Employees	65,899	82,763	148,662
Insurance premium tax allocation	198,852	218,647	417,499
Interest	185,452	267,526	452,978
Gain on sale of investments	-0-	120,508	120,508
Miscellaneous	-0-	322	322
Total operating revenues	647,774	949,647	1,597,421
Operating Expenses			
General and administrative	606	16,444	17,050
Benefit payments	557,182	523,823	1,081,005
Total operating expenses	557,788	540,267	1,098,055
NET INCOME	89,986	409,380	499,366
Fund balances at beginning of year	2,295,184	3,461,194	5,756,378
Fund balances at end of year	$ 2,385,170	$ 3,870,574	$ 6,255,744

The accompanying notes are an integral part of the combining financial statements.

CITY OF FAIRMONT, WEST VIRGINIA
COMBINING STATEMENT OF CASH FLOWS - PENSION TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1998

	Policemen's Pension and Relief	Firemen's Pension and Relief	Total (Memorandum Only)
Cash Flows From Operating Activities			
Operating (loss) income	$(95,466)	$ 141,854	$ 46,388
Adjustments to reconcile operating (loss) income to net cash (used in) operating activities:			
(Gain) loss on sale of investments	-0-	(120,508)	(120,508)
(Increase) decrease in:			
Due from other funds	(454)	-0-	(454)
Due from other governments	(31,816)	(52,475)	(84,291)
Increase (decrease) in:			
Accounts payable	-0-	(186)	(186)
Due to other funds	-0-	454	454
Net cash (used in) operating activities	(127,736)	(30,861)	(158,597)
Cash Flows From Investing Activities			
Purchase of investment securities	(81,292)	(301,048)	(382,340)
Interest income	189,413	266,910	456,323
Net cash provided by (used by) investing activities	108,121	(34,138)	73,983
Net (decrease) in cash	(19,615)	(64,999)	(84,614)
Cash at beginning of year	19,947	99,137	119,084
Cash at end of year	$ 332	$ 34,138	$ 34,470

The accompanying notes are an integral part of the combining financial statements.

Tetrick & Bartlett, PLLC
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Consultants
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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Mayor and Council
City of Fairmont
Fairmont, West Virginia

We have audited the general purpose financial statements and the combining and individual accounts group financial statements of the City of Fairmont, West Virginia as of and for the year ended June 30, 1998, and have issued our report thereon dated October 19, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance
As part of obtaining reasonable assurance about whether the City of Fairmont, West Virginia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting
In planning and performing our audit, we considered the City of Fairmont, West Virginia's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the

design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Fairmont, West Virginia's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 98-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 98-1 to be a material weakness.

This report is intended for the information of the Municipal Officials of the City of Fairmont, West Virginia, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Jetuck, Bartlett, PLLC

Clarksburg, West Virginia

October 19, 1998

Tetrick & Bartlett, PLLC
Certified Public Accountants
Consultants
122 N. Oak St. • PO Box 1916 • Clarksburg, WV 26302-1916 • (304) 624-5564 • Fax: (304) 624-5582 • E-mail: TB@tetrickbartlett.com

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Honorable Mayor and Council
City of Fairmont
Fairmont, West Virginia

Compliance

We have audited the compliance of the City of Fairmont, West Virginia with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 1998. City of Fairmont, West Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Fairmont, West Virginia's management. Our responsibility is to express an opinion on the City of Fairmont, West Virginia's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Fairmont, West Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Fairmont, West Virginia's compliance with those requirements.

In our opinion, the City of Fairmont, West Virginia complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1998. However, the results of our auditing procedures disclosed instances

of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 98-2.

Internal Control Over Compliance
The management of the City of Fairmont, West Virginia is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Fairmont, West Virginia's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operations that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City of Fairmont, West Virginia's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 98-3.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we considered item 98-3 to be a material weakness.

This report is intended for the information of the Municipal Officials of the City of Fairmont, West Virginia, management and federal awarding agencies and pass-through entities, and the West Virginia State Tax Department. However, this report is a matter of public record and its distribution is not limited.

Tetrick, Bartlett, PLLC

Clarksburg, West Virginia

October 19, 1998

CITY OF FAIRMONT, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 1998

A. Summary of Audit Results

1. The auditor's report expresses a unqualified opinion on the financial statements of the City of Fairmont, West Virginia.

2 One reportable condition disclosed during the audit of the financial statements are reported in the report on compliance and internal control over financial reporting based on an audit of financial statements performed in accordance with Government Auditing Standards. This condition is reported as a material weakness.

3. No instances of noncompliance material to the financial statements of the City of Fairmont, West Virginia was disclosed during the audit.

4. One reportable condition disclosed during the audit of the major federal award programs is reported in the report on compliance with the requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133. This condition is reported as a material weakness.

5. The auditor's report on compliance for the major federal award programs for the City of Fairmont, West Virginia expresses an unqualified opinion.

6. Audit findings relative to the major federal award programs for the City of Fairmont, West Virginia expresses an unqualified opinion.

7. The program tested as a major program is Department of Housing and Urban Development CFDA number 14.219.

8. The threshold for distinguishing Types A and B programs was $300,000.

B. Findings - Financial Statements Audit

Reportable Conditions

98-1 Segregation of Duties

Condition: Responsibility for approving, executing and recording transactions and custody of the resulting asset arising from the transaction should be assigned to different individuals.

Criteria: Internal control should be implemented to the degree possible to assign to different individuals the responsibility for approving, executing and recording transactions and custody of the resulting asset arising from the transaction.

Effect: The lack of a complete segregation of duties increases the risk that errors or irregularities in recording, processing, summarizing and reporting financial data could occur and not be detected in a timely manner.

Recommendation: Responsibilities of approval, execution, recording and custody be distributed among the accounting staff to the degree possible. However, we recognize that complete segregation of duties is not economically feasible.

Entity's Response: To the extent possible, the City has segregated its duties. Any further segregation of duties would not be economically feasible.

C. Findings and Questioned Costs - Major Federal Award Program Audit

98-2 Department of Housing and Urban Development - CFDA Number 14.219 - Year ended June 30, 1998.

Condition: The City failed to comply with the cash management of funds in relation to the three day rule.

Criteria: All federal funds in excess of $5,000 must be disbursed by the City within three days of receipt of those funds from the Department of Housing and Urban Development. $ 110,007

Recommendation: The City should implement a cash management system that requires all funds received to be expended within three days of receipt.

Entity's Response: Federal funds are electronically wired to the bank by the Department of Housing and Urban Development. The bank does not notify the City upon receipt of the federal funds. The City will implement a system to assure that notification is received from the bank upon the funds being wired to the bank.

Total Department of Housing and Urban Development $ 110,007

98-3 Department of Housing and Urban Development - CFDA Number 14.219 - Year ended June 30, 1998.

Condition: Responsibility for approving, executing and recording transactions and custody of the resulting asset arising from the transaction should be assigned to different individuals.

Criteria: Internal control should be implemented to the degree possible to assign to different individuals the responsibility for approving, executing and recording transactions and custody of the resulting asset arising from the transaction.

CITY OF FAIRMONT, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 1998

Effect: The lack of a complete segregation of duties increases the risk that errors or irregularities in recording, processing, summarizing and reporting financial data could occur and not be detected in a timely manner.

Recommendation: Responsibilities of approval, execution, recording and custody be distributed among the accounting staff to the degree possible. However, we recognize that complete segregation of duties is not economically feasible.

Entity's Response: To the extent possible, the City has segregated its duties. Any further segregation of duties would not be economically feasible.

CITY OF FAIRMONT, WEST VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 1998

Federal Grantor/Pass-through Grantor/ Program Title		Federal CFDA Number	Agency or Pass-Through Number	Grant Number	Program or Award Amount	Accrued or (Deffered) Revenue at July 1, 1997	Receipts or Revenues Recognized	Federal Disbursements/ Expenditures	Accrued or (Deferred) Revenue at June 30, 1998
Department of Housing and Urban Development									
HUD Special Purpose Grant	*	14.219	N/A	WV15SPG25	$ 985,000	$ -0-	$ 288,443	$ 305,898	$ 17,455
Emergency Shelter Grant	*	14.219	N/A	98-1104	46,700	-0-	-0-	27,634	27,634
Emergency Shelter Grant	*	14.219	N/A	ESGP-97-4	50,895	-0-	10,222	10,222	-0-
Emergency Shelter Grant	*	14.219	N/A	95-014	25,000	-0-	25,000	25,000	-0-
Small Cities Block Grant		14.228	N/A	96-260	500,000	-0-	86,001	181,382	95,381
U.S. Department of Justice									
High Crime Area		16.580	N/A	96-LB-VX-1663	22,403	(7,391)	-0-	7,391	-0-
COPS Fast Program		16.580	N/A	97-LB-VX-3358	21,406	-0-	-0-	-0-	-0-

* Denotes major program

Notes to Schedule of Expenditures of Federal Awards

Note 1 - Significant Accounting Policies
The accompanying schedule of expenditures of federal awards is a summary of the cash activity of the City of Fairmont's federal award programs and does not present transactions that would be included in financial statements of the City presented on a modified accrual basis of accounting as contemplated by generally accepted accounting principles.

CITY OF FAIRMONT, WEST VIRGINIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 1998

Department of Housing and Urban Development

1997 - Finding Number 97-3 - Department of Housing and Urban Development

Condition: This finding was a reportable condition stating that the City did not have proper segregation of duties.

Recommendation: The auditor recommended that the City segregate duties regarding the responsibility for approving, executing and recording a transaction and custody of the resulting asset arising from the transaction be assigned to different individuals.

Current Status: The recommendation was adopted. The City has segregated duties to the extent possible. However, complete segregation of duties is not economically feasible. A similar finding was noted in the June 30, 1998 audit.

Appendix C

Proposed Form of Bond Counsel Opinions

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EXHIBIT C-1

[Form of Bond Counsel Opinion for Series 1998 Bonds]

December 30, 1998

$9,600,000
City of Fairmont
(West Virginia)
Water Revenue Bonds, Series 1998

City of Fairmont
Fairmont, West Virginia

Crews & Associates, Inc.
Charleston, West Virginia

Ferris, Baker Watts, Incorporated
Charleston, West Virginia

AMBAC Assurance Corporation
New York, New York

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance by the City of Fairmont (West Virginia) (the "Issuer") of its $9,600,000 aggregate principal amount Water Revenue Bonds, Series 1998 (the "Bonds").

The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 8, Article 19 of the West Virginia Code of 1931, as amended (the "Act"), and a Bond Ordinance duly enacted by the Issuer on November 10, 1998, as supplemented by a Supplemental Resolution duly adopted by the Issuer on December 17, 1998 (collectively, the "Ordinance"), and are subject to all the terms and conditions of the Ordinance. All capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Ordinance.

The Bonds are issued in fully registered form, are dated December 15, 1998 upon original issuance, mature on July 1 in the years and amounts and bear interest payable each January 1 and July 1, commencing July 1, 1999, as set forth in the Ordinance.

The Bonds are subject to mandatory sinking fund and optional redemption prior to maturity on the dates, in the amounts and at the redemption prices set forth in the Ordinance.

The Ordinance provides that the Bonds are issued for the purposes of paying a portion of the costs necessary (1) for acquisition and construction of additions, betterments and improvements (the "Project") for the Issuer's water treatment and distribution system (the "System"), (2) capitalizing interest on the Bonds during the period of acquisition and construction of the Project and for a period not to exceed six months thereafter, (3) to fund a reserve account for the Bonds, and (4) to pay costs of issuance thereof.

The Bonds have been sold to Ferris, Baker Watts, Incorporated and Crews & Associates, Inc. (collectively, the "Purchasers") pursuant to a Contract of Purchase dated December 17, 1998, and accepted by the Issuer (the "Contract of Purchase").

As to questions of fact material to our opinion, we have relied upon representations of the Issuer and others contained in the Ordinance and in the certified proceedings and other certifications of certain officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, and assuming compliance with the covenants and representations of the Issuer and others set forth in the Ordinance and the Registrar's Agreement and such certifications, we are of the opinion, under existing law, that:

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

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

3. Assuming due authorization, execution and delivery by the other parties thereto, the Contract of Purchase constitutes a valid, legal, binding and enforceable instrument of the Issuer in accordance with its terms.

4. The Bonds have been duly authorized, executed and delivered by the Issuer and, assuming proper authentication, constitute valid and legally enforceable limited obligations of the Issuer, payable and enforceable in accordance with their terms and the terms of the Ordinance, and are entitled to the benefits of the Ordinance and the Act. The Bonds are issued on a parity with respect to liens, pledge and source of and security for payment, and in all respects, with the Issuer's Waterworks Refunding Revenue Bonds, Series 1997, dated June 1, 1997, issued in the original aggregate principal amount of $10,260,000 and the Issuer's Water Revenue Bonds, Series 1999, to be dated January 1, 1999 and anticipated to be issued on January 14, 1999, in the original aggregate principal amount of $19,945,000.

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

may affect the excludability from gross income of the interest on the Bonds set forth in the Ordinance, and the certifications of the Issuer and others. Failure to comply with such Code provisions or such certifications, covenants and representations could cause the interest on the Bonds to be includable in gross income retroactive to the date of issuance of the Bonds.

6. The Issuer has designated the Bonds as "qualified tax-exempt obligations" for purposes of the Code, and has covenanted that it does not reasonably expect to issue, together with subordinate entities, more than $10,000,000 of tax-exempt obligations (other than certain private activity bonds) during the calendar year 1998. Therefore, the Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code, and, in the case of certain financial institutions (within the meaning of Section 265(b)(5) of the Code), a deduction is allowed for 80% of that portion of such financial institutions' interest expense allocable to interest on the Bonds.

7. Under the Act, the interest on the Bonds is exempt from all taxation by the State of West Virginia, or any county, municipality or county commission, political subdivision or agency thereof, except inheritance, estate and transfer taxes.

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

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

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

We have examined the executed and authenticated Bonds of said issue, and in our opinion, said Bonds are in proper form and have been duly executed and authenticated.

Very truly yours,

STEPTOE & JOHNSON

EXHIBIT C-2

[Form of Bond Counsel Opinion for Series 1999 Bonds]

January 14, 1998

$19,945,000
City of Fairmont
(West Virginia)
Water Revenue Bonds, Series 1999

City of Fairmont
Fairmont, West Virginia

Crews & Associates, Inc.
Charleston, West Virginia

Ferris, Baker Watts, Incorporated
Charleston, West Virginia

AMBAC Assurance Corporation
New York, New York

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance by the City of Fairmont (West Virginia) (the "Issuer") of its $19,945,000 aggregate principal amount Water Revenue Bonds, Series 1999 (the "Bonds").

The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 8, Article 19 of the West Virginia Code of 1931, as amended (the "Act"), and a Bond Ordinance duly enacted by the Issuer on November 10, 1998, as supplemented by a Supplemental Resolution duly adopted by the Issuer on December 17, 1998 (collectively, the "Ordinance"), and are subject to all the terms and conditions of the Ordinance. All capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Ordinance.

The Bonds are issued in fully registered form, are dated January 1, 1999 upon original issuance, mature on July 1 in the years and amounts and bear interest payable each January 1 and July 1, commencing July 1, 1999, as set forth in the Ordinance.

The Bonds are subject to mandatory sinking fund and optional redemption prior to maturity on the dates, in the amounts and at the redemption prices set forth in the Ordinance.

The Ordinance provides that the Bonds are issued for the purposes of paying a portion of the costs necessary (1) for acquisition and construction of additions, betterments and improvements (the "Project") for the Issuer's water treatment and distribution system (the "System"), (2) capitalizing interest on the Bonds

during the period of acquisition and construction of the Project and for a period not to exceed six months thereafter, (3) to fund a reserve account for the Bonds, and (4) to pay costs of issuance thereof.

The Bonds have been sold to Ferris, Baker Watts, Incorporated and Crews & Associates, Inc. (collectively, the "Purchasers") pursuant to a Contract of Purchase dated December 17, 1998, and accepted by the Issuer (the "Contract of Purchase").

As to questions of fact material to our opinion, we have relied upon representations of the Issuer and others contained in the Ordinance and in the certified proceedings and other certifications of certain officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, and assuming compliance with the covenants and representations of the Issuer and others set forth in the Ordinance and the Registrar's Agreement and such certifications, we are of the opinion, under existing law, that:

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

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

3. Assuming due authorization, execution and delivery by the other parties thereto, the Contract of Purchase constitutes a valid, legal, binding and enforceable instrument of the Issuer in accordance with its terms.

4. The Bonds have been duly authorized, executed and delivered by the Issuer and, assuming proper authentication, constitute valid and legally enforceable limited obligations of the Issuer, payable and enforceable in accordance with their terms and the terms of the Ordinance, and are entitled to the benefits of the Ordinance and the Act. The Bonds are issued on a parity with respect to liens, pledge and source of and security for payment, and in all respects, with the Issuer's Waterworks Refunding Revenue Bonds, Series 1997, dated June 1, 1997, issued in the original aggregate principal amount of $10,260,000 and the Issuer's Water Revenue Bonds, Series 1998, dated December 15, 1998, issued in the original aggregate principal amount of $9,600,000.

5. Under existing laws, regulations, published rulings and judicial decisions of the United States of America, as presently written and applied, the interest on the Bonds (including original issue discount properly allocable to owners of the Bonds) is excludable from gross income of the holders thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed upon individuals and corporations. It should be noted, however, that for the purpose of computing the alternative minimum tax on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. Ownership of tax-exempt obligations, including the Bonds, may result in collateral federal income tax consequences to certain taxpayers, including without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers who may be deemed to have incurred or

continued indebtedness to purchase or carry such obligations. We offer no opinion as to such collateral tax consequences or any other federal tax consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors as to such consequences. The opinions set forth above are subject to the condition that the Issuer comply, on a continuing basis, with all requirements of the Internal Revenue Code of 1986, as amended, and regulations thereunder (collectively, the "Code") that must be satisfied subsequent to issuance of the Bonds for interest thereon to be or continue to be excludable from gross income for federal income tax purposes and with all certifications, covenants and representations which may affect the excludability from gross income of the interest on the Bonds set forth in the Ordinance and the certifications of the Issuer and others. Failure to comply with such Code provisions or such certifications, covenants and representations could cause the interest on the Bonds to be includable in gross income retroactive to the date of issuance of the Bonds.

6. Under the Act, the interest on the Bonds is exempt from all taxation by the State of West Virginia, or any county, municipality or county commission, political subdivision or agency thereof, except inheritance, estate and transfer taxes.

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

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

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

We have examined the executed and authenticated Bonds of said issue, and in our opinion, said Bonds are in proper form and have been duly executed and authenticated.

Very truly yours,

STEPTOE & JOHNSON

12/21/98
268460/98001

Appendix D

Summary of Certain Provisions of the Principal Documents

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EXHIBIT D

SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE
AS SUPPLEMENTED AND AMENDED

THE ORDINANCE

The following is a brief summary of certain terms, provisions and covenants of the Ordinance. This summary makes use of terms defined in the Ordinance, certain of which are defined in "Definitions" which follows. This summary does not purport to be final, complete or definitive, and is qualified by reference to the Ordinance in its entirety for the complete and actual terms, provisions and covenants thereof.

Definitions

"Act" means Chapter 8, Article 19 of the West Virginia Code of 1931, as amended and in effect on the date of delivery of the Series 1998 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 and Redemption Digest.

"Authorized Officer" means the City Manager of the Issuer or any other officer of the Issuer specifically designated by resolution of the Council of the Issuer.

"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, Clarksburg, West Virginia.

"Bondholder," "Holder ," "Owner," "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 Series 1998 Bonds, and in the event the Series 1998 Bonds are insured, shall initially mean the Bond Insurer set forth in the Supplemental Resolution.

"Bond Register" means the books of the Issuer maintained by the Registrar for the registration and transfer of Bonds.

"Bond Year" means with respect to each series of 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 1998 Bonds, the Series 1999 Bonds, the Prior Bonds and any additional parity Bonds hereafter issued within the terms, restrictions and conditions contained in the Ordinance.

"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 1998 Bonds, in substantially the form set forth in the Ordinance.

"City" or "Issuer" means the City of Fairmont, a municipal corporation and political subdivision of the State of West Virginia, in Marion County thereof, and, unless the context clearly indicates otherwise, includes the Council and any successor thereto.

"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 1998 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.

"Construction Fund" means the Construction Fund created by the Ordinance.

"Consulting Engineers" means Chapman Technical Group, St. Albans, West Virginia, or 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" means, collectively, those costs described in the Ordinance.

"Costs of Issuance Fund" means the Costs of Issuance Fund created by the Ordinance.

"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.

"Depreciation Fund" means the Depreciation Fund created by the Prior Ordinance and continued by the Ordinance.

"DTC" means The Depository Trust Company, New York, New York, or its successor thereof.

"DTC-eligible" means, with respect to the Series 1998 Bonds, meeting the qualifications prescribed by DTC.

"Event of Default" means any occurrence or event specified in the Ordinance.

"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), or any Tap Fees.

"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.

"Municipal Bond Insurance Policy" means the municipal bond insurance policy, if any, issued by the Bond Insurer simultaneously with the delivery of the Series 1998 Bonds, insuring the payment of the principal of and interest on all or any of the Series 1998 Bonds in accordance with the terms thereof.

"Net Proceeds" means the face amount of the Series 1998 Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds deposited in the Series 1998 Bonds Reserve Account. For purposes of the Private Business Use limitations, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Series 1998 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.

"Nonpurpose Investment" means any investment property which is acquired with the gross proceeds of the Series 1998 Bonds and is not acquired in order to carry out the governmental purpose of the Series 1998 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 fiscal agents, the Depository Bank, the Registrar and the Paying Agent, other than those capitalized as part of the costs, payments to pension or retirement funds, taxes and such other reasonable operating costs and expenses as should normally and regularly be included under generally accepted accounting principles; provided, that "Operating Expenses" does not include payments on account of the principal of or redemption premium, if any, or interest on the Bonds, charges for depreciation, losses from the sale or other disposition of, or any decrease in the value of, capital assets, amortization of debt discount or such miscellaneous deductions as are applicable to prior accounting periods.

"Ordinance" means the Ordinance and all ordinances, orders and resolutions supplemented hereto or amendatory hereof.

"Original Purchaser" means, collectively Ferris Baker Watts, Inc., Charleston, West Virginia, and Crews & Associates, Inc., Little Rock, Arkansas, as the purchasers of the Series 1998 Bonds directly from the Issuer, or, if the Issuer and such Original Purchaser do not agree to the purchase of the Series 1998 Bonds with interest rates and other terms allowable under the Act, such other person or persons, firm or firms, bank or banks, corporation or corporations or such other entity or entities as shall purchase the Series 1998 Bonds 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 1998 Bonds, 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 1998 Bonds.

"Outstanding," when used with reference to the Bonds or Prior Bonds and as of any particular date, describes all Bonds or Prior 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 the Ordinance and set aside for such payment (whether upon or prior to maturity); (c) any Bond deemed to have been paid as provided in the Ordinance; 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 or Prior Bond registered to the Issuer. Notwithstanding the foregoing, in the event that the Bond Insurer has paid principal of and/or interest on any Bond, such Bond shall be deemed to be Outstanding until such time as the Bond Insurer has been reimbursed in full.

"Paying Agent" means the Registrar or any other Paying Agent designated as such for the Series 1998 Bonds in the Supplemental Resolution, and any successor thereto, appointed in accordance with the Ordinance.

"Prior Bonds" means the Issuer's Waterworks Refunding Revenue Bonds, Series 1997, dated June 1, 1997, issued in the original aggregate principal amount of $10,260,000.

"Prior Ordinance" means the bond ordinance enacted by the Issuer on April 8, 1997, and a supplemental resolution adopted by the Issuer on June 5, 1997, authorizing the Prior Bonds.

"Private Business Use" means use (directly or indirectly) in a trade or business carried on by any person other than a governmental unit; provided that use as a member of the general public shall not be taken into account.

"Project" means the Project as described in the Ordinance.

"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 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 Bonds are privately placed, the price paid by the first buyer of the 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 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, collectively, the Qualified Investments defined in the Prior Ordinance, with such modifications as set forth in the Supplemental Resolution.

"Rebate Fund" means the Rebate Fund created by the Ordinance.

"Record Date" means the day of the month which shall be so stated in the Series 1998 Bonds, regardless of whether such day is a Saturday, Sunday or legal holiday.

"Redemption Accounts" means, collectively, the Series 1998 Bonds Redemption Account and the Series 1999 Bonds Redemption Account.

"Redemption Date" means the date fixed for redemption of the Prior Bonds, the Series 1998 Bonds or any other Bonds of the Issuer called for redemption.

"Redemption Price" means the price at which the Prior Bonds, the Series 1998 Bonds or any other Bonds of the Issuer may be called for redemption and includes the principal amount of such Bonds to be redeemed, plus interest and the premium, if any, required to be paid to effect such redemption.

"Registrar" means the bank to be designated in the Supplemental Resolution as the Registrar for the Series 1998 Bonds, and any successor thereto, appointed in accordance with the Ordinance.

"Regulations" means temporary and permanent regulations promulgated under the Code, and includes applicable regulations promulgated under the Internal Revenue Code of 1954.

"Reserve Accounts" means, collectively, the Series 1998 Bonds Reserve Account and the Series 1999 Bonds Reserve Account.

"Reserve Requirements" means, collectively, the Series 1998 Bonds Reserve Requirement and the Series 1999 Bonds Reserve Requirement.

"Revenue Fund" means the Revenue Fund created by the Prior Ordinance and continued by the Ordinance.

"Series 1998 Bonds" means the Water Revenue Bonds, Series 1998, of the Issuer, originally authorized to be issued pursuant to the Ordinance and the Supplemental Resolution.

"Series 1998 Bonds Redemption Account" means the Series 1998 Bonds Redemption Account created by the Ordinance.

"Series 1998 Bonds Reserve Account" means the Series 1998 Bonds Reserve Account created by the Ordinance.

"Series 1998 Bonds Reserve Requirement" means, as of any date of calculation, the lesser of (i) 10% of the stated principal amount of the Series 1998 Bonds, (ii) maximum annual principal and interest requirements on the Series 1998 Bonds, or (iii) 125% of the average annual principal and interest requirements on the Series 1998 Bonds.

"Series 1998 Bonds Sinking Fund" means the Series 1998 Bonds Sinking Fund created by the Ordinance.

"Series 1999 Bonds" means the Water Revenue Bonds, Series 1999, of the Issuer, constituting a series of the bonds originally authorized to be issued pursuant to the Ordinance and the Supplemental Resolution.

"Series 1999 Bonds Redemption Account" means the Series 1999 Bonds Redemption Account created by Section 4.02 of the Ordinance.

"Series 1999 Bonds Reserve Account" means the Series 1999 Bonds Reserve Account created by Section 4.02 of the Ordinance.

"Series 1999 Bonds Reserve Requirement" means, as of any date of calculation, the lesser of (i) 10% of the stated principal amount of the Series 1999 Bonds, (ii) maximum annual principal and interest requirements on the Series 1999 Bonds, or (iii) 125% of the average annual principal and interest requirements on the Series 1999 Bonds.

"Series 1999 Bonds Sinking Fund" means the Series 1999 Bonds Sinking Fund created by Section 4.02 hereof.

"Sinking Funds" means, collectively, the Series 1998 Bonds Sinking Fund and the Series 1999 Bonds Sinking Fund.

"State" means the State of West Virginia.

"Supplemental Resolution" means any ordinance or resolution amendatory or supplemental to the Ordinance and, when preceded by the article "the," refers specifically to the Supplemental Resolution or Resolutions to be adopted by the Issuer following enactment of the Ordinance, setting forth the final amounts, maturities, interest rates and other terms of the Series 1998 Bonds, authorizing the sale of the Series 1998 Bonds to the Original Purchaser and setting forth provisions specific to the Bond Insurer, if any; 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, collectively, the complete existing municipal waterworks 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.

"Term Bonds" means Bonds subject to mandatory sinking fund redemption, as described in the Ordinance.

Investment of Funds and Accounts

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 the Ordinance in Qualified Investments to the fullest extent possible under applicable laws, the Ordinance, the need for such moneys for the purposes set forth in the Ordinance 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 (unless otherwise required by the Bond Insurer and as set forth in the Supplemental Resolution):

(A) Qualified Investments acquired for the Series 1998 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 semiannually transfer from the Series 1998 Bonds Reserve Account to the Series 1998 Bonds Sinking Fund, any earnings on the moneys deposited therein and any other funds in excess of the Series 1998 Bonds Reserve Requirement; provided, however, that there shall at all times remain on deposit in the Series 1998 Bonds Reserve Account an amount at least equal to the Series 1998 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 1998 Bonds Reserve Account, whereupon it shall be valued immediately after such withdrawal. If amounts on deposit in the Series 1998 Bonds Reserve Account shall, at any time, be less than the Series 1998 Bonds Reserve Requirement, the 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 Series 1998 Bonds Sinking Fund and otherwise in accordance with the Ordinance.

(D) All amounts representing accrued and capitalized interest shall be held by the Bond Commission, pledged solely to the payment of interest on the Series 1998 Bonds and invested only in Government Obligations maturing at such times and in such amounts as are necessary to match the interest payments to which they are pledged.

(E) Notwithstanding the foregoing, all moneys deposited in the Series 1998 Bonds Sinking Fund may be invested by the Bond Commission in the West Virginia "consolidated fund" managed by the West Virginia Investment Management Board pursuant to Chapter 12, Article 6 of the West Virginia Code of 1931, as amended.

Arbitrage Restrictions

The Issuer covenants that (i) it will restrict the use of the proceeds of the Series 1998 Bonds in such manner and to such extent as may be necessary, so that the Series 1998 Bonds will not constitute "arbitrage bonds" under Section 148 of the Code and Regulations prescribed thereunder, and (ii) it will take all actions that may be required of it (including, without implied limitation, the timely filing of a federal information return with respect to the Series 1998 Bonds) so that the interest on the Series 1998 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.

Rebate of Excess Investment Earnings to the United States

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 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 in the Ordinance to the contrary, shall be paid from investment earnings on the underlying fund or account established under the Ordinance and on which such rebatable arbitrage was earned or from other lawfully available sources. Notwithstanding anything in the Ordinance to the contrary, the Rebate Fund shall be held free and clear of any lien or pledge under the Ordinance 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 at the time and the address prescribed by the Regulations as the same may be in effect from time to time 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 the Ordinance. The Issuer shall keep and retain, or cause to be kept and retained, records of the determinations made pursuant to the Ordinance 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 interest 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 1998 Bonds from gross income for federal income tax purposes.

Rates

Prior to the issuance of the Series 1998 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 City Clerk of the Issuer, which copy 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 make the prescribed payments into the funds and accounts created under the Ordinance. Such schedule 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 of rates or charges from time to time in effect shall be sufficient (i) to pay all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 120% of the maximum amount required in any year for payment of principal of and interest on the Series 1998 Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Series 1998 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. For purposes of this test, the terms "Gross Revenues" and "Net Revenues" shall not include proceeds from the sale of capital assets.

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 Issuer 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.

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 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.

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 the Ordinance, 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 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, pledge and source of and security for payment from such Revenues and in all other respects to the Bonds; provided that, no such subordinate obligations shall be issued unless all payments required to be made into all funds and accounts set forth in the Ordinance have been made and are current at the time of issuance of such subordinate obligations.

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 Bonds, and the interest thereon, upon any of the income and Gross Revenues of the System pledged for payment of the Bonds and the interest thereon in the Ordinance or upon the System or any part thereof.

Additional Parity Bonds

So long as the Prior Bonds are outstanding, the limitations on the issuance of parity obligations set forth in the Prior Ordinance shall be applicable. In addition, no 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 the Ordinance, except under the conditions and in the manner provided in the Ordinance.

No such additional parity Bonds shall be issued except for the purposes of financing the costs of the design, acquisition and construction of additions, betterments or improvements to the System, refunding all or a portion of the Bonds issued pursuant to the Ordinance, 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 of the Issuer a written statement by Independent Accountants, reciting the conclusion that the Net Revenues actually derived, subject to the adjustments provided in the Ordinance, from the System during the Fiscal Year preceding the date of the actual issuance of such additional parity Bonds, plus the estimated average increased annual Net Revenues to be received in each of the three succeeding years after the date of issuance of such parity Bonds, shall not be less than 120% 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 Series 1998 Bonds and the Prior Bonds then Outstanding;

(2) Any additional parity Bonds theretofore issued pursuant to the provisions contained in the Ordinance then Outstanding; and

(3) 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 required in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from any increase in rates enacted by the Issuer, the time for appeal of which shall have expired (without successful appeal) prior to the issuance of such additional parity Bonds, provided that, in the event the implementation of such 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 is, by the terms of the ordinance providing for such increase in rates, deferred pending completion of the acquisition and construction of any additions, betterments or improvements for the System, and further provided, that the debt service on such additional parity Bonds

during such construction period is payable from proceeds of such additional parity Bonds deposited in the Sinking Fund held by the Bond Commission, 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, may be assumed to mean "estimated average increased annual Net Revenues to be received in each of the 3 succeeding years commencing on the date of completion of such acquisition and construction."

The Net Revenues actually derived from the System during the preceding Fiscal Year 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, 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. For purposes of this test, the terms "Gross Revenues" and "Net Revenues" shall not include proceeds from the sale of capital assets.

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 1998 Bonds and the Prior Bonds, and all the covenants and other provisions of the 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 1998 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 the 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 the Ordinance required for and on account of such additional parity Bonds, in addition to the payments required for Bonds theretofore issued pursuant to the 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 of which on the Gross Revenues of the System is subject to the prior and superior lien of the Bonds on such Gross Revenues. The Issuer shall not issue any obligations whatsoever payable from the Gross 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 Gross Revenues, with the Bonds except in the manner and under the conditions provided in this section.

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

Insurance and Bonds

The Issuer hereby covenants and agrees, that so long as the Bonds remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance 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 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.

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.

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.

Events of Default

Each of the following events shall constitute an "Event of Default" with respect to the Series 1998 Bonds:

(A) If default occurs in the due and punctual payment of the principal of or interest on the Series 1998 Bonds; or

(B) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part in the Ordinance or any Supplemental Resolution or in the Series 1998 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

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

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

Remedies

Upon the happening and continuance of any Event of Default, any Bondholder 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 Bondholders, including the right to require the Issuer to perform its duties under the Act and the Ordinance; (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 Bondholders; and (v) by action or bill in equity enjoin any acts in violation of the Ordinance or the rights of the Bondholders; provided that, all rights and remedies of the Holders of the Series 1998 Bonds shall be on a parity with the Holders of the Prior Bonds.

No remedy by the terms of the 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 under the Ordinance 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 under the Ordinance by the Bondholders shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereto.

Appointment of Receiver

If there be any Event of Default existing and continuing, any Bondholder (or any Bond Insurer if the defaulted Bonds are insured) 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 under the Ordinance and the payment of Operating Expenses of the System and to apply such rates, rentals, fees, charges or other Revenues in conformity with the provisions of the 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 Bonds issued pursuant to the Ordinance and interest thereon and under any covenants of the 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 the 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 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 conferred upon him under the Ordinance, 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 contained in the Ordinance shall limit or restrict the jurisdiction of such court to enter such other and further orders and decrees as such court may deem necessary or appropriate for the exercise by the receiver of any function not specifically set forth in the Ordinance.

Any receiver appointed as provided in the Ordinance 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 Bonds issued pursuant to the 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 the 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.

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 1998 Bonds the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Ordinance, then the Ordinance and the pledges of the Gross Revenues and other moneys and securities pledged under the Ordinance, and all covenants, agreements and other obligations of the Issuer on behalf of the Holders of the Series 1998 Bonds made under the Ordinance, 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 1998 Bonds from gross income for federal income tax purposes.

Bonds for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide 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 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 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 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 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, as such term is limited by the provisions in the Ordinance or such additional securities as shall be set forth in the Supplemental Resolution.

Amendment of Ordinance

Prior to issuance of the Series 1998 Bonds, the Ordinance may be amended or supplemented in any way by the Supplemental Resolution. All provisions required by the Bond Insurer, if any, shall be set forth in the Supplemental Resolution and to the extent they constitute an amendment or modification of the Ordinance, shall be controlling. Following issuance of the Series 1998 Bonds, the Ordinance and any Supplemental Resolution may be amended or modified without the consent of any Bondholder or other person, solely for the purpose of maintaining the tax-exempt status of the Series 1998 Bonds, provided that, in the event any of the Series 1998 Bonds are insured, no such amendment or modification which adversely affects the security for such Bonds or the rights of the applicable Bond Insurer for such Bonds may be effected without the written consent of such Bond Insurer. Otherwise, no materially adverse amendment or modification to the Ordinance, or of any Supplemental Resolution, may be made without the written consent of the Holders of 60% in aggregate principal amount of the Bonds then Outstanding and affected thereby and the Bond Insurer, 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 Bond without the express written consent of the Holder of such Bond, nor reduce the percentage of Bonds required for consent to any such modification or amendment.

Amendments to Ordinance

Any references in the Ordinance to the Series 1998 Bonds shall be deemed to include the Series 1999 Bonds, and all covenants and provisions of the Ordinance related to the Series 1998 Bonds and the rights of the Holders of the Series 1998 Bonds shall be equally applicable to the Series 1999 Bonds and the rights of the Holders of the Series 1999 Bonds, where applicable.

Disposition of Proceeds of Bonds

Upon the issuance and delivery of the Series 1998 Bonds, the Issuer shall deposit the proceeds thereof as follows:

A. All interest accrued on the Series 1998 Bonds from the date thereof to the date of delivery thereof shall be deposited in the Series 1998 Bonds Sinking Fund and applied to payment of interest on the Series 1998 Bonds at the first interest payment date.

B. An amount of the proceeds of the Series 1998 Bonds equal to the Series 1998 Bonds Reserve Requirement shall be remitted to the Bond Commission for deposit in the Series 1998 Bonds Reserve Account, provided that, to the extent the Series 1998 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 1998 Bonds shall be deposited in the Series 1998 Bonds Reserve Account only to the extent needed to satisfy the balance of the Series 1998 Bonds Reserve Requirement.

C. An amount of the proceeds of the Series 1998 Bonds necessary to pay costs of issuance 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 1998 Bonds at the written direction of the Issuer. All such costs of issuance shall be paid within 60 days of the Closing Date. Moneys not to be applied immediately to pay such costs of issuance may be invested in accordance with the 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 6 months after the Closing Date, such unapplied proceeds shall be transferred by the Issuer to the Series 1998 Bonds Redemption Account. All such proceeds shall constitute a trust fund for such purposes, and there is hereby created a lien upon such moneys until so applied in favor of the Holders of the Series 1998 Bonds.

D. The balance of the proceeds of the Series 1998 Bonds shall be deposited with the Depository Bank in the Construction Fund and shall be drawn out, used and applied by the Issuer solely to pay Costs of the Project at the written direction of the Issuer. Moneys not to be applied immediately to pay such Costs of the Project may be invested in accordance with the Ordinance, subject however, to applicable yield restrictions as may be in effect under the Code. All such proceeds shall constitute a trust fund for such purposes, and there is hereby created a lien upon such moneys until so applied in favor of the Holders of the Series 1998 Bonds.

Upon the issuance and delivery of the Series 1999 Bonds, the Issuer shall forthwith deposit the proceeds thereof as follows:

E. All interest accrued on the Series 1999 Bonds from the date thereof to the date of delivery thereof shall be deposited in the Series 1999 Bonds Sinking Fund and applied to payment of interest on the Series 1999 Bonds at the first interest payment date.

F. An amount of the proceeds of the Series 1999 Bonds equal to the Series 1999 Bonds Reserve Requirement shall be remitted to the Bond Commission for deposit in the Series 1999 Bonds Reserve Account, provided that, to the extent the Series 1999 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 1999 Bonds shall be deposited in the Series 1999 Bonds Reserve Account only to the extent needed to satisfy the balance of the Series 1999 Bonds Reserve Requirement.

G. An amount of the proceeds of the Series 1999 Bonds necessary to pay costs of issuance 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 1999 Bonds at the written direction of the Issuer. All such costs of issuance shall be paid within 60 days of the Closing Date. Moneys not to be applied immediately to pay such costs of issuance may be invested in accordance with the 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 6 months after the Closing Date, such unapplied proceeds shall be transferred by the Issuer to the Series 1999 Bonds Redemption Account. All such proceeds shall constitute a trust fund for such purposes, and there is hereby created a lien upon such moneys until so applied in favor of the Holders of the Series 1999 Bonds.

H. The balance of the proceeds of the Series 1999 Bonds shall be deposited with the Depository Bank in the Construction Fund and shall be drawn out, used and applied by the Issuer solely to pay Costs of the Project at the written direction of the Issuer. Moneys not to be applied immediately to pay such Costs of the Project may be invested in accordance with the Ordinance, subject however, to applicable yield restrictions as may be in effect under the Code. All such proceeds shall constitute a trust fund for such purposes, and there is hereby created a lien upon such moneys until so applied in favor of the Holders of the Series 1999 Bonds.

Funds and Accounts

The following special funds or accounts are created with (or continued if previously established by the Prior Ordinance) and shall be held by the Bond Commission separate and apart from all other funds or accounts of the Bond Commission and from each other:

(1) Series 1997 Bonds Sinking Fund (established by Prior Ordinance);

(2) Within the Series 1997 Bonds Sinking Fund, the Series 1997 Bonds Reserve Account (established by Prior Ordinance);

(3) Within the Series 1997 Bonds Sinking Fund, the Series 1997 Bonds Redemption Account (established by Prior Ordinance);

(4) Series 1998 Bonds Sinking Fund;

(5) Within the Series 1998 Bonds Sinking Fund, the Series 1998 Bonds Reserve Account;

(6) Within the Series 1998 Bonds Sinking Fund, the Series 1998 Bonds Redemption Account;

(7) Series 1999 Bonds Sinking Fund;

(8) Within the Series 1999 Bonds Sinking Fund, the Series 1999 Bonds Reserve Account; and

(9) Within the Series 1999 Bonds Sinking Fund, the Series 1999 Bonds Redemption Account.

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 in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in the Ordinance 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 the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Bond Commission (i) for deposit in the Series 1997 A Bonds Sinking Fund, the amount required by the Prior Ordinance to pay the interest on and principal of the Prior Bonds; (ii) commencing 6 months prior to the first interest payment date of the Series 1998 Bonds, for deposit in the Series 1998 Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on the Series 1998 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 1998 Bonds Sinking Fund and the next ensuing semiannual interest payment date is more or less than 6 months, then such monthly payments shall be decreased or increased proportionately to provide, 1 month prior to the next ensuing semiannual interest payment date, the required amount of interest coming due on such date; provided further that, the initial amount required to be transferred from the Revenue Fund and deposited in the Series 1998 Bonds Sinking Fund shall be reduced by the amount of accrued interest on the Series 1998 Bonds deposited therein; (iii) commencing 6 months prior to the first interest payment date of the Series 1999 Bonds, for deposit in the Series 1999 Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on the Series 1999 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 1999 Bonds Sinking Fund and the next ensuing semiannual interest payment date is more or less than 6 months, then such monthly payments shall be decreased or increased proportionately to provide, 1 month prior to the next ensuing semiannual interest payment date, the required amount of interest coming due on such date; provided further that, the initial amount required to be transferred from the Revenue Fund and deposited in the Series 1999 Bonds Sinking Fund shall be reduced by the amount of accrued interest on the Series 1999 Bonds deposited therein; (iv) commencing 12 months prior to the first principal payment date or mandatory Redemption Date of the Series 1998 Bonds, for deposit in the Series 1998 Bonds Sinking Fund and in the Series 1998 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 of principal which will mature or be redeemed and become due on the Series 1998 Bonds on the next ensuing annual principal payment date or mandatory Redemption Date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1998 Bonds Sinking Fund and the next ensuing annual principal payment date or mandatory Redemption Date is more or less than 12 months, then such monthly payments shall be

decreased or increased proportionately to provide, 1 month prior to the next ensuing annual principal payment date or mandatory Redemption Date, the required amount of principal coming due on such date; and (v) commencing 12 months prior to the first principal payment date or mandatory Redemption Date of the Series 1999 Bonds, for deposit in the Series 1999 Bonds Sinking Fund and in the Series 1999 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 of principal which will mature or be redeemed and become due on the Series 1999 Bonds on the next ensuing annual principal payment date or mandatory Redemption Date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1999 Bonds Sinking Fund and the next ensuing annual principal payment date or mandatory Redemption Date is more or less than 12 months, then such monthly payments shall be decreased or increased proportionately to provide, 1 month prior to the next ensuing annual principal payment date or mandatory Redemption Date, the required amount of principal 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 Bond Commission (i) for deposit in the Series 1997 Bonds Reserve Account, the amount required by the Prior Ordinance; (ii) for deposit in the Series 1998 Bonds Reserve Account, an amount sufficient to remedy any decrease in value of the Series 1998 Bonds Reserve Account below the Series 1998 Bonds Reserve Requirement or any withdrawal from the Series 1998 Bonds Reserve Account, beginning with the first full calendar month following the date on which (a) the valuation of investments in the Series 1998 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 1998 Bonds Reserve Account is less than the Series 1998 Bonds Reserve Requirement, or (b) any amount is withdrawn from the Series 1998 Bonds Reserve Account for deposit into the Series 1998 Bonds Sinking Fund; and (iii) for deposit in the Series 1999 Bonds Reserve Account, an amount sufficient to remedy any decrease in value of the Series 1999 Bonds Reserve Account below the Series 1999 Bonds Reserve Requirement or any withdrawal from the Series 1999 Bonds Reserve Account, beginning with the first full calendar month following the date on which (a) the valuation of investments in the Series 1999 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 1999 Bonds Reserve Account is less than the Series 1999 Bonds Reserve Requirement, or (b) any amount is withdrawn from the Series 1999 Bonds Reserve Account for deposit into the Series 1999 Bonds Sinking Fund. To the extent Gross Revenues and any other legally available funds are available therefor, the amounts so deposited shall be used to restore the amount of moneys on deposit in the Series 1998 Bonds Reserve Account and the Series 1999 Bonds Reserve Account to an amount equal to the Series 1998 Bonds Reserve Requirement and the Series 1999 Bonds Reserve Requirement, respectively, to the full extent that such Gross Revenues are available; provided however, that if the shortfall in the Series 1998 Bonds Reserve Account or the Series 1999 Bonds Reserve Account is due to a decrease in value of respective 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 1998 Bonds Reserve Account or the Series 1999 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 1998 Bonds Reserve Account or the Series 1999 Bonds Reserve Account whenever and as long as the amounts on deposit therein shall be equal to the Series 1998 Bonds Reserve Requirement and the Series 1999 Bonds Reserve Requirement, respectively.

Amounts in the Series 1998 Bonds Reserve Account shall be used only for the purpose of making payments of principal of and interest on the Series 1998 Bonds when due, when amounts in the Series 1998 Bonds Sinking Fund are insufficient therefor and for no other purpose. Amounts in the Series 1999 Bonds Reserve Account shall be used only for the purpose of making payments of principal of and interest on the Series 1999 Bonds when due, when amounts in the Series 1999 Bonds Sinking Fund are insufficient therefor and for no other purpose.

(3) The Issuer shall next, each month, pay from the Revenue Fund the Operating Expenses of the System.

(4) The Issuer shall next, each month, from the moneys remaining in the Revenue Fund, transfer to the Depreciation Fund (as previously set forth in the Prior Ordinance 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 Depreciation Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII of the Ordinance. Withdrawals and disbursements may be made from the Depreciation Fund for replacements, emergency repairs, improvements or extensions to the System; provided, that any deficiencies in any reserve account (except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof) shall be promptly eliminated with moneys from the Depreciation Fund.

Moneys in the Series 1998 Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest on the Series 1998 Bonds as the same shall become due. Moneys in the Series 1998 Bonds Reserve Account shall be used only for the purpose of paying principal of and interest on the Series 1998 Bonds, as the same shall come due, when other moneys in the Series 1998 Bonds Sinking Fund are insufficient therefor, and for no other purpose except for permitted transfers to the Rebate Fund.

Moneys in the Series 1999 Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest on the Series 1999 Bonds as the same shall become due. Moneys in the Series 1999 Bonds Reserve Account shall be used only for the purpose of paying principal of and interest on the Series 1999 Bonds, as the same shall come due, when other moneys in the Series 1999 Bonds Sinking Fund are insufficient therefor, and for no other purpose except for permitted transfers to the Rebate Fund.

Except to the extent transferred to the Rebate Fund at the request of the Issuer, all investment earnings on moneys in the Series 1998 Bonds Sinking Fund and the Series 1998 Bonds Reserve Account shall be returned, not less than once each year, by the Bond Commission to the Issuer, and such amounts shall, during construction of the Project, be deposited in the Construction Fund, and following completion of construction of the Project, shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payment due on the Series 1998 Bonds, and then to the next ensuing principal payment due thereon.

Except to the extent transferred to the Rebate Fund at the request of the Issuer, all investment earnings on moneys in the Series 1999 Bonds Sinking Fund and the Series 1999 Bonds Reserve Account shall be returned, not less than once each year, by the Bond Commission to the Issuer, and such amounts shall, during construction of the Project, be deposited in the Construction Fund, and following completion of construction of the Project, shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payment due on the Series 1999 Bonds, and then to the next ensuing principal payment due thereon.

Except with respect to transfers to the Rebate Fund, any withdrawals from the Series 1998 Bonds Reserve Account which result in a reduction in the balance of the Series 1998 Bonds Reserve Account to below the Series 1998 Bonds Reserve Requirement and any withdrawals from the Series 1999 Bonds Reserve Account which result in a reduction in the balance of the Series 1999 Bonds Reserve Account to below the Series 1999 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 parity Bonds.

The Issuer shall not be required to make any further payments into the Series 1998 Bonds Sinking Fund or the Series 1998 Bonds Reserve Account when the aggregate amount of funds therein are at least equal to the aggregate principal amount of the Bonds issued pursuant to this Bond Legislation then Outstanding and all interest to accrue until the maturity thereof.

The Issuer shall not be required to make any further payments into the Series 1999 Bonds Sinking Fund or the Series 1999 Bonds Reserve Account when the aggregate amount of funds therein are at least equal to the aggregate principal amount of the Bonds issued pursuant to this Bond Legislation then Outstanding and all interest to accrue until the maturity thereof.

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 1998 Bonds and the Series 1999 Bonds, in accordance with the respective principal amounts then Outstanding.

The Bond Commission is hereby designated as the fiscal agent for the administration of the Series 1998 Bonds Sinking Fund, the Series 1998 Bonds Reserve Account, the Series 1998 Bonds Redemption Account, the Series 1999 Bonds Sinking Fund, the Series 1999 Bonds Reserve Account, and the Series 1999 Bonds Redemption Account created in the Ordinance and all amounts required for said accounts shall be remitted to the Bond Commission from the Revenue Fund by the Issuer at the times provided herein.

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 Bond Commission the required principal, interest and reserve payments with respect to the Series 1998 Bonds and the Series 1999 Bonds, 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 the Bond Legislation.

Moneys in the Series 1998 Bonds Sinking Fund, the Series 1998 Bonds Reserve Account, the Series 1998 Bonds Redemption Account, the Series 1999 Bonds Sinking Fund, the Series 1999 Bonds Reserve Account, and the Series 1999 Bonds Redemption Account shall be invested and reinvested by the Bond Commission in accordance with Section 8.01 hereof.

Except with respect to transfers to the Rebate Fund, the Series 1998 Bonds Sinking Fund, including the Series 1998 Bonds Reserve Account therein, shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 1998 Bonds Outstanding under the conditions and restrictions hereinafter set forth.

Except with respect to transfers to the Rebate Fund, the Series 1999 Bonds Sinking Fund, including the Series 1999 Bonds Reserve Account therein, shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 1999 Bonds 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 the Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into such funds during the following month or such other period as required by law, such excess shall be considered Surplus Revenues. Surplus Revenues may be used for any lawful purpose of the System.

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

D. The moneys in excess of the sum insured by the maximum amounts insured by FDIC in the Revenue Fund, the Depreciation Fund and the Rebate 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 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.

F. 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.

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

Bonds Secured by Pledge of Gross Revenues; Lien Position with Respect to Prior Bonds

The payment of the debt service of all of the Series 1998 Bonds issued hereunder shall be secured forthwith equally and ratably with each other by a first lien on the Gross Revenues derived from the System, on a parity with the lien on the Gross Revenues in favor of the Holders of the Prior Bonds and the Series 1999 Bonds and all moneys in the Series 1998 Bonds Sinking Fund, including the Series 1998 Bonds Reserve Account therein. The payment of the debt service of all of the Series 1999 Bonds issued hereunder shall be secured forthwith equally and ratably with each other by a first lien on the Gross Revenues derived from the System, on a parity with the lien on the Gross Revenues in favor of the Holders of the Prior Bonds and the Series 1998 Bonds and all moneys in the Series 1999 Bonds Sinking Fund, including the Series 1999 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, the Series 1998 Bonds and the Series 1999 Bonds and to make the payments into all funds and accounts and all other payments provided for in the Ordinance, are hereby irrevocably pledged in the manner provided in the Ordinance to the payment of the principal of and interest on the Prior Bonds, the Series 1998 Bonds and the Series 1999 Bonds as the same become due and for the other purposes provided in the Ordinance.

Statutory Mortgage Lien

For the further protection of the Holders of the Series 1998 Bonds and the Holders of the Series 1999 Bonds, a statutory mortgage lien upon the System for each series of Bonds is granted and created by the Act, which statutory mortgage liens are hereby recognized and declared to be valid and binding, shall take effect immediately upon the issuance of the Series 1998 Bonds and upon the issuance of the Series 1999 Bonds, respectively, and shall be on a parity with one another and with the statutory mortgage lien in favor of the Holders of the Prior Bonds.

Disbursement From the Construction Fund

Payments for Costs of the Project shall be made monthly.

Disbursements from the Construction Fund, except for payment of costs of issuance of the Bonds in excess of the moneys available in the Costs of Issuance Fund 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, 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 (except reimbursement to the Issuer for items previously paid by the Issuer);

(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 Construction Fund only the net amount remaining after deduction of any such portion. All payments made from the Construction 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 Construction Fund.

Pending such application, moneys in the Construction 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 Construction Fund to the Series 1998 Bonds Redemption Account and the Series 1999 Bonds Redemption Account, to be applied to redemption of the Series 1998 Bonds and the Series 1999 Bonds at the earliest redemption date thereof, to the extent feasible.

Appendix E

Form of Bond Insurance Policy

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Ambac

Municipal Bond Insurance Policy

Ambac Assurance Corporation
c/o CT Corporation Systems
44 East Mifflin Street, Madison, Wisconsin 53703
Administrative Office:
One State Street Plaza, New York, New York 10004
Telephone: (212) 668-0340

Issuer:

Policy Number:

Bonds:

Premium:

Ambac Assurance Corporation (Ambac) A Wisconsin Stock Insurance Company

in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to United States Trust Company of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of Bondholders, that portion of the principal of and interest on the above-described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Ambac will make such payments to the Insurance Trustee within one (1) business day following notification to Ambac of Nonpayment. Upon a Bondholder's presentation and surrender to the Insurance Trustee of such unpaid Bonds or appurtenant coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Bonds and coupons and shall be fully subrogated to all of the Bondholder's right to payment.

In cases where the Bonds are issuable only in a form whereby principal is payable to registered Bondholders or their assigns, the Insurance Trustee shall disburse principal to a Bondholder as aforesaid only upon presentation and surrender to the Insurance Trustee of the unpaid Bond, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to the Insurance Trustee, duly executed by the Bondholder or such Bondholder's duly authorized representative, so as to permit ownership of such Bond to be registered in the name of Ambac or its nominee. In cases where the Bonds are issuable only in a form whereby interest is payable to registered Bondholders or their assigns, the Insurance Trustee shall disburse interest to a Bondholder as aforesaid only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Bond and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to the Insurance Trustee, duly executed by the claimant Bondholder or such Bondholder's duly authorized representative, transferring to Ambac all rights under such Bond to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all the Bondholders' rights to payment on registered Bonds to the extent of the insurance disbursements so made.

In the event the trustee or paying agent for the Bonds has notice that any payment of principal of or interest on a Bond which has become Due for Payment and which is made to a Bondholder by or on behalf of the Issuer of the Bonds has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Bondholder" means any person other than the Issuer who, at the time of Nonpayment, is the owner of a Bond or of a coupon appertaining to a Bond. As used herein, "Due for Payment", when referring to the principal of bonds, is when the stated maturity date or a mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity, and, when referring to interest on the Bonds, is when the stated date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all principal of and interest on the Bonds which are Due for Payment.

This Policy is noncancellable. The premium on this Policy is not refundable for any reason, including payment of the Bonds prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Bond, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

President

AMBAC ASSURANCE CORPORATION CORPORATE SEAL WISCONSIN

Secretary

Effective Date:

Authorized Representative

UNITED STATES TRUST COMPANY OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Authorized Officer

SPECIMEN

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Moody's Investors Service

99 Church Street
New York, New York 10007
www.moodys.com

December 28, 1998

Ambac Assurance Corporation
One State Street Plaza
New York, New York 10004

To Whom It May Concern:

Moody's Investors Service has assigned the rating of Aaa (Ambac Assurance Corporation Insured - Policy No. **15884BE**) to the **$9,600,000.00 City of Fairmont, West Virginia-- Water Revenue Bonds, Series 1998**, dated **December 15, 1998** which sold through negotiation on **December 15, 1998**. The rating is based upon an insurance policy provided by Ambac Assurance Corporation.

Should you have any questions regarding the above, please do not hesitate to contact the assigned analyst, Margaret Kessler at (212) 553-7884.

Sincerely yours,

Laura Levenstein

Laura Levenstein
Vice President and
Managing Director

49A

Moody's Investors Service

99 Church Street
New York, New York 10007
www.moodys.com

January 11, 1999

Ambac Assurance Corporation
One State Street Plaza
New York, New York 10004

To Whom It May Concern:

Moody's Investors Service has assigned the rating of Aaa (Ambac Assurance Corporation Insured - Policy No. **15885BE**) to the **$19,945,000.00 City of Fairmont, West Virginia—Water Revenue Bonds, Series 1999**, dated **January 1, 1999** which sold through negotiation on **December 15, 1998**. The rating is based upon an insurance policy provided by Ambac Assurance Corporation.

Should you have any questions regarding the above, please do not hesitate to contact the assigned analyst, Margaret Kessler at (212) 553-7884.

Sincerely yours,

Laura Levenstein

Laura Levenstein
Vice President and
Managing Director

49 B

$9,600,000 CITY OF FAIRMONT, WEST VIRGINIA
WATER REVENUE BONDS
SERIES 1998

$19,945,000 CITY OF FAIRMONT, WEST VIRGINIA
WATER REVENUE BONDS
SERIES 1999

BOND PURCHASE AGREEMENT

December 17, 1998

City of Fairmont
City Hall
200 Jackson Street
Fairmont, West Virginia 26555

Ladies and Gentlemen:

Ferris, Baker Watts, Incorporated, acting on behalf of itself and Crews & Associates, Inc. (the "Underwriter"), offer to enter into this Bond Purchase Agreement (the "Purchase Agreement") with the City of Fairmont, West Virginia (the "City"). This offer is made subject to acceptance and execution of this Purchase Agreement by the City prior to 11:59 p.m., local prevailing time on the date hereof, or until withdrawn by the Underwriter upon written notice to the City as permitted herein, whichever shall occur earlier. Upon such acceptance and approval, as evidenced by the signature of the Mayor of the City in the space provided below, this Purchase Agreement shall be in full force and effect in accordance with its terms and shall be binding upon the City and the Underwriter.

All capitalized terms used in this Purchase Agreement and not otherwise defined herein shall have the meanings set forth in the hereinafter described Ordinance.

1. The City of Fairmont, West Virginia Water Revenue Bonds, Series 1998 (the "Series 1998 Bonds") and the City of Fairmont, West Virginia, Water Revenue Bonds, Series 1999 (the "Series 1999 Bonds") (collectively, the "Bonds") are being issued, along with other available funds, to (i) pay a portion of the costs of the City of acquisition and construction of certain additions, betterments and improvements to the existing public waterworks system (the "System") of the City (the "Project"), including capitalizing interest on the Bonds through January 1, 2002; (ii) to fund a reserve account for each series of Bonds; and (iii) to pay a portion of the costs of issuance of the Bonds and related costs.

The Bonds shall be as described in, and shall be issued and secured under and pursuant to the provisions of the bond ordinance enacted by the Council of the City on November 10, 1998 (the "Ordinance") and as supplemented by a supplemental resolution adopted by Council of the City on December 17, 1998 (the "Supplemental Resolution" and

collectively with the Ordinance, hereinafter the "Ordinance"). The Ordinance shall be substantially in the form previously submitted to the Underwriter with such changes and amendments as the City's and Underwriter's counsel shall approve.

Upon the terms and conditions and upon the basis of the representations and warranties set forth in this Purchase Agreement, the Underwriter agrees to purchase from the City, and the City agrees to sell to the Underwriter, the Series 1998 Bonds, at an aggregate purchase price of $9,403,415.60 ($9,600,000 plus a premium of $0 minus Underwriter's Discount of $62,505 and original issue discount of $134,079.40) plus interest accrued on the Series 1998 Bonds from December 15, 1998, to the date of the 1998 Closing, as hereinafter defined. The Series 1998 Bonds shall mature on the dates and in the amounts, and shall bear interest, payable semiannually on July 1 and January 1 of each year, commencing July 1, 1999 as more fully described on Exhibit A-1 attached hereto and incorporated herein by reference.

Upon the terms and conditions and upon the basis of the representations and warranties set forth in this Purchase Agreement, the Underwriter agrees to purchase from the City, and the City agrees to sell to the Underwriter, the Series 1999 Bonds, at an aggregate purchase price of $19,803,753.55 ($19,945,000 plus a premium of $311,980.70 minus Underwriter's Discount of $128,447.50 and original issue discount of $324,779.65) plus interest accrued on the Series 1999 Bonds from January 1, 1999, to the date of the 1999 Closing, as hereinafter defined. The Series 1999 Bonds shall mature on the dates and in the amounts, and shall bear interest, payable semiannually on July 1 and January 1 of each year, beginning July 1, 1999 as more fully described on Exhibit A-2 attached hereto and incorporated herein by reference.

The Underwriter agrees to make a bona fide public offering of the Bonds at the initial offering prices as set forth in the Official Statement (as hereinafter defined) and in Exhibits A-1 and A-2, which prices may be changed from time to time by the Underwriter.

2. Concurrently with the acceptance of this Purchase Agreement by the City, the City shall deliver or cause to be delivered to the Underwriter two copies of the Official Statement relating to the Bonds, substantially in the form of the Preliminary Official Statement dated December 8, 1998 (the "Preliminary Official Statement") and prior to delivery of the Bonds, seven copies of the Official Statement (the "Official Statement") dated the date of this Purchase Agreement, signed on behalf of the City by its Mayor as requested below.

3. The Official Statement has been approved for distribution by the Ordinance. The City authorizes the use of copies of the Official Statement and the Ordinance in connection with the public offering and sale of the Bonds.

On December 8, 1998, the City delivered to the Underwriter the Preliminary Official Statement and the Underwriter received a certificate from the City which deemed the Preliminary Official Statement "final" within the meaning of clause (b)(1) of Rule

15c2-12 ("Rule 15c2-12") under the Securities and Exchange Act of 1934 (17 C.F.R. § 240.15c2-12) and Rule G-32 and all other rules of the Municipal Securities Rulemaking Board. The City shall deliver or cause to be delivered to the Underwriter, after the acceptance by the City of this Purchase Agreement, and within the time required by Rule 15c2-12, an adequate number of copies of the Official Statement.

Unless otherwise notified in writing by the Underwriter on or prior to the date of Closing, the "End of the Underwriting Period" for the Bonds for all purposes of Rule 15c2-12 is the date of the Closing, as hereinafter defined. In the event such notice is given in writing by the Underwriter, the Underwriter agrees to notify the City in writing following the occurrence of the End of the Underwriting Period for the Bonds as defined in Rule 15c2-12.

The City covenants and agrees that if, after the date of this Purchase Agreement and until after the End of the Underwriting Period (as determined above), any event shall occur of which the City has actual knowledge as a result of which it is necessary to amend or supplement the Official Statement to make the Official Statement not misleading in any material respect in light of the circumstances then existing, or if it is necessary to amend or supplement the Official Statement to comply with law, to notify the Underwriter (and for the purposes hereof to provide the Underwriter with such information as they may from time to time reasonably request), and to cooperate in the preparation of a reasonable number of copies of either amendments or supplements to the Official Statement (in form and substance satisfactory to the Underwriter and its counsel) at the expense of the City so that the Official Statement as so amended and supplemented will not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances existing at the time the Official Statement is delivered to a purchaser, not misleading in any material respect.

For the purposes of this paragraph and for only so long as required by this paragraph, the City will furnish such information with respect to itself as the Underwriter from time to time reasonably request. The Underwriter hereby agrees that it will deposit or cause to be deposited with a nationally recognized municipal securities information repository a copy of the Official Statement at or prior to the time contemplated by Rule 15c2-12.

The Underwriter acknowledges and agrees that any liability of the City that may arise from its representations and agreements made in this paragraph 3 shall be limited to the proceeds of the Bonds (provided that the foregoing shall not be deemed to prevent the Underwriter or the City from seeking to enforce such agreements).

4. At 10:00 a.m. prevailing time, on December 30, 1998 for the Series 1998 Bonds and on January 14, 1999, for the Series 1999 Bonds, or such other dates as shall be agreed upon by the parties to this Purchase Agreement (the "1998 Closing" and "1999 Closing," respectively), the City will deliver or cause to be delivered to the Underwriter, (a) the Series 1998 Bonds and the Series 1999 Bonds in the form of one certificate for each

maturity of each series fully registered in the name of CEDE & CO., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"), duly executed by the City and authenticated by the Registrar, and (b) at such other place as we mutually agree upon, will deliver to the Underwriter the other documents required in this Purchase Agreement and by the Ordinance. Upon such delivery of the Bonds, the Underwriter will accept such delivery and pay the purchase price therefor, plus any accrued interest thereon, in immediately available funds to the order of One Valley Bank, Fairmont, West Virginia, as Depository Bank (the "Depository Bank"), for the account of the City. Such delivery shall be made at DTC, with the payment and other requisite actions to be taken at the place designated by the parties to this Purchase Agreement. The respective Bonds shall be made available to the Underwriter at DTC at least forty-eight (48) hours before each Closing for the purpose of inspection and packaging; provided that if DTC Fast delivery is used, then the Series 1998 Bonds shall be made available to the Registrar by 4:00 p.m. on December 29, 1998, and with respect to the Series 1999 Bonds, shall be made available to the Registrar by 4:00 p.m. on January 13, 1999. The City also agrees that it shall deliver to The Depository Trust Company the letter of representations, in the form required by The Depository Trust Company (the "DTC Letter of Representations") at the time required by The Depository Trust Company.

5. The City represents and warrants to the Underwriter and agrees that:

(a) The City is duly organized and validly existing as a municipal corporation of the State of West Virginia authorized to operate a public water treatment and distribution system pursuant to Chapter 8, Article 19 of the Code of West Virginia, 1931, as amended (the "Act");

(b) The City shall have complied and will comply at each Closing in all respects with all applicable statutes and laws, including the Act;

(c) The City has full legal right, power and authority to acquire and construct the Project, issue bonds for purposes provided in the Ordinance and to enter into this Purchase Agreement, to enact the Ordinance and to issue, sell and deliver the Bonds to the Underwriter as provided herein and to carry out and consummate all other transactions contemplated by each of the aforesaid documents;

(d) The information contained in the Preliminary Official Statement dated December 8, 1998, and in the Official Statement, is and, as of the Closing Date (as hereinafter defined), will be true and does not contain and will not contain any untrue statement of a material fact and does not omit and will not omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading;

(e) At the time of the City's acceptance hereof and (unless an event occurs of the nature described in subparagraph (i)) at all times during the period from the date of this Purchase Agreement to and including the date which is twenty-five (25) days following the

End of the Underwriting Period for the respective series of Bonds (as determined in accordance with subparagraph (i) hereof), the Official Statement does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(f) If the Official Statement is supplemented or amended pursuant to subparagraph (i) at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such subparagraph) at all times during the period from the date of this Purchase Agreement to and including the date which is twenty-five (25) days following the End of the Underwriting Period for the respective series of Bonds (as determined in accordance with subparagraph (i) hereof), the Official Statement as so supplemented or amended, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(g) If during the period from the date of this Purchase Agreement to and including the date which is twenty-five (25) days following the End of the Underwriting Period for the respective series of Bonds (as determined in accordance with subparagraph (k) hereof) any event shall occur which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the City shall notify the Underwriter of any such event of which it has knowledge and, if in the opinion of the Underwriter such event requires the preparation and publication of a supplement or amendment to the Official Statement, the City will prepare and furnish to the Underwriter (i) a reasonable number of copies of the supplement or amendment to the Official Statement in form and substance approved by the City and acceptable to the Underwriter, and (ii) if such notification shall be subsequent to the Closing, such legal opinion, certification, instruments and other documents as the Underwriter may reasonably deem necessary to evidence the truth and accuracy of such supplement or amendment to the Official Statement;

(h) Prior to the City's acceptance hereof, the City delivered to the Underwriter copies of the Preliminary Official Statement which the City deemed final (for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934) as of the date thereof; provided, however, that in making the representation and warranty contained in this paragraph (h) the City shall not be deemed to have made any additional representation or warranty as to the Preliminary Official Statement other than the representation and warranty contained in paragraph (e);

(i) For purposes of this Purchase Agreement, the End of the Underwriting Period for the respective series of Bonds shall mean the earlier of (a) the day of the Closing unless the City has been notified in writing by the Underwriter, on or prior to the day of the Closing, that the "end of the underwriting period" for the respective series of Bonds for all purposes of Rule 15c2-12 of the Securities and Exchange Commission promulgated under

the Securities Exchange Act of 1934 (the "Rule") will not occur on the day of the Closing, or (b) the date on which notice is given to the City by the Underwriter in accordance with the following sentence. In the event that the Underwriter has given notice to the City pursuant to clause (a) above that the "end of the underwriting period" for the respective series of Bonds will not occur on the day of the Closing, the Underwriter agrees to notify the City in writing as soon as practicable following the "end of the underwriting period" for the respective series of Bonds for all purposes of the Rule;

(j) At or prior to the Closing, the City shall have duly authorized, executed and delivered a written continuing disclosure undertaking (an "Undertaking") which complies with the provisions of Rule 15c2-12(b)(5) and which shall be substantially in the form described in the Preliminary Official Statement;

(k) The City has duly authorized all necessary action to be taken by you for: (1) the acquisition and construction of the Project; (2) the issuance and sale of the Bonds upon the terms set forth herein, in the Ordinance and in the Official Statement; (3) the execution and delivery of the Ordinance and the Undertaking; (4) the approval of the Official Statement and the execution of the Official Statement by the Mayor of the City; (5) the execution, delivery, receipt and due performance of this Purchase Agreement, the Bonds, the Undertaking, the Ordinance and any and all such other agreements and documents as may be required to be executed, delivered and received by the City in order to carry out, give effect to and consummate the transactions contemplated hereby and by the Official Statement; and (6) the carrying out, giving effect to and consummation of the transactions contemplated hereby and by the Ordinance and the Official Statement;

(l) When delivered to and paid for by the Underwriter in accordance with the terms of this Purchase Agreement, the Bonds will have been duly authorized, executed, authenticated, issued and delivered and will constitute valid and binding obligations of the City payable solely from the Gross Revenues of the System and moneys pledged therefor under the Ordinance and will be entitled to the benefit of the Ordinance. Neither the credit nor the taxing power of the City shall be deemed to be pledged to, nor shall a tax ever be levied for the payment of the principal of, premium, if any, or the interest on the Bonds;

(m) There is no action, suit, proceeding, inquiry or investigation at law or in equity or before or by any court, public board or body pending or, to our knowledge, threatened against or affecting the City (or, to our knowledge, any basis therefor) wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated hereby or by the Official Statement or the acquisition and construction of the Project or the validity of the Bonds, the Ordinance, the Undertaking, this Purchase Agreement or any agreement or instrument to which you are a party and which is used or contemplated hereby or by the Official Statement or the validity of the Bonds, the Ordinance, this Purchase Agreement or any agreement or instrument to which you are a party and which is used or contemplated for use in the consummation of the transactions contemplated hereby or by the Official Statement;

(n) The execution and delivery of the Official Statement, this Purchase Agreement, the Bonds, the Undertaking, the Ordinance and the other agreements contemplated hereby and by the Official Statement, and compliance with the provisions thereof, will not conflict with or constitute on the City's part a breach of or a default under any existing law, court or administrative regulation, decree or order or any agreement, indenture, mortgage, lease or other instrument to which the City is subject or by which the City is or may be bound, and to our knowledge all consents, approvals, authorizations and orders of governmental or regulatory authorities which are required for the consummation of the transactions contemplated thereby have been obtained;

(o) The City has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that the City is a bond issuer whose arbitrage certifications may not be relied upon;

(p) All financial statements of the City included as a part of the Preliminary Official Statement and the Official Statement (the "Financial Statements"), fairly present the financial condition of the City's System as of the respective dates and the results of its operations for the respective periods therein set forth and have been prepared when so indicated in accordance with generally accepted accounting principles consistently applied and since the respective most recent dates as of which information is given in the Preliminary Official Statement or the Official Statement, there has not been any material change in the long-term debt of the City or any material adverse change in the general affairs, management, financial position, or results of operations of the City's System and no material transactions or obligations other than in the ordinary course of business have been entered into with respect to the System by the City, except as reflected in or contemplated by the Official Statement; and

(q) Any certificate signed by the Mayor of the City or any of the City's authorized officers and delivered to the Underwriter shall be deemed a representation and warranty by the City to the Underwriter as to the statements made therein. It is understood that the representations, warranties and covenants by the City contained in this Section 5 and elsewhere in this Purchase Agreement shall not create any general obligation or liability of the City, and that any obligation or liability of the City hereunder or under the Ordinance will be payable solely out of the Gross Revenues and other income, charges and moneys derived by the City from, or in connection with the System, nor shall any member, official or employee of the City be personally liable therefor.

6. The Underwriter has entered into this Purchase Agreement in reliance upon the representations and agreements of the City made herein. The Underwriter's obligations under this Purchase Agreement are and shall be subject to the following further conditions:

(a) At or prior to the time of each Closing, the Ordinance and the Undertaking, as approved by the Underwriter or its counsel, shall have been approved by the appropriate parties, shall have been duly executed, acknowledged, sealed and delivered, shall

be in full force and effect and shall not have been amended, modified or supplemented, except as therein permitted or as may have been agreed to in writing by the Underwriter;

(b) The Underwriter shall have the right to cancel their obligations hereunder to purchase the Bonds (such cancellation shall not constitute a default hereunder) by notifying the City in writing of their election to do so between the date hereof and each Closing Date, if at any time hereafter and prior to each Closing Date:

(i) Any legislation, rule or regulation shall be introduced in, or enacted by, the United States House of Representatives or the United States Senate or any committee thereof, or a decision by a court established under Article III of the Constitution of the United States of America, or the Tax Court of the United States, shall be rendered, or a ruling, regulation or order of the Treasury Department of the United States or the Internal Revenue Service shall be made or proposed, which, in the Underwriter's reasonable opinion, materially adversely affects the market price of the Bonds;

(ii) Any legislation, ordinance, rule or regulation shall be introduced in or enacted by any governmental body, department or agency of the State of West Virginia or political subdivision thereof, or a decision by any court of competent jurisdiction within the State of West Virginia shall have been rendered which, in the Underwriter's reasonable opinion, materially adversely affects the market price of the Bonds;

(iii) A stop order, ruling, regulation or official statement by, or on behalf of, the Securities and Exchange Commission or any other government agency having jurisdiction of the subject matter shall be issued or made to the effect that the issuance, offering for sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, including all the underlying obligations, as contemplated hereby or by the Official Statement, is in violation of any provisions of the Securities Act of 1933, as amended and as then in effect, or the registration provisions of the Securities and Exchange Act of 1934, as amended and as then in effect, or the qualification provisions of the Trust Indenture Act of 1939, as amended and as then in effect;

(iv) Any event shall have occurred or information become known which, in the Underwriter's reasonable opinion, makes untrue in any material respect any statement or information contained in the Preliminary Official Statement or the Official Statement or the Underwriter shall have determined that the Preliminary Official Statement or the Official Statement contains an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading;

(v) A general banking moratorium shall have been established by Federal, New York State or West Virginia authorities;

(vi) In the reasonable opinion of the Underwriter, the market price of the Bonds, or the market price generally of obligations of the general character of the

Bonds, has been adversely affected because (1) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange, (2) the New York Stock Exchange, other national securities exchange or any governmental authority shall have imposed as to the Bonds or similar obligations any material restrictions not now in force, or increased materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, the Underwriter, or (3) war or any outbreak of hostilities or other national or international calamity or crisis shall have occurred or any armed conflict shall have occurred or escalated to such a magnitude as in the reasonable opinion of the Underwriter to have a materially adverse effect on the ability of the Underwriter to market the Bonds; or

(vii) There shall have been any materially adverse change in the affairs of the City; and

(c) At or prior to each Closing, the Underwriter and the City shall receive the following documents, in each case in form and substance satisfactory to us and our counsel:

(1) The unqualified approving opinions, dated as of the Closing Date, of Steptoe & Johnson, Bond Counsel, in the forms attached as Appendix C to the Official Statement accompanied by a supplementary opinion of Bond Counsel, dated as of the Closing Date, substantially in the forms attached hereto as Exhibit B;

(2) The opinion of Sansalone & Sansalone, Fairmont, West Virginia, Counsel to the City, dated as of the Closing Date and addressed to the Underwriter and the City, in the forms attached hereto as Exhibit C;

(3) The opinion of Jackson & Kelly, Charleston, West Virginia, counsel for the Underwriter, dated as of the Closing Date, substantially in the forms attached hereto as Exhibit D;

(4) A certificate, satisfactory to the Underwriter, of the Mayor of the City or any other of your duly authorized officers satisfactory to the Underwriter, dated as of the Closing, to the effect that: (i) you have duly performed all of your obligations to be performed at or prior to the Closing and that each of your representations and warranties contained herein are true as of Closing, (ii) you have authorized, by all necessary action, the acquisition and construction of the Project, the execution, delivery, receipt and due performance of the Bonds, the Undertaking, the Ordinance and any and all such other agreements and documents as may be required to be executed, delivered and received by you in order to carry out, give effect to and consummate the transactions contemplated hereby and by the Official Statement, (iii) to your knowledge no litigation is pending, or to your knowledge threatened, to restrain or enjoin the acquisition and construction of the Project, the issuance or sale of the Bonds or in any way affecting any authority for or the validity of the Bonds or the Ordinance, (iv) the execution, delivery, receipt and due performance of the

Bonds, the Undertaking, the Ordinance and the other agreements contemplated hereby and by the Official Statement under the circumstances contemplated thereby and your compliance with the provisions thereof will not conflict with or constitute on your part a breach of or a default under any existing law, court or administrative regulation, decree or order or any agreement, indenture, mortgage, lease or other instrument to which you are subject or by which you are or may be bound;

(5) A certificate, satisfactory to the Underwriter, of the Consulting Engineer, dated as of each Closing Date, to the effect that, assuming adequate maintenance and repair, the useful life of the Project is not less than forty (40) years;

(6) Copies of this Purchase Agreement executed by the parties thereto;

(7) An insurance policy or policies from Ambac Assurance Corporation (the "Bond Insurer") insuring the payment of the principal of and interest on the Series 1998 Bonds and the Series 1999 Bonds;

(8) Evidence that the application has been filed with the Public Service Commission of West Virginia requesting the Certificate of Convenience and Necessity for the Project;

(9) Executed copies of the Undertaking described in paragraph 5(j), in form and substance satisfactory to the Underwriter and counsel to the Underwriter;

(10) A certificate of the City executed by an authorized officer thereof, dated each Closing Date and in form and substance satisfactory to the Underwriter and counsel to the Underwriter, to the effect that the City is obligated by such Undertaking and is in full compliance with all of its prior written continuing disclosure undertakings entered into pursuant to the provisions of Rule 15c2-12(b)(5);

(11) An opinion from Steve Holbert, Certified Public Accountant, that the parity test set forth in the Prior Ordinance as amended, has been met;

(12) An opinion from Tetrick & Bartlett, PLLC, Certified Public Accountants, that the City has Gross Revenues sufficient to meet the rate coverage requirements of the Ordinance;

(13) A Certificate of the Registrar to the effect that all conditions precedent contained in the Ordinance for the issuance of the Bonds have been met, and are entitled to the benefit and security of the Ordinance;

(14) The Ordinance, certified by the City Clerk under the seal of the City, as having been duly adopted by the City and as being in full force and effect, with only

such amendments, modifications or supplements as may have been agreed to by the Underwriter;

(15) Evidence to the effect that the requirements of the Code have been satisfied by the filing of Internal Revenue Service Form 8038-G;

(16) Evidence that the Series 1998 Bonds have been designated and qualify as "qualified tax-exempt obligations" under Section 265(b) of the Internal Revenue Code;

(17) Evidence of an "Aaa" rating from Moody's Investors Service, Inc.; and

(18) Such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter or Bond Counsel may reasonably request including the opinion of Bond Counsel with respect to the original issue discount.

If the City shall be unable to satisfy or cause to be satisfied the conditions to the Underwriter's obligations in this Purchase Agreement or if the Underwriter's obligations shall be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement shall terminate and the Underwriter and the City shall not have any further obligations, claims or rights hereunder. However, the Underwriter may in its discretion waive in writing one or more conditions imposed by this Purchase Agreement for the protection of the Underwriter and proceed with the Closing.

7. The Underwriter shall be under no obligation to pay, and, if the Bonds are issued, the City shall pay or cause to be paid from the proceeds of the Bonds, any fees and expenses incident to the performance of the City's obligations hereunder including (i) all expenses in connection with the printing and distribution of the Preliminary Official Statement, the Official Statement and any amendment or supplement to either; (ii) all expenses in connection with the preparation, printing, issuance and delivery of the Bonds; (iii) the fees and disbursements of Steptoe & Johnson, Bond Counsel; (iv) the fees and disbursements of Sansalone & Sansalone, Counsel for the City; (v) the fees and expenses of the Bond Insurer, including legal fees and expenses; (vi) rating agency fees; (vii) all advertising expenses in connection with the public offering of the Bonds; (viii) the fees and disbursements of the Registrar including legal fees of legal counsel; and (ix) all other expenses and cost (including the fees and expenses of the City) for the authorization, issuance, sale and distribution of the Bonds.

8. The Underwriter shall pay from the underwriting spread (i) all expenses incurred by it in connection with its public offering and distribution of the Bonds, including all out-of-pocket expenses, travel and other expenses and Blue Sky qualification and filing fees and (ii) the fees and expenses of Counsel to the Underwriter and the fees and expenses in preparing the Preliminary Official Statement and Official Statement, the Blue Sky Survey,

the Legal Investment Memoranda and this Purchase Agreement, and Blue Sky qualification and filing fees.

9. For so long as the Underwriter, or dealers or banks, if any, participating in the distribution of the Bonds, are offering the Bonds which constitute the whole or a part of their unsold participations, the City will: (a) not adopt any amendment of or supplement to the Official Statement to which, after having been furnished with a copy, the Underwriter shall object in writing or which shall be disapproved by Counsel for the Underwriter, unless, in the opinion of the Counsel to the City, such amendment or supplement is required to make the Official Statement not misleading, and (b) if any event relating to or affecting the City shall occur as a result of which it is necessary, in the opinion of Bond Counsel or Counsel for the Underwriter, to amend or supplement the Official Statement in order to make the Official Statement not misleading in the light of the circumstances existing at the time it is delivered to a purchaser, forthwith prepare and furnish to the Underwriter a reasonable number of copies of an amendment or a supplement to the Official Statement (in form and substance satisfactory to the Counsel for the Underwriter) which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to a purchaser, not misleading. The expense of preparing such amendment or supplement shall be borne by the City. For the purposes of this paragraph, the City will furnish such information with respect to themselves as the Underwriter from time to time may request.

10. Neither the officials of the City nor its employees shall be personally liable for breach of any representation, agreement or warranty made by the City within this Purchase Agreement.

11. Any notice or other communication to be given under this Purchase Agreement may be given by delivering the same in writing as follows:

To the City:

The City of Fairmont
City Hall
200 Jackson Street
Fairmont, West Virginia 26555
Attention: Mayor

To the Underwriter:

Ferris, Baker Watts, Incorporated
170 Laidley Tower
500 Lee Street, East
Charleston, West Virginia 25301

12. This Purchase Agreement is made solely for the benefit of the City and the Underwriter (including the successors or assigns of the Underwriter) and no other person, partnership, association or corporation shall acquire or have any right hereunder or by virtue hereof. All agreements of the City in this Purchase Agreement shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Underwriter and shall survive the delivery of and payment for the Bonds.

13. This Purchase Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute one instrument.

14. The approval of the Underwriter when required hereunder or the determination of its satisfaction with any document referred to herein shall be in writing signed by the Representative and delivered to the City. This Purchase Agreement shall become legally effective upon its acceptance by the City, as evidenced by the signature of the Mayor of the City in the space provided hereinafter therefor.

Ferris, Baker Watts, Incorporated, acting on behalf of itself and Crews & Associates, Inc.

By: _____
Its: Senior Vice President

ACCEPTED AND APPROVED:

CITY OF FAIRMONT

By: _____
Its: Mayor

CHASFS3:135601

EXHIBIT A-1

Series 1998 Bonds

Maturity, Principal Amount, Interest Rate and Price/Yield Schedule

Maturity Date (July 1)	Principal Amount	Interest Rate	Price/Yield
2002	$105,000	3.60%	100%
2003	$100,000	3.70	100%
2004	$105,000	3.75	100%
2005	$110,000	3.85	100%
2006	$115,000	3.95	100%
2007	$120,000	4.00	100%
2008	$125,000	4.05	100%
2009	$130,000	4.10	100%
2010	$135,000	4.20	100%
2011	$140,000	4.25	100%
2012	$145,000	4.30	100%
2013	$145,000	4.35	100%

$1,625,000 4.75% Term Bonds, Due July 1, 2018 at 100%
$3,055,000 4.90% Term Bonds, Due July 1, 2023 at 100%
$3,445,000 4.75% Term Bonds, Due July 1, 2029 at 96.108%

The Series 1998 Bonds are subject to redemption prior to the maturity thereof.

Optional Redemption

The Series 1998 Bonds are not subject to optional redemption prior to January 1, 2009. At the option of the City, the Series 1998 Bonds maturing on or after July 1, 2009, will be subject to redemption prior to maturity on or after January 1, 2009, as a whole at any time and in part on any interest payment date, in inverse order of maturity and by random selection within maturities if less than all of any maturity, at a redemption price

(expressed as a percentage of the principal amount) set forth below, plus interest accrued to the date fixed for redemption:

Period During Which Redeemed	Redemption Price
January 1, 2009 through December 31, 2009	102%
January 1, 2010 through December 31, 2010	101%
January 1, 2011 and thereafter	100%

Mandatory Sinking Fund Redemption

The Series 1998 Bonds maturing July 1, 2018, July 1, 2023 and July 1, 2029, are subject to annual mandatory redemption prior to their respective stated maturity dates, as set forth in the Ordinance, by random selection 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:

Series 1998 Bonds Maturing July 1, 2018

Year (July 1)	Principal Amount
2014	$295,000
2015	310,000
2016	325,000
2017	340,000
2018*	355,000

Series 1998 Bonds Maturing July 1, 2023

Year (July 1)	Principal Amount
2019	$375,000
2020	695,000
2021	675,000
2022	660,000
2023*	650,000

Series 1998 Bonds Maturing July 1, 2029

Year (July 1)	Principal Amount
2024	$635,000
2025	510,000
2026	535,000
2027	560,000
2028	590,000
2029*	615,000

* Final maturity.

EXHIBIT A-2

Series 1999 Bonds

Principal, Interest Rate, Maturity and Price Schedule

$1,825,000 5.25% Term Bonds, Due July 1, 2015 at 104.521%
$2,020,000 5.25% Term Bonds, Due July 1, 2017 at 103.596%
$2,235,000 5.00% Term Bonds, Due July 1, 2019 at 100.895%
$3,000,000 5.25% Term Bonds, Due July 1, 2022 at 104.561%
$2,500,000 4.50% Term Bonds, Due July 1, 2024 at 92.165%
$8,365,000 5.00% Term Bonds, Due July 1, 2029 at 98.459%

The Series 1999 Bonds are subject to redemption prior to the maturity thereof.

Optional Redemption

The Series 1999 Bonds maturing July 1, 2022, are not subject to optional redemption. The Series 1999 Bonds are not subject to optional redemption prior to January 1, 2009. At the option of the City, the Series 1999 Bonds maturing on or after July 1, 2009, will be subject to redemption prior to maturity on or after January 1, 2009, as a whole at any time and in part on any interest payment date, in inverse order of maturity and by random selection within maturities if less than all of any maturity, at a redemption price (expressed as a percentage of the principal amount) set forth below, plus interest accrued to the date fixed for redemption:

Period During Which Redeemed	Redemption Price
January 1, 2009 through December 31, 2009	102%
January 1, 2010 through December 31, 2010	101%
January 1, 2011 and thereafter	100%

Mandatory Sinking Fund Redemption

The Series 1999 Bonds maturing July 1, 2015, July 1, 2017, July 1, 2019, July 1, 2022, July 1, 2024 and July 1, 2029, are subject to annual mandatory redemption prior to their respective stated maturity dates, as set forth in the Ordinance, by random selection 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:

Series 1999 Bonds Maturing July 1, 2015

Year (July 1)	Principal Amount
2014	$890,000
2015*	935,000

Series 1999 Bonds Maturing July 1, 2017

Year (July 1)	Principal Amount
2016	$ 985,000
2017*	1,035,000

Series 1999 Bonds Maturing July 1, 2019

Year (July 1)	Principal Amount
2018	$1,090,000
2019*	1,145,000

Series 1999 Bonds Maturing July 1, 2022

Year (July 1)	Principal Amount
2020	$ 900,000
2021	1,000,000
2022*	1,100,000

Series 1999 Bonds Maturing July 1, 2024

Year (July 1)	Principal Amount
2023	$1,200,000
2024*	1,300,000

Series 1999 Bonds Maturing July 1, 2029

Year (July 1)	Principal Amount
2025	$1,515,000
2026	1,590,000
2027	1,670,000
2028	1,750,000
2029*	1,840,000

* Final maturity.

EXHIBIT B-1

[LETTERHEAD OF STEPTOE & JOHNSON]

December 30, 1998

City of Fairmont
City Hall
200 Jackson Street
Fairmont, West Virginia 26555

Ferris, Baker Watts, Incorporated
170 Laidley Tower
500 Lee Street, East
Charleston, West Virginia 25301

Crews & Associates, Inc.
2000 Union National Plaza
124 West Capitol
Little Rock, Arkansas 72201

Ambac Assurance Corporation
New York, New York

Re: $_____ City of Fairmont, West Virginia
Water Revenue Bonds, Series 1998

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance and sale by the City of Fairmont, West Virginia (the "City") of $_____ aggregate principal amount of its Water Revenue Bonds, Series 1998 (the "Series 1998 Bonds"). In our capacity as Bond Counsel, we are delivering an opinion of even date herewith concerning the legality of the Series 1998 Bonds and the exclusion of interest on the Series 1998 Bonds from gross income for federal income tax purposes (the "Bond Opinion"). We have examined the documents and instruments as described in the Bond Opinion, the Official Statement and such other matters as we have deemed necessary or appropriate to render this opinion. Words and terms used in this opinion shall have the meanings assigned to them in the Bond Purchase Agreement (the "Purchase Agreement") dated December 17, 1998, between the City and the Underwriter.

Based upon the foregoing, we are of opinion that:

(1) The Purchase Agreement has been authorized, executed and delivered by the City and, assuming due authorization, execution and delivery by the other parties thereto, is a legal, valid, binding and enforceable obligation of the City (except to the extent that enforceability may be limited by bankruptcy, insolvency or other laws or equitable principles affecting creditors' rights generally).

(2) The City, under the Act, has full power and authority to enact the Ordinance, enter into the Purchase Agreement and the Undertaking and perform its obligations thereunder.

(3) The City has duly ratified the distribution of the Preliminary Official Statement, the Official Statement has been duly approved, signed and delivered by the City, and the City has authorized the distribution of the Official Statement and the use thereof by the Underwriter in connection with the public offering of the 1998 Bonds.

(4) The statements and information contained in the Official Statement under the captions or subcaptions "Financing Plan," "The Bonds" (excluding information regarding DTC), "Security for the Bonds," "Legal Matters," "Tax Matters," "Continuing Disclosure," and Appendix C and D thereto (except for financial or statistical data therein as to which no opinion is hereby expressed) do not contain any untrue statement of a material fact or omit to state a material fact necessary to make such statements, in light of the circumstances under which they were made, not misleading in any material respect.

(5) The Series 1998 Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended, and the Ordinance is exempt from qualification as an indenture pursuant to the Trust Indenture Act of 1939, as amended.

Very truly yours,

STEPTOE & JOHNSON

EXHIBIT B-2

[LETTERHEAD OF STEPTOE & JOHNSON]

January __, 1999

City of Fairmont
City Hall
200 Jackson Street
Fairmont, West Virginia 26555

Ferris, Baker Watts, Incorporated
170 Laidley Tower
500 Lee Street, East
Charleston, West Virginia 25301

Crews & Associates, Inc.
2000 Union National Plaza
124 West Capitol
Little Rock, Arkansas 72201

Ambac Assurance Corporation
New York, New York

Re: $_____ City of Fairmont, West Virginia
Water Revenue Bonds, Series 1999

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance and sale by the City of Fairmont, West Virginia (the "City") of $_____ aggregate principal amount of Water Revenue Bonds, Series 1999 Bonds (the "Series 1999 Bonds"). In our capacity as Bond Counsel, we are delivering an opinion of even date herewith concerning the legality of the Series 1999 Bonds and the exclusion of interest on the Series 1999 Bonds from gross income for federal income tax purposes (the "Bond Opinion"). We have examined the documents and instruments as described in the Bond Opinion, the Official Statement and such other matters as we have deemed necessary or appropriate to render this opinion. Words and terms used in this opinion shall have the meanings assigned to them in the Bond Purchase Agreement (the "Purchase Agreement") dated December 17, 1998, between the City and the Underwriter.

Based upon the foregoing, we are of opinion that:

(1) The Purchase Agreement has been authorized, executed and delivered by the City and, assuming due authorization, execution and delivery by the other parties thereto, is a legal, valid, binding and enforceable obligation of the City (except to the extent that enforceability may be limited by bankruptcy, insolvency or other laws or equitable principles affecting creditors' rights generally).

(2) The City, under the Act, has full power and authority to enact the Ordinance, enter into the Purchase Agreement and the Undertaking and perform its obligations thereunder.

(3) The City has duly ratified the distribution of the Preliminary Official Statement, the Official Statement has been duly approved, signed and delivered by the City, and the City has authorized the distribution of the Official Statement and the use thereof by the Underwriter in connection with the public offering of the Series 1999 Bonds.

(4) The statements and information contained in the Official Statement under the captions or subcaptions "Financing Plan," "The Bonds" (excluding information regarding DTC), "Security for the Bonds," "Legal Matters," "Tax Matters," "Continuing Disclosure," and Appendix C and D thereto (except for financial or statistical data therein as to which no opinion is hereby expressed) do not contain any untrue statement of a material fact or omit to state a material fact necessary to make such statements, in light of the circumstances under which they were made, not misleading in any material respect.

(5) The Series 1999 Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended, and the Ordinance is exempt from qualification as an indenture pursuant to the Trust Indenture Act of 1939, as amended.

Very truly yours,

STEPTOE & JOHNSON

EXHIBIT C-1

[LETTERHEAD OF SANSALONE & SANSALONE, COUNSEL TO CITY]

December 30, 1998

City of Fairmont
City Hall
200 Jackson Street
Fairmont, West Virginia 26555

Ferris, Baker Watts, Incorporated
170 Laidley Tower
500 Lee Street, East
Charleston, West Virginia 25301

Crews & Associates, Inc.
2000 Union National Plaza
124 West Capitol
Little Rock, Arkansas 72201

Ambac Assurance Corporation
New York, New York

Re: $_____ City of Fairmont, West Virginia
Water Revenue Bonds, Series 1998

Ladies and Gentlemen:

We have acted as counsel for the City of Fairmont, West Virginia (the "City") and have acted as such in connection with the sale of the above-referenced Bonds (the "Series 1998 Bonds"), which are being delivered and sold pursuant to a Bond Purchase Agreement dated as of December 17, 1998 (the "Purchase Agreement") between Ferris, Baker Watts, Incorporated (the "Underwriter") and the City. Any capitalized terms used herein and not defined shall have the meaning assigned to it in the Purchase Agreement.

In this connection, we have reviewed and examined certain proceedings and documents with respect to the Bonds, any such records, certificates and other documents as we have considered necessary or appropriate for the purposes of this opinion, including Chapter 8, Article 19 of the Code of West Virginia, 1931, as amended (the "Act"), the Ordinance of the City relating to the Bonds enacted on November 10, 1998, as supplemented by a supplemental resolution adopted by the Council of the City on December 17, 1998 (collectively, the "Ordinance"), the Undertaking, the Purchase Agreement, the Preliminary Official Statement dated December 8, 1998, and the Official Statement dated December 17,

1998 with respect to the issuance and offering of the Series 1998 Bonds (collectively, the "Official Statement") and certifications of the City. Based on such review and such other considerations of law and fact as we believe to be relevant, we are of the opinion that:

1. The City is a municipal corporation duly organized and existing under the laws and Constitution of the State of West Virginia. The City is authorized by the laws of the State of West Virginia, as provided by the Act, to enter into and perform its obligations under the Ordinance, the Undertaking, and the Purchase Agreement.

2. The City has full power and authority to consummate all transactions contemplated by the Bonds, the Undertaking, the Purchase Agreement and any and other agreements relating thereto, to which the City is a party.

3. The City has duly authorized all action necessary to be taken by it or on its behalf for (i) the acquisition and construction of the Project; (ii) the execution and delivery of the Undertaking and the Purchase Agreement; (iii) the approval of the distribution of the Official Statement; (iv) the ratification of the actions of the City and the issuance and delivery of the Bonds upon the terms set forth in the Ordinance; and (v) the carrying out, giving effect to and consummation of the transactions contemplated thereby.

4. The Purchase Agreement and Undertaking have been duly and validly authorized, executed and delivered by the City and the same are in full force and effect as of the date hereof and are valid and legally binding obligations of the City, enforceable against the City in accordance with their respective terms, except to the extent the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting creditors' rights generally.

5. The Ordinance has been duly adopted and enacted at meetings of the governing body (Council) of the City which were called and held pursuant to law and in accordance with all applicable open meeting laws and at which a quorum was present and acting at the time of the enactment of the Ordinance.

6. The execution and delivery by the City of the Undertaking and the Purchase Agreement and the performance of its obligations thereunder do not and will not result in a violation of any provision of, or in default under, the West Virginia statutes organizing and governing the City or, to the best of my knowledge after diligent inquiry and review of the City's records, any agreement or other instrument to which the City is a party or by which it or its properties are bound.

7. All actions necessary to be taken by the City have been taken, and no additional approval, authorization, consent or other order of the City or any public board or body is legally required to allow the City to acquire and construct the Project, to enter into and perform its obligations under the Purchase Agreement and the Undertaking or as described in the Official Statement.

8. The City is not in violation of any provision of, or in default under, West Virginia statutes organizing and governing the City.

9. There are no legal or governmental actions, proceedings, inquiries or investigations pending or threatened by governmental authorities or to which the City is a party or of which any property of the City is subject, except as described in the Official Statement, which, if determined adversely to the City, would individually or in the aggregate (i) materially and adversely affect the validity or the enforceability of the Series 1998 Bonds, the Undertaking or the Purchase Agreement, (ii) otherwise materially or adversely affect the ability of the City to comply with its obligations under the Purchase Agreement or the Undertaking, or materially and adversely affect the transactions contemplated by the Official Statement to be engaged in by the City including acquiring and constructing the Project.

10. Based upon my experience as counsel for the City and on my review of the Official Statement, and after diligent inquiry, the statements and information contained in the Official Statement under the captions or subcaptions "Financing Plan," "The Bonds," "Security for the Bonds," "The System," "Litigation," "Legal Matters" and "Continuing Disclosure" do not contain any untrue statement of a material fact or omit to state any material fact necessary to make such statements, in light of the circumstances under which they were made, not misleading in any material respect.

We hereby consent to the references made to me in the Official Statement.

Very truly yours,

EXHIBIT C-2

[LETTERHEAD OF SANSALONE & SANSALONE, COUNSEL TO CITY]

January __, 1999

City of Fairmont
City Hall
200 Jackson Street
Fairmont, West Virginia 26555

Ferris, Baker Watts, Incorporated
170 Laidley Tower
500 Lee Street, East
Charleston, West Virginia 25301

Crews & Associates, Inc.
2000 Union National Plaza
124 West Capitol
Little Rock, Arkansas 72201

Ambac Assurance Corporation
New York, New York

Re: $_____ City of Fairmont, West Virginia
Water Revenue Bonds, Series 1999

Ladies and Gentlemen:

We have acted as counsel for the City of Fairmont, West Virginia (the "City") and have acted as such in connection with the sale of the above-referenced Bonds (the "Series 1999 Bonds"), which are being delivered and sold pursuant to a Bond Purchase Agreement dated as of December 17, 1998 (the "Purchase Agreement") between Ferris, Baker Watts, Incorporated (the "Underwriter") and the City. Any capitalized terms used herein and not defined shall have the meaning assigned to it in the Purchase Agreement.

In this connection, we have reviewed and examined certain proceedings and documents with respect to the Series 1999 Bonds, any such records, certificates and other documents as we have considered necessary or appropriate for the purposes of this opinion, including Chapter 8, Article 19 of the Code of West Virginia, 1931, as amended (the "Act"), the Ordinance of the City relating to the Bonds enacted on November 10, 1998, as supplemented by a supplemental resolution adopted by the Council of the City on December 17, 1998, (collectively the "Ordinance"), the Undertaking, the Purchase Agreement, the Preliminary Official Statement dated December 8, 1998, and the Official Statement dated December 17, 1998, with respect to the issuance and offering of the Series 1999 Bonds (collectively, the "Official Statement") and certifications of the City. Based on such review

and such other considerations of law and fact as we believe to be relevant, we are of the opinion that:

1. The City is a municipal corporation duly organized and existing under the laws and Constitution of the State of West Virginia. The City is authorized by the laws of the State of West Virginia, as provided by the Act, to enter into and perform its obligations under the Ordinance, the Undertaking and the Purchase Agreement.

2. The City has full power and authority to consummate all transactions contemplated by the Bonds, the Undertaking, the Purchase Agreement and any and other agreements relating thereto, to which the City is a party.

3. The City has duly authorized all action necessary to be taken by it or on its behalf for (i) the acquisition and construction of the Project; (ii) the execution and delivery of the Undertaking and the Purchase Agreement; (iii) the approval of the distribution of the Official Statement; (iv) the ratification of the actions of the City and the issuance and delivery of the Bonds upon the terms set forth in the Ordinance; and (v) the carrying out, giving effect to and consummation of the transactions contemplated thereby.

4. The Purchase Agreement and Undertaking have been duly and validly authorized, executed and delivered by the City and the same are in full force and effect as of the date hereof and are valid and legally binding obligations of the City, enforceable against the City in accordance with their respective terms, except to the extent the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting creditors' rights generally.

5. The Ordinance has been duly adopted and enacted at meetings of the governing body (Council) of the City which were called and held pursuant to law and in accordance with all applicable open meeting laws and at which a quorum was present and acting at the time of the enactment of the Ordinance.

6. The execution and delivery by the City of the Undertaking and the Purchase Agreement and the performance of its obligations thereunder do not and will not result in a violation of any provision of, or in default under, the West Virginia statutes organizing and governing the City or, to the best of my knowledge after diligent inquiry and review of the City's records, any agreement or other instrument to which the City is a party or by which it or its properties are bound.

7. All actions necessary to be taken by the City have been taken, and no additional approval, authorization, consent or other order of the City or any public board or body is legally required to allow the City to acquire and construct the Project, to enter into and perform its obligations under the Purchase Agreement and the Undertaking or as described in the Official Statement.

8. The City is not in violation of any provision of, or in default under, West Virginia statutes organizing and governing the City.

9. There are no legal or governmental actions, proceedings, inquiries or investigations pending or threatened by governmental authorities or to which the City is a party or of which any property of the City is subject, except as described in the Official Statement, which, if determined adversely to the City, would individually or in the aggregate (i) materially and adversely affect the validity or the enforceability of the Series 1999 Bonds, the Undertaking or the Purchase Agreement, (ii) otherwise materially or adversely affect the ability of the City to comply with its obligations under the Purchase Agreement or the Undertaking, or materially and adversely affect the transactions contemplated by the Official Statement to be engaged in by the City including acquiring and constructing the Project.

10. Based upon my experience as counsel for the City and on my review of the Official Statement, and after diligent inquiry, the statements and information contained in the Official Statement under the captions or subcaptions "Financing Plan," "The Bonds," "Security for the Bonds," "The System," "Litigation," "Legal Matters" and "Continuing Disclosure" do not contain any untrue statement of a material fact or omit to state any material fact necessary to make such statements, in light of the circumstances under which they were made, not misleading in any material respect.

We hereby consent to the references made to me in the Official Statement.

Very truly yours,

EXHIBIT D-1

[LETTERHEAD OF JACKSON & KELLY]

December 30, 1998

Ferris, Baker Watts, Incorporated
170 Laidley Tower
500 Lee Street, East
Charleston, West Virginia 25301

Crews & Associates, Inc.
2000 Union National Plaza
124 West Capitol
Little Rock, Arkansas 72201

Re: $_____ City of Fairmont, West Virginia
Water Revenue Bonds, Series 1998

Ladies and Gentlemen:

We have acted as counsel to you (the "Underwriter") in connection with the issuance and sale by the City of Fairmont, West Virginia (the "City") of its Water Revenue Bonds, Series 1998 (the "Series 1998 Bonds") in the aggregate principal amount of $_____. In connection with rendering this opinion, we have examined the Official Statement dated December 17, 1998, the Bond Purchase Agreement dated December 17, 1998 (the "Purchase Agreement"), the Continuing Disclosure Agreement between you and the City dated as of the Closing Date (the "Undertaking"), and Rule 15c2-12 of the Securities Exchange Commission promulgated under the Securities Exchange Act of 1934, as amended (the "Rule"). Capitalized terms used but not defined herein shall have the meanings set forth in the Purchase Agreement.

Based upon the foregoing, we are of the opinion that the Undertaking complies as to form in all material respects with the requirements of paragraph (b)(5) of the Rule.

Without having undertaken to determine independently the accuracy or completeness of the statements contained in the Official Statement, but on the basis of our conferences with representatives of the City, counsel for the City, Bond Counsel and the Underwriter, and our examination of certain documents referred to in the Official Statement, nothing has come to our attention that would lead us to believe that the Official Statement

(excluding therefrom the financial and statistical data included in the Official Statement, including Appendix B thereto as to which we express no opinion) contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

This opinion is solely for the benefit of, and may be relied upon only by, the Underwriter; and it is not to be used, circulated, quoted or otherwise referred to for any other purpose, except that a copy hereof may be included in its transcript of closing documents pertaining to the delivery of the Series 1998 Bonds.

Very truly yours,

EXHIBIT D-2

[LETTERHEAD OF JACKSON & KELLY]

January __, 1999

Ferris, Baker Watts, Incorporated
170 Laidley Tower
500 Lee Street, East
Charleston, West Virginia 25301

Crews & Associates, Inc.
2000 Union National Plaza
124 West Capitol
Little Rock, Arkansas 72201

Re: $_____ City of Fairmont, West Virginia
Water Revenue Bonds, Series 1999

Ladies and Gentlemen:

We have acted as counsel to you (the "Underwriter") in connection with the issuance and sale by the City of Fairmont, West Virginia (the "City") of its Water Revenue Bonds, Series 1999 (the "Series 1999 Bonds") in the aggregate principal amount of $_____. In connection with rendering this opinion, we have examined the Official Statement dated December 17, 1998, the Bond Purchase Agreement dated December 17, 1998 (the "Purchase Agreement"), the Continuing Disclosure Agreement between you and the City dated as of the Closing Date (the "Undertaking"), and Rule 15c2-12 of the Securities Exchange Commission promulgated under the Securities Exchange Act of 1934, as amended (the "Rule"). Capitalized terms used but not defined herein shall have the meanings set forth in the Purchase Agreement.

Based upon the foregoing, we are of the opinion that the Undertaking complies as to form in all material respects with the requirements of paragraph (b)(5) of the Rule.

Without having undertaken to determine independently the accuracy or completeness of the statements contained in the Official Statement, but on the basis of our conferences with representatives of the City, counsel for the City, Bond Counsel and the Underwriter, and our examination of certain documents referred to in the Official Statement, nothing has come to our attention that would lead us to believe that the Official Statement (excluding therefrom the financial and statistical data included in the Official Statement, including Appendix B thereto as to which we express no opinion) contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

This opinion is solely for the benefit of, and may be relied upon only by, the Underwriter; and it is not to be used, circulated, quoted or otherwise referred to for any other purpose, except that a copy hereof may be included in its transcript of closing documents pertaining to the delivery of the Series 1999 Bonds.

Very truly yours,

JACKSON & KELLY
ATTORNEYS AT LAW
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CITY OF FAIRMONT, WEST VIRGINIA

$9,560,000* Water Revenue Bonds, Series 1998

$19,995,000* Water Revenue Bonds, Series 1999

December 8, 1998

PRELIMINARY BLUE SKY MEMORANDUM

Ferris, Baker Watts, Incorporated
170 Laidley Tower
Charleston, West Virginia 25301

Crews & Associates, Inc.
P. O. Box 2764
108-1/2 Capitol Street
Suite 202
Charleston, West Virginia 25330-2764

Ladies and Gentlemen:

This memorandum sets forth, in summary form, information concerning the extent to which and conditions upon which it is believed sales of the $9,560,000* Water Revenue Bonds, Series 1998, and the $19,995,000* Water Revenue Bonds, Series 1999 (the "Bonds"), will be permissible under the Blue Sky or securities laws of the states of

*Preliminary and subject to change.

51A

Arkansas, Delaware, Florida, Kentucky, Maryland, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, Texas, Virginia and West Virginia, and the District of Columbia.

We have examined the latest compilations available to us of the applicable statutes of such jurisdictions which relate to the sale of securities therein and, in certain instances, the regulations issued thereunder. We have not researched court decisions in these jurisdictions or obtained opinions of local counsel or special rulings of the securities commissions or other administrative bodies or officials charged with the administration of the securities or Blue Sky laws of these jurisdictions. Moreover, we have not undertaken any action to register or qualify the Bonds or to establish an exemption thereof for sale to the public. We do not purport to be experts in the laws of any jurisdiction other than the State of West Virginia.

In the instance in which we have indicated that persons registered or licensed as dealers or brokers may sell the Bonds, we have assumed that such persons have complied with all dealer or broker requirements in connection with the sale thereof and with all Federal and state statutes, rules and regulations, if any, relating to advertising material published or used or the question of whether the Bonds are legal investments for any institution listed therein.

The statements made herein are of necessity subject to the exercise of broad discretionary powers given by statute to securities commissions and other qualified authorities authorizing such commissions or authorities to withdraw exemptions offered by statute or by administrative interpretations thereof, to refuse registration or to impose additional requirements or restrictions in respect to any offering of securities.

JACKSON & KELLY

CITY OF FAIRMONT, WEST VIRGINIA

$9,560,000* Water Revenue Bonds, Series 1998

$19,995,000* Water Revenue Bonds, Series 1999

PRELIMINARY BLUE SKY SURVEY

PART I

SALE TO THE PUBLIC

A.

Our survey indicates that the Bonds may be sold to the public in the following jurisdictions without registration or other filings relating thereto by reason of available exemptions or otherwise, subject to the specific requirement that the sellers must be registered or licensed as dealers or brokers therein:

Arkansas
Delaware
District of Columbia
Florida
Kentucky
Maryland
North Carolina
Ohio
Pennsylvania
South Carolina
Virginia
West Virginia

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*Preliminary and subject to change.

B.

After applicable requirements, if any, as to notice filings in the respective jurisdictions have been made, the Bonds may be offered and sold to anyone in the jurisdictions listed below, but only by dealers or brokers registered or licensed in the respective jurisdictions. We are taking such action as we deem appropriate in each of the jurisdictions, and we will notify you if and when the Bonds may be offered or sold in the following jurisdictions:

Tennessee
Texas

PART II

EXEMPT TRANSACTIONS

Our survey indicates that the Bonds may be sold in the following jurisdictions to the institutions or persons noted below without registration or other filings therein relating to the Bonds and without the sellers thereof being required to be registered or licensed as dealers or brokers therein, except as otherwise indicated:

Alabama	To any bank, savings institution, credit union, trust company, insurance company or investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust or other financial institution or institutional buyer, or to a dealer, whether the purchaser is acting for itself or in some fiduciary capacity.
Alaska	To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit sharing trust, or other financial institution or institutional buyer, or to any broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.
Arizona	To any bank, savings institution, insurance company, dealer or an agency or instrumentality of the United States or of a state or to any person a principal part of whose business consists of buying securities.

Arkansas	To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to a broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.
California	(1) To any bank, savings and loan association, trust company, insurance company, investment company registered under the Investment Company Act of 1940, pension or profit-sharing trust (other than a pension or profit-sharing trust of the issuer, a self-employed individual retirement plan or individual retirement account), or other institutional investor or governmental agency or instrumentality that the commissioner may designate by rule, whether the purchaser is acting for itself or as trustee, or (2) to any corporation with outstanding securities registered under Section 12 of the Securities Exchange Act of 1934 or any wholly owned subsidiary of such a corporation that after the offer and sale will own directly or indirectly 100 percent of the outstanding capital stock of the issuer; provided the purchaser represents that it is purchasing for its own account (or for the trust account) for investment and not with a view to or for sale in connection with any distribution of the security.
Colorado	To a financial or institutional investor or to a broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.
Connecticut	To any bank and trust company, national banking association, savings bank, savings and loan association, federal savings and loan association, credit union, federal credit union, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to a broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.
Delaware	To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to a broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.

District of Columbia	To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to any broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.
Florida	To any bank or trust company, savings institution, insurance company, dealer, investment company, as defined in the Investment Company Act of 1940, or pension or profit sharing trust or qualified institutional buyer, whether any of such entities is acting in its individual or fiduciary capacity.
Georgia	To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, real estate investment trust, small business investment corporation, pension or profit-sharing plan or trust, other financial institution, or to a dealer, whether the purchaser is acting for itself or in some fiduciary capacity.
Hawaii	To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to a dealer, whether the purchaser is acting for itself or in some fiduciary capacity.
Idaho	To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to any broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.
Illinois	To any corporation, bank, savings bank, savings institution, savings and loan association, trust company, insurance company, building and loan association, or dealer; to a pension fund, pension trust, or employees' profit-sharing trust, other financial institution or institutional investor, any government or political subdivision or instrumentality thereof, whether the purchaser is acting for itself or in some fiduciary capacity; to any partnership or other association engaged as a substantial part of its business or operations in purchasing or holding securities; to any trust in respect of which a bank or trust

company is trustee or co-trustee; to any entity in which at least 90% of the equity is owned by persons described; to any employee benefit plan as defined; to any plan established and maintained by, and for the benefit of the employees of, any state or political subdivision or agency or instrumentality as described; or to any organization, trust or partnership as described.

Indiana	To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to any broker-dealer, whether the purchaser is acting for itself or in a fiduciary capacity.
Iowa	To any bank, savings and loan association, credit union, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to a broker-dealer, whether the purchaser is acting for itself or in a fiduciary capacity; provided the administrator may grant exemption to certain investors.
Kansas	To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to any broker-dealer or underwriter.
Kentucky	To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to a broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.
Louisiana	To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, real estate investment trust, small business investment corporation, pension or profit-sharing plan or trust, other financial institution, or a dealer, whether the purchaser is acting for itself or in some fiduciary capacity.

Maine	To any financial and institutional investor or to a broker-dealer.
Maryland	To any investment company as defined in the Investment Company Act of 1940, an investment advisor with assets under management of not less than $1,000,000, a broker-dealer, bank, trust company, savings and loan association, insurance company, employee benefit plan with assets not less than $1,000,000, or governmental agency or instrumentality, whether acting for itself or as a trustee or fiduciary with investment control, or other institutional investor as designated.
Massachusetts	To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to a broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.
Michigan	To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, the federal national mortgage association, the federal home loan mortgage corporation, or the government national mortgage association, pension or profit sharing trust the assets of which are managed by an institutional manager, the treasurer of this state, other financial institution, broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity, or a lender approved by the federal housing administration and who has satisfied any additional requirements established by the administrator by rule or order.
Minnesota	To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, or other financial institution or institutional buyer, or to a broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.
Mississippi	To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to a broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.

Missouri	To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to a broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.
Montana	To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to a broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.
Nebraska	To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, to an individual accredited investor (as defined), or to a broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.
Nevada	To any financial and institutional investor or to a broker-dealer.
New Hampshire	To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, a venture capital company which operates a small business investment company under the Small Business Investment Act of 1958, as amended, or other financial institution or institutional buyer, or to any broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.
New Jersey	To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to any broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.
New Mexico	To any financial and institutional investor or to a broker-dealer.

New York	To any bank, corporation, savings institution, trust company, insurance company, investment company, as defined int he federal Investment Company Act of 1940, pension or profit sharing trust, or other financial institution or institutional buyer, whether the purchaser is acting for himself or itself or in some fiduciary capacity, as part of a private placement of securities.
North Carolina	To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to a dealer, whether the purchaser is acting for itself or in some fiduciary capacity; in addition to the foregoing persons and institutions, a corporation with a net worth in excess of $1,000,000 as determined by generally accepted accounting principles.
North Dakota	To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to a dealer.
Ohio	To the issuer, dealer, or to an institutional investor.
Oklahoma	To a financial or institutional investor or to a broker-dealer.
Oregon	To any bank, savings institution, trust company, insurance company, investment company, pension or profit-sharing trust, or other financial institution or institutional buyer, or to a broker-dealer, mortgage broker or mortgage banker, whether the purchaser is acting for itself or in a fiduciary capacity when the purchaser has discretionary authority to make investment decisions.
Pennsylvania	To an institutional investor or to a broker-dealer, whether the buyer is acting for itself or in some fiduciary capacity.
Puerto Rico	To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of Puerto Rico, pension or profit-sharing trust, or other financial institution or institutional buyer, or to any broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.

Rhode Island	To a financial or institutional investor or to a broker-dealer.
South Carolina	To any bank, savings institution, trust company, insurance company investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to any broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.
South Dakota	To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to any broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.
Tennessee	To any institutional investor or to a broker-dealer.
Texas	To any bank, trust company, building and loan association, insurance company, surety or guaranty company, savings institution, investment company as defined in the Investment Company Act of 1940, small business investment company as defined in the Small Business Investment Act of 1958, or to any registered dealer actually engaged in buying and selling securities.
Utah	To any bank, savings institution, trust company, insurance company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to a broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.
Vermont	To any financial or institutional investor, including depository institution, insurance company, separate account of an insurance company, an investment company as defined in the Investment Company Act of 1940, employee pension, profit-sharing or benefit plan if the plan has total assets in excess of five million or its investment decisions are made by a named fiduciary that is either a broker-dealer registered, an investment advisor registered or exempt from registration under the Investment Advisor's Act of 1940, a depository institution or an insurance company, and to any other financial or institutional buyer which qualifies as an accredited investor.

Virginia	To any corporation, investment company or pension or profit-sharing trust or to a broker-dealer.
Washington	To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to a broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.
West Virginia	To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to any broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.
Wisconsin	To the issuer, any bank, savings institution, savings bank, credit union, trust company, insurer, broker-dealer, investment adviser or savings and loan association, if the purchaser or the prospective purchaser is acting for itself or as trustee with investment control, or to an investment company as defined under 15 USC 80a-3, or a pension or profit-sharing trust, except that an offer or sale of a security to a pension or profit-sharing trust or to an individual retirement plan is not exempt under this paragraph unless administered by a bank, savings institution, savings bank, credit union, trust company, insurer, broker-dealer, investment advisor or savings and loan institution that has investment control, this state or any of its agencies or political subdivision, the federal government or any of its agencies or instrumentalities, to any financial institution or institutional investor as designated, or to an individual accredited investor as defined.
Wyoming	To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to any broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.

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CITY OF FAIRMONT, WEST VIRGINIA

$9,600,000 Water Revenue Bonds, Series 1998

$19,945,000 Water Revenue Bonds, Series 1999

December 17, 1998

FINAL BLUE SKY MEMORANDUM

Ferris, Baker Watts, Incorporated
170 Laidley Tower
Charleston, West Virginia 25301

Crews & Associates, Inc.
P. O. Box 2764
108-1/2 Capitol Street
Suite 202
Charleston, West Virginia 25330-2764

Ladies and Gentlemen:

This memorandum sets forth, in summary form, information concerning the extent to which and conditions upon which it is believed sales of the $9,600,000 Water Revenue Bonds, Series 1998, and the $19,945,000 Water Revenue Bonds, Series 1999 (the "Bonds"), will be permissible under the Blue Sky or securities laws of the states of Arkansas, Delaware, Florida, Kentucky, Maryland, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, Texas, Virginia and West Virginia, and the District of Columbia.

51B

We have examined the latest compilations available to us of the applicable statutes of such jurisdictions which relate to the sale of securities therein and, in certain instances, the regulations issued thereunder. We have not researched court decisions in these jurisdictions or obtained opinions of local counsel or special rulings of the securities commissions or other administrative bodies or officials charged with the administration of the securities or Blue Sky laws of these jurisdictions. Moreover, we have not undertaken any action to register or qualify the Bonds or to establish an exemption thereof for sale to the public. We do not purport to be experts in the laws of any jurisdiction other than the State of West Virginia.

In the instance in which we have indicated that persons registered or licensed as dealers or brokers may sell the Bonds, we have assumed that such persons have complied with all dealer or broker requirements in connection with the sale thereof and with all Federal and state statutes, rules and regulations, if any, relating to advertising material published or used or the question of whether the Bonds are legal investments for any institution listed therein.

The statements made herein are of necessity subject to the exercise of broad discretionary powers given by statute to securities commissions and other qualified authorities authorizing such commissions or authorities to withdraw exemptions offered by statute or by administrative interpretations thereof, to refuse registration or to impose additional requirements or restrictions in respect to any offering of securities.

JACKSON & KELLY

CITY OF FAIRMONT, WEST VIRGINIA

$9,600,000 Water Revenue Bonds, Series 1998

$19,945,000 Water Revenue Bonds, Series 1999

FINAL BLUE SKY SURVEY

PART I

SALE TO THE PUBLIC

A.

Our survey indicates that the Bonds may be sold to the public in the following jurisdictions without registration or other filings relating thereto by reason of available exemptions or otherwise, subject to the specific requirement that the sellers must be registered or licensed as dealers or brokers therein:

Arkansas
Delaware
District of Columbia
Florida
Kentucky
Maryland
North Carolina
Ohio
Pennsylvania
South Carolina
Virginia
West Virginia

B.

After applicable requirements, if any, as to notice filings in the respective jurisdictions have been made, the Bonds may be offered and sold to anyone in the jurisdictions listed below, but only by dealers or brokers registered or licensed in the respective jurisdictions. We are taking such action as we deem appropriate in each of the jurisdictions, and we will notify you if and when the Bonds may be offered or sold in the following jurisdictions:

Tennessee
Texas

PART II

EXEMPT TRANSACTIONS

Our survey indicates that the Bonds may be sold in the following jurisdictions to the institutions or persons noted below without registration or other filings therein relating to the Bonds and without the sellers thereof being required to be registered or licensed as dealers or brokers therein, except as otherwise indicated:

Alabama	To any bank, savings institution, credit union, trust company, insurance company or investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust or other financial institution or institutional buyer, or to a dealer, whether the purchaser is acting for itself or in some fiduciary capacity.
Alaska	To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit sharing trust, or other financial institution or institutional buyer, or to any broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.
Arizona	To any bank, savings institution, insurance company, dealer or an agency or instrumentality of the United States or of a state or to any person a principal part of whose business consists of buying securities.

Arkansas	To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to a broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.
California	(1) To any bank, savings and loan association, trust company, insurance company, investment company registered under the Investment Company Act of 1940, pension or profit-sharing trust (other than a pension or profit-sharing trust of the issuer, a self-employed individual retirement plan or individual retirement account), or other institutional investor or governmental agency or instrumentality that the commissioner may designate by rule, whether the purchaser is acting for itself or as trustee, or (2) to any corporation with outstanding securities registered under Section 12 of the Securities Exchange Act of 1934 or any wholly owned subsidiary of such a corporation that after the offer and sale will own directly or indirectly 100 percent of the outstanding capital stock of the issuer; provided the purchaser represents that it is purchasing for its own account (or for the trust account) for investment and not with a view to or for sale in connection with any distribution of the security.
Colorado	To a financial or institutional investor or to a broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.
Connecticut	To any bank and trust company, national banking association, savings bank, savings and loan association, federal savings and loan association, credit union, federal credit union, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to a broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.
Delaware	To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to a broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.

District of Columbia	To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to any broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.
Florida	To any bank or trust company, savings institution, insurance company, dealer, investment company, as defined in the Investment Company Act of 1940, or pension or profit sharing trust or qualified institutional buyer, whether any of such entities is acting in its individual or fiduciary capacity.
Georgia	To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, real estate investment trust, small business investment corporation, pension or profit-sharing plan or trust, other financial institution, or to a dealer, whether the purchaser is acting for itself or in some fiduciary capacity.
Hawaii	To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to a dealer, whether the purchaser is acting for itself or in some fiduciary capacity.
Idaho	To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to any broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.
Illinois	To any corporation, bank, savings bank, savings institution, savings and loan association, trust company, insurance company, building and loan association, or dealer; to a pension fund, pension trust, or employees' profit-sharing trust, other financial institution or institutional investor, any government or political subdivision or instrumentality thereof, whether the purchaser is acting for itself or in some fiduciary capacity; to any partnership or other association engaged as a substantial part of its business or operations in purchasing or holding securities; to any trust in respect of which a bank or trust

company is trustee or co-trustee; to any entity in which at least 90% of the equity is owned by persons described; to any employee benefit plan as defined; to any plan established and maintained by, and for the benefit of the employees of, any state or political subdivision or agency or instrumentality as described; or to any organization, trust or partnership as described.

Indiana	To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to any broker-dealer, whether the purchaser is acting for itself or in a fiduciary capacity.
Iowa	To any bank, savings and loan association, credit union, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to a broker-dealer, whether the purchaser is acting for itself or in a fiduciary capacity; provided the administrator may grant exemption to certain investors.
Kansas	To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to any broker-dealer or underwriter.
Kentucky	To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to a broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.
Louisiana	To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, real estate investment trust, small business investment corporation, pension or profit-sharing plan or trust, other financial institution, or a dealer, whether the purchaser is acting for itself or in some fiduciary capacity.

Maine	To any financial and institutional investor or to a broker-dealer.
Maryland	To any investment company as defined in the Investment Company Act of 1940, an investment advisor with assets under management of not less than $1,000,000, a broker-dealer, bank, trust company, savings and loan association, insurance company, employee benefit plan with assets not less than $1,000,000, or governmental agency or instrumentality, whether acting for itself or as a trustee or fiduciary with investment control, or other institutional investor as designated.
Massachusetts	To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to a broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.
Michigan	To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, the federal national mortgage association, the federal home loan mortgage corporation, or the government national mortgage association, pension or profit sharing trust the assets of which are managed by an institutional manager, the treasurer of this state, other financial institution, broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity, or a lender approved by the federal housing administration and who has satisfied any additional requirements established by the administrator by rule or order.
Minnesota	To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, or other financial institution or institutional buyer, or to a broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.
Mississippi	To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to a broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.

Missouri	To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to a broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.
Montana	To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to a broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.
Nebraska	To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, to an individual accredited investor (as defined), or to a broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.
Nevada	To any financial and institutional investor or to a broker-dealer.
New Hampshire	To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, a venture capital company which operates a small business investment company under the Small Business Investment Act of 1958, as amended, or other financial institution or institutional buyer, or to any broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.
New Jersey	To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to any broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.
New Mexico	To any financial and institutional investor or to a broker-dealer.

New York	To any bank, corporation, savings institution, trust company, insurance company, investment company, as defined int he federal Investment Company Act of 1940, pension or profit sharing trust, or other financial institution or institutional buyer, whether the purchaser is acting for himself or itself or in some fiduciary capacity, as part of a private placement of securities.
North Carolina	To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to a dealer, whether the purchaser is acting for itself or in some fiduciary capacity; in addition to the foregoing persons and institutions, a corporation with a net worth in excess of $1,000,000 as determined by generally accepted accounting principles.
North Dakota	To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to a dealer.
Ohio	To the issuer, dealer, or to an institutional investor.
Oklahoma	To a financial or institutional investor or to a broker-dealer.
Oregon	To any bank, savings institution, trust company, insurance company, investment company, pension or profit-sharing trust, or other financial institution or institutional buyer, or to a broker-dealer, mortgage broker or mortgage banker, whether the purchaser is acting for itself or in a fiduciary capacity when the purchaser has discretionary authority to make investment decisions.
Pennsylvania	To an institutional investor or to a broker-dealer, whether the buyer is acting for itself or in some fiduciary capacity.
Puerto Rico	To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of Puerto Rico, pension or profit-sharing trust, or other financial institution or institutional buyer, or to any broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.

Rhode Island	To a financial or institutional investor or to a broker-dealer.
South Carolina	To any bank, savings institution, trust company, insurance company investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to any broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.
South Dakota	To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to any broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.
Tennessee	To any institutional investor or to a broker-dealer.
Texas	To any bank, trust company, building and loan association, insurance company, surety or guaranty company, savings institution, investment company as defined in the Investment Company Act of 1940, small business investment company as defined in the Small Business Investment Act of 1958, or to any registered dealer actually engaged in buying and selling securities.
Utah	To any bank, savings institution, trust company, insurance company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to a broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.
Vermont	To any financial or institutional investor, including depository institution, insurance company, separate account of an insurance company, an investment company as defined in the Investment Company Act of 1940, employee pension, profit-sharing or benefit plan if the plan has total assets in excess of five million or its investment decisions are made by a named fiduciary that is either a broker-dealer registered, an investment advisor registered or exempt from registration under the Investment Advisor's Act of 1940, a depository institution or an insurance company, and to any other financial or institutional buyer which qualifies as an accredited investor.

Virginia	To any corporation, investment company or pension or profit-sharing trust or to a broker-dealer.
Washington	To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to a broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.
West Virginia	To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to any broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.
Wisconsin	To the issuer, any bank, savings institution, savings bank, credit union, trust company, insurer, broker-dealer, investment adviser or savings and loan association, if the purchaser or the prospective purchaser is acting for itself or as trustee with investment control, or to an investment company as defined under 15 USC 80a-3, or a pension or profit-sharing trust, except that an offer or sale of a security to a pension or profit-sharing trust or to an individual retirement plan is not exempt under this paragraph unless administered by a bank, savings institution, savings bank, credit union, trust company, insurer, broker-dealer, investment advisor or savings and loan institution that has investment control, this state or any of its agencies or political subdivision, the federal government or any of its agencies or instrumentalities, to any financial institution or institutional investor as designated, or to an individual accredited investor as defined.
Wyoming	To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to any broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.

RULE 15c2-12 CERTIFICATE
OF THE CITY OF FAIRMONT, WEST VIRGINIA

The undersigned hereby certify and represent to Ferris, Baker Watts, Incorporated (the "Underwriter"), that they are the duly appointed and acting officers of the City of Fairmont, West Virginia (the "City"), authorized to execute and deliver this Certificate and further certify on behalf of the City to the Underwriter as follows:

(1) This Certificate is delivered to enable the Underwriter to comply with Rule 15c2-12, as amended, under the Securities Exchange Act of 1934, as amended (the "Rule"), in connection with the offering and sale of the City of Fairmont (West Virginia) Water Revenue Bonds, Series 1998 and Water Revenue Bonds, Series 1999 (collectively the "Bonds").

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

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

(4) The information with respect to the City included in the Preliminary Official Statement is final within the meaning of the Rule, except for Permitted Omissions, and is accurate and complete in all material respects except for Permitted Omissions.

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

(6) The section of the Preliminary Official Statement entitled Continuing Disclosure describes the agreement the City expects to make for the benefit of the Bondholders in the Ordinance, as defined by the Preliminary Official Statement, by which the City will undertake to provide ongoing disclosure in accordance with Section (b)(5)(I) of the Rule.

IN WITNESS WHEREOF, we have hereunto set our hands as of this 8th day of December, 1998.

CITY OF FAIRMONT, WEST VIRGINIA

By: _____
Its: Mayor

By: _____
Its: City Manager

CHASFS3:135868

Blanket Issuer Letter of Representations

[To be Completed by Issuer]

CITY OF FAIRMONT, WEST VIRGINIA
[Name of Issuer]

December 17, 1998
[Date]

Attention: Underwriting Department — Eligibility
The Depository Trust Company
55 Water Street; 50th Floor
New York, NY 10041-0099

Ladies and Gentlemen:

This letter sets forth our understanding with respect to all issues (the "Securities") that Issuer shall request be made eligible for deposit by The Depository Trust Company ("DTC").

To induce DTC to accept the Securities as eligible for deposit at DTC, and to act in accordance with DTC's Rules with respect to the Securities, Issuer represents to DTC that Issuer will comply with the requirements stated in DTC's Operational Arrangements, as they may be amended from time to time.

Note:

Schedule A contains statements that DTC believes accurately describe DTC, the method of effecting book-entry transfers of securities distributed through DTC, and certain related matters.

Very truly yours,

CITY OF FAIRMONT, WEST VIRGINIA
(Issuer)

By: Nick L. Fantasia
(Authorized Officer's Signature)

Nick L. Fantasia, Mayor
(Typewrite Name & Title)

200 Jackson Street
(Street Address)

Fairmont, West Virginia 26554
(City) (State) (Zip)

(304) 366-6211
(Phone Number)

Received and Accepted:

THE DEPOSITORY TRUST COMPANY

By: Robyn Bonadio

SCHEDULE A

SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING BOOK-ENTRY-ONLY ISSUANCE

(Prepared by DTC—bracketed material may be applicable only to certain issues)

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds $200 million, one certificate will be issued with respect to each $200 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

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

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

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

[**6.** Redemption notices shall be sent to Cede & Co. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.]

7. Neither DTC nor Cede & Co. will consent or vote with respect to Securities. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Principal and interest payments on the Securities will be made to DTC. DTC's practice is to credit Direct Participants' accounts on payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Agent, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer or the Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

[**9.** A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to the [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to the [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with a demand for purchase or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records.]

10. DTC may discontinue providing its services as securities depository with respect to the Securities at any time by giving reasonable notice to the Issuer or the Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Security certificates are required to be printed and delivered.

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

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

CITY OF FAIRMONT
(WEST VIRGINIA)

WATER REVENUE BONDS, SERIES 1998

REGISTRAR AGREEMENT FOR SERIES 1998 BONDS

THIS AGREEMENT, dated as of December 30, 1998, by and between the CITY OF FAIRMONT, a municipal corporation and political subdivision of the State of West Virginia (the "Issuer"), and WESBANCO BANK WHEELING, a state banking corporation, as Registrar (the "Bank") under an Ordinance of the Issuer enacted November 10, 1998, as supplemented (collectively, the "Ordinance").

WHEREAS, the Issuer has, contemporaneously with the execution hereof, issued and sold its $9,600,000 aggregate principal amount of Water Revenue Bonds, Series 1998 (the "Bonds"), pursuant to the Ordinance;

WHEREAS, capitalized words and terms used in this Agreement and not otherwise defined herein shall have the respective meanings given them in the Ordinance;

WHEREAS, the Ordinance provides for an appointment by the Issuer of a Registrar for the Bonds; and

WHEREAS, the Issuer desires to appoint, and by the Ordinance and this Agreement does appoint the Bank to act as Registrar under the Ordinance and to take certain other actions hereinafter set forth;

NOW, THEREFORE, it is agreed by and between the parties hereto as follows:

1. Upon the execution of this Agreement by the Issuer and the Bank and during the term hereof, the Bank does accept and shall have and agrees to perform all of the powers and duties of Registrar as set forth in the Ordinance, such duties including, among other things, the duties to authenticate, register and deliver Bonds upon original issuance and when properly presented for exchange or transfer, and shall do so with the intention of maintaining the excludability from gross income of interest on the Bonds for purposes of

federal income taxation, in accordance with any rules and regulations promulgated by the United States Treasury Department or by the Municipal Securities Rulemaking Board or similar regulatory bodies as the Issuer advises it of and with generally accepted industry standards.

2. The Bank agrees to furnish the Issuer with appropriate records of all transactions carried out by it as Registrar and to furnish the Issuer with the names and specimen signatures of the Bank's authorized officers for the purposes of acting as the Bank and with such other information and reports as the Issuer may from time to time reasonably require.

3. As compensation for acting as Registrar pursuant to this Agreement and the Ordinance, the Issuer hereby agrees to pay to the Bank, from time to time, the compensation for services rendered as provided in the annexed schedule and reimbursement for reasonable expenses incurred in connection therewith.

4. It is intended that this Agreement shall carry out and implement provisions of the Ordinance with respect to the Registrar. In the event of any conflict between the terms of this Agreement and the Ordinance, the terms of the Ordinance shall govern.

5. The Issuer and the Bank each warrants and represents that it is duly authorized and empowered to execute and enter into this Agreement and that neither such execution nor the performance of its duties hereunder or under the Ordinance will violate any order, decree or agreement to which it is a party or by which it is bound.

6. This Agreement may be terminated by either party upon 60 days' written notice sent by registered or certified mail to the other party, at the following respective addresses:

ISSUER:	City of Fairmont 200 Jackson Street Fairmont, West Virginia 26555 Attention: City Manager
BANK:	WesBanco Bank Wheeling One Bank Plaza Wheeling, West Virginia 26003 Attention: Corporate Trust

7. The Bank, as Registrar, is hereby requested and authorized to authenticate and deliver the Bonds in accordance with the Ordinance.

8. To the extent permissible under the Constitution and laws of the State of West Virginia, the Issuer agrees to indemnify and hold harmless the Bank against any and all costs, losses, liabilities, expenses (including reasonable counsel fees and expenses) and claims imposed upon or asserted against the Bank as a result of any action taken or not taken in its capacities of Registrar in conformance with the provisions of the Ordinance. In case any action or proceeding is brought against the Bank by reason of any such claim, the Issuer covenants, upon notice from the Bank, to resist or defend such action or proceeding at its expense. This indemnification shall survive the release, discharge, termination, and/or satisfaction of the Ordinance.

IN WITNESS WHEREOF, the CITY OF FAIRMONT and WESBANCO BANK WHEELING, have caused this Agreement to be signed in their respective names and on their behalf, all as of the date first above-written.

CITY OF FAIRMONT

By _____
City Manager

WESBANCO BANK WHEELING

By _____
Its Assistant Trust Officer

12/21/98
268460/98001

CH288233.1

CITY OF FAIRMONT
(WEST VIRGINIA)

WATER REVENUE BONDS, SERIES 1999

REGISTRAR AGREEMENT FOR SERIES 1999 BONDS

THIS AGREEMENT, dated as of January 14, 1999, by and between the CITY OF FAIRMONT, a municipal corporation and political subdivision of the State of West Virginia (the "Issuer"), and WESBANCO BANK WHEELING, a state banking corporation, as Registrar (the "Bank") under an Ordinance of the Issuer enacted November 10, 1998, as supplemented (collectively, the "Ordinance").

WHEREAS, the Issuer has, contemporaneously with the execution hereof, issued and sold its $19,945,000 aggregate principal amount of Water Revenue Bonds, Series 1999 (the "Bonds"), pursuant to the Ordinance;

WHEREAS, capitalized words and terms used in this Agreement and not otherwise defined herein shall have the respective meanings given them in the Ordinance;

WHEREAS, the Ordinance provides for an appointment by the Issuer of a Registrar for the Bonds; and

WHEREAS, the Issuer desires to appoint, and by the Ordinance and this Agreement does appoint the Bank to act as Registrar under the Ordinance and to take certain other actions hereinafter set forth;

NOW, THEREFORE, it is agreed by and between the parties hereto as follows:

1. Upon the execution of this Agreement by the Issuer and the Bank and during the term hereof, the Bank does accept and shall have and agrees to perform all of the powers and duties of Registrar as set forth in the Ordinance, such duties including, among other things, the duties to authenticate, register and deliver Bonds upon original issuance and when properly presented for exchange or transfer, and shall do so with the intention of maintaining the excludability from gross income of interest on the Bonds for purposes of

federal income taxation, in accordance with any rules and regulations promulgated by the United States Treasury Department or by the Municipal Securities Rulemaking Board or similar regulatory bodies as the Issuer advises it of and with generally accepted industry standards.

2. The Bank agrees to furnish the Issuer with appropriate records of all transactions carried out by it as Registrar and to furnish the Issuer with the names and specimen signatures of the Bank's authorized officers for the purposes of acting as the Bank and with such other information and reports as the Issuer may from time to time reasonably require.

3. As compensation for acting as Registrar pursuant to this Agreement and the Ordinance, the Issuer hereby agrees to pay to the Bank, from time to time, the compensation for services rendered as provided in the annexed schedule and reimbursement for reasonable expenses incurred in connection therewith.

4. It is intended that this Agreement shall carry out and implement provisions of the Ordinance with respect to the Registrar. In the event of any conflict between the terms of this Agreement and the Ordinance, the terms of the Ordinance shall govern.

5. The Issuer and the Bank each warrants and represents that it is duly authorized and empowered to execute and enter into this Agreement and that neither such execution nor the performance of its duties hereunder or under the Ordinance will violate any order, decree or agreement to which it is a party or by which it is bound.

6. This Agreement may be terminated by either party upon 60 days' written notice sent by registered or certified mail to the other party, at the following respective addresses:

ISSUER: City of Fairmont
200 Jackson Street
Fairmont, West Virginia 26555
Attention: City Manager

BANK: WesBanco Bank Wheeling
One Bank Plaza
Wheeling, West Virginia 26003
Attention: Corporate Trust

7. The Bank, as Registrar, is hereby requested and authorized to authenticate and deliver the Bonds in accordance with the Ordinance.

8. To the extent permissible under the Constitution and laws of the State of West Virginia, the Issuer agrees to indemnify and hold harmless the Bank against any and all costs, losses, liabilities, expenses (including reasonable counsel fees and expenses) and claims imposed upon or asserted against the Bank as a result of any action taken or not taken in its capacities of Registrar in conformance with the provisions of the Ordinance. In case any action or proceeding is brought against the Bank by reason of any such claim, the Issuer covenants, upon notice from the Bank, to resist or defend such action or proceeding at its expense. This indemnification shall survive the release, discharge, termination, and/or satisfaction of the Ordinance.

IN WITNESS WHEREOF, the CITY OF FAIRMONT and WESBANCO BANK WHEELING, have caused this Agreement to be signed in their respective names and on their behalf, all as of the date first above-written.

CITY OF FAIRMONT

By _____
City Manager

WESBANCO BANK WHEELING

By _____
Its Assistant Trust Officer

12/21/98
268460/98001

CH294187.1

State of West Virginia

Certificate

I, Ken Hechler, Secretary of State of the State of West Virginia, hereby certify that

THIS IS A TRUE COPY OF CHAPTER 8, ARTICLE 19 OF THE WEST VIRGINIA CODE TO THE WEST VIRGINIA CODE AS INDICATED BY THE RECORDS OF THIS OFFICE.

Given under my hand and the Great Seal of the State of West Virginia on this

Twenty-third *day of*

December *19* 98

Secretary of State

56

ARTICLE 19.

MUNICIPAL AND COUNTY WATERWORKS AND ELECTRIC POWER SYSTEMS.

Part I. Municipal and County Waterworks and Electric Power Systems Authorized; Definition.

Sec.
8-19-1. Acquisition and operation of municipal and county waterworks and electric power systems; construction of improvements to municipal and county electric power systems; extension beyond corporate limits; definitions.

Part II. Limitations on Sale or Lease of Certain Municipal Waterworks.

8-19-2. [Repealed.]

Part III. Right of Eminent Domain.

8-19-3. Right of eminent domain; limitations.

Part IV. Revenue Bond Financing.

8-19-4. Estimate of cost; ordinance or order for issuance of revenue bonds; interest on bonds; rates for services; exemption from taxation.
8-19-5. Publication of abstract of ordinance or order and notice; hearing.
8-19-6. Amount, negotiability and execution of bonds.
8-19-7. Bonds payable solely from revenues; not to constitute municipal or county indebtedness.
8-19-8. Lien of bondholders; deeds of trust; security agreements; priority of liens.
8-19-9. Covenants with bondholders.
8-19-10. Operating contract.
8-19-11. Rates or charges for water and electric power must be sufficient to pay bonds, etc.; disposition of surplus.
8-19-12. Service charges; sinking fund; amount of bonds; additional bonds; surplus.
8-19-12a. Lien for delinquent service rates and charges; notice of delinquency; failure to cure delinquency; civil actions; deferral of filing fees and costs in magistrate court action; limitations with respect to foreclosure.
8-19-13. Discontinuance of water or electric power service for nonpayment of rates or charges.
8-19-14. Bonds for additions, betterments and improvements.
8-19-15. System of accounts; audit.
8-19-16. Protection and enforcement of rights of bondholders, etc.; receivership.

Part V. Grants, Loans, Advances and Agreements; Cumulative Authority.

8-19-17. Grants, loans, advances and agreements.
8-19-18. Additional and alternative method for constructing or improving and for financing waterworks or electric power system; cumulative authority.

Part VI. Operation by Board; Construction.

8-19-19. Alternative procedure for acquisition, construction or improvement of waterworks or electric power system.
8-19-20. Article to be liberally construed.
8-19-21. Specifications for water mains and water service pipes.

Revision of chapter. — See note under the same catchline at the beginning of this chapter.

Revision of article. — Acts 1990, c. 141, amended and reenacted this article, substituting present §§ 8-19-1 to 8-19-20 for former §§ 8-19-1 to 8-19-12a, and 8-19-13 to 8-19-20 (enacted by Acts 1933, c. 26, §§ 1, 3-14 and amended by Acts 1933, 2nd Ex. Sess., c. 49; 1937, c. 52; 1939, c. 97, c. 98, § 10; 1949, c. 90; 1955, c. 133; 1961, cc. 104, 105; 1967, c. 105; 1969, c. 86; 1970, c. 7; 1971, c. 103; 1978, c. 72; 1980, c. 33; 1981, 1st Ex. Sess., c. 2; 1983, c. 151; 1984, c. 128; 1986, c. 118; 1986, 1st Ex. Sess., c. 18; 1989, c. 133). No detailed explanation of the changes made by the 1990 act was practicable, but, where appropriate, the historical citations to the former sections have been added to corresponding sections in the amended article.

Michie's Jurisprudence. — For general discussion of municipal waterworks, see 20 M.J., Water Companies and Waterworks.

Discretion. — Action under this article is discretionary with the municipality, and a discretionary act may not ordinarily be controlled by mandamus. Hinkle v. Town of Franklin, 118 W. Va. 585, 191 S.E. 291 (1937) (decided under prior law).

Legislative intent. — The purpose of this article is to allow a municipality to create a waterworks or electric power system. It is clear that the legislature desired that the municipality be allowed to borrow for the system so long as the municipality itself was not obligated for the debt. Allowing the municipality to make grants from time to time to its utility systems does not circumvent legislative intention provided that the municipality does not borrow the money to make the grant. Op. Att'y Gen., April 3, 1979 (decided under prior law).

It appears clear the legislature recognized the need for municipal utility systems; however, it did not wish the municipality to become generally obligated for the building or acquisition of the system. Financing is provided for primarily by revenue bonds, and bondholders are assured of a safe investment through the collection of sufficient user charges to service the bonds and maintain the assets of the system. Op. Att'y Gen., April 3, 1979 (decided under prior law).

Mandamus. — Mandamus does not lie to compel town to provide sufficient funds to pay for waterworks system. Hinkle v. Town of Franklin, 118 W. Va. 585, 191 S.E. 291 (1937) (decided under prior law).

PART I. MUNICIPAL AND COUNTY WATERWORKS AND ELECTRIC POWER SYSTEMS AUTHORIZED; DEFINITION.

§ 8-19-1. Acquisition and operation of municipal and county waterworks and electric power systems; construction of improvements to municipal and county electric power systems; extension beyond corporate limits; definitions.

(a) Subject to and in accordance with the provisions of this article, any municipality or county commission may acquire, construct, establish, extend, equip, repair, maintain and operate or lease to others for operation, a waterworks system or an electric power system or construct, maintain and operate additions, betterments and improvements to an existing waterworks system or an existing electric power system, notwithstanding any provision or limitation to the contrary in any other law or charter: Provided, That such municipality or county commission shall not serve or supply water facilities or electric power facilities or services within the corporate limits of any other municipality or county commission without the consent of the governing body of such other municipality or county commission.

(b) Any municipality or county commission which intends to file an application with the federal energy regulatory commission for a license to acquire, construct, establish, extend, maintain and operate, or lease to others for operation, an electric power system, shall give written notice by certified mail, return receipt requested, and shall give public notice by Class I legal advertisement in compliance with the provisions of article three [§ 59-3-1 et seq.], chapter fifty-nine of this code and the publication area shall be the municipality or county in which the system is to be located to the governing body of the municipality or the county commission in which such system is or shall be located or, if such system is or shall be located outside of a municipality or county, to the county commission of the county in which such system is or

shall be located, at least sixty days prior to the filing of such application: Provided, That the provisions of this subsection shall not apply to any municipality or county commission which, on the date of the passage of this act [Acts 1990, c. 141; March 10, 1990], has obtained a license from the federal energy regulatory commission to acquire, construct, establish, extend, maintain and operate, or lease to others for operation, an electric power system. If the municipality or county commission receiving such notice does not respond to the notice within sixty days of receipt of such notice, then such other municipality or the county commission shall be deemed to have consented to the application for the proposed electric power system. If such other municipality or the county commission notifies the municipality or county commission that it objects to the proposed electric power system, such other municipality or the county commission shall hold a public hearing on the proposed system within sixty days of receipt of such notice from the municipality or county commission.

(c) As used in this article:

(1) "Waterworks system" means a waterworks system in its entirety or any integral part thereof, including mains, hydrants, meters, valves, standpipes, storage tanks, pump tanks, pumping stations, intakes, wells, impounding reservoirs, pumps, machinery, purification plants, softening apparatus and all other facilities necessary, appropriate, useful, convenient or incidental in connection with or to a water supply system.

(2) "Electric power system" means a system or facility which produces electric power in its entirety or provides for the distribution of electric power for local consumption and use or for distribution and resale or any combination thereof, or any integral part thereof, including, but not limited to, power lines and wires, power poles, guy wires, insulators, transformers, generators, cables, power line towers, voltage regulators, meters, power substations, machinery and all other facilities necessary, appropriate, useful or convenient or incidental in connection with or to an electric power supply system. (1933, Ex. Sess., c. 26, § 1; 1937, c. 52; 1939, c. 97; 1949, c. 90; 1955, c. 133; 1969, c. 86; 1978, c. 72; 1983, c. 151; 1986, c. 118; 1986, 1st Ex. Sess., c. 18; 1990, c. 141.)

Cross references. — Acquisition and operation of combined waterworks and sewerage systems, § 8-20-1 et seq.

ALR references. — Right to compel municipality to extend its water system, 48 ALR2d 1222.

PART II. LIMITATIONS ON SALE OR LEASE OF CERTAIN MUNICIPAL WATERWORKS.

§ 8-19-2.

Repealed by Acts 1974, c. 78.

Editor's notes. — Former § 18-19-2, concerning limitations on sale or lease of certain municipal waterworks, was repealed by Acts 1974, c. 78.

PART III. RIGHT OF EMINENT DOMAIN.

§ 8-19-3. Right of eminent domain; limitations.

For the purpose of acquiring, constructing, establishing or extending any waterworks system or electric power system, or for the purpose of constructing any additions, betterments or improvements to any waterworks or electric power system, or for the purpose of acquiring any property necessary, appropriate, useful, convenient or incidental for or to any waterworks or electric power system, under the provisions of this article, the municipality or county commission shall have the right of eminent domain as provided in chapter fifty-four [§ 54-1-1 et seq.] of this code: Provided, That such right of eminent domain for the acquisition of a privately owned waterworks system, or electric power system, or any part thereof, shall not be exercised without prior approval of the public service commission, and in no event shall any municipality or county commission construct, establish or extend beyond the corporate limits of said municipality or county line a municipal or county waterworks or electric power system under the provisions of this article to supply service in competition with an existing privately or municipally or county owned waterworks or electric power system in such municipality or county or within the proposed extension of such system, unless a certificate of public convenience and necessity therefor shall have been issued by the public service commission: Provided, however, That a municipality or county commission may not exercise such right of eminent domain over a privately owned electric power system or any part thereof for the purpose of acquiring, constructing, establishing or extending an electric power system.

Subject to the provisions of this article and notwithstanding the provisions of section nineteen [§ 8-12-19], article twelve of this chapter to the contrary, a municipality or county commission may acquire, construct, establish, extend, equip, repair, maintain and operate, or lease to others for operation, electric generators or electric generating systems or electric transmission systems more than one mile beyond the corporate limits of such municipality or county line and said electric generation systems shall not be under the jurisdiction of the public service commission. (1933, Ex. Sess., c. 26, § 9; 1937, c. 52; 1969, c. 86; 1978, c. 72; 1983, c. 151; 1990, c. 141.)

Construction. — Statutes pertaining to eminent domain must be strictly construed. City of Mullens v. Union Power Co., 122 W. Va. 179, 7 S.E.2d 870 (1940) (decided under prior law).

"Approval." — The words "without prior approval of the public service commission" appearing in this section, are not substantially different from the words "unless the consent and approval of the public service commission of West Virginia is first obtained," appearing in § 24-2-12. Lockard v. City of Salem, 127 W. Va. 237, 32 S.E.2d 568 (1944) (decided under prior law).

Eminent domain. — Nowhere in the statutes is a municipality or other corporate body politic authorized by statute, expressly or by necessary implication, to exercise the power of eminent domain for the acquisition of the property and assets of an operating utility as such, except the acquisition of privately owned waterworks systems, provided for by this section. City of Mullens v. Union Power Co., 122 W. Va. 179, 7 S.E.2d 870 (1940) (decided under prior law).

PART IV. REVENUE BOND FINANCING.

§ 8-19-4. Estimate of cost; ordinance or order for issuance of revenue bonds; interest on bonds; rates for services; exemption from taxation.

Whenever a municipality or county commission shall, under the provisions of this article, determine to acquire, by purchase or otherwise, construct, establish, extend or equip a waterworks system or an electric power system, or to construct any additions, betterments or improvements to any waterworks or electric power system, it shall cause an estimate to be made of the cost thereof, and may, by ordinance or order, provide for the issuance of revenue bonds under the provisions of this article, which ordinance or order shall set forth a brief description of the contemplated undertaking, the estimated cost thereof, the amount, rate or rates of interest, the time and place of payment, and other details in connection with the issuance of the bonds. Such bonds shall be in such form and shall be negotiated and sold in such manner and upon such terms as the governing body of such municipality or county commission may by ordinance or order specify. All such bonds and the interest thereon shall be exempt from all taxation by this state, or any county, municipality or county commission, political subdivision or agency thereof. Notwithstanding any other provision of this code to the contrary, the real and personal property which a municipality or county has acquired and constructed according to the provisions of this article, and any leasehold interest therein held by other persons, shall be deemed public property and shall be exempt from taxation by the state, or any county, municipality or other levying body, so long as the same is owned by such municipality or county: Provided, That with respect to electric power systems, this exemption for real and personal property shall be applicable only for such real and personal property (1) physically situate within the municipal or county boundaries of the municipality or county which acquired or constructed such electric power system and there was in place prior to the effective date of the amendments to this section made in the year one thousand nine hundred ninety-two an agreement between the municipality and the county commission for payments in lieu of tax, or (2) acquired or constructed with the written agreement of the county school board, county commission and any municipal authority within whose jurisdiction the electric power system is or is to be physically situate. Notwithstanding anything contained in this statute to the contrary, this exemption shall be applicable to any leasehold or similar interest held by persons other than a municipality or county only if acquired or constructed with the written agreement of the county school board, county commission and any municipal authority within whose jurisdiction the electric power system is or is to be physically situate: Provided, however, That payments made to any county commission, county school board or municipality in lieu of tax pursuant to such an agreement shall be distributed as if the payments resulted from ad valorem property taxation. Such bonds shall bear interest at a rate per annum set by the municipality or county commission, payable at such times, and shall be payable as to principal

at such times, not exceeding fifty years from their date, and at such place or places, within or without the state, as shall be prescribed in the ordinance or order providing for their issuance. Unless the governing body of the municipality or county commission shall otherwise determine, such ordinance or order shall also declare that a statutory mortgage lien shall exist upon the property so to be acquired, constructed, established, extended or equipped, fix minimum rates or charges for water or electricity to be collected prior to the payment of all of said bonds and shall pledge the revenues derived from the waterworks or electric power system for the purpose of paying such bonds and interest thereon, which pledge shall definitely fix and determine the amount of revenues which shall be necessary to be set apart and applied to the payment of the principal of and interest upon the bonds and the proportion of the balance of such revenues, which are to be set aside as a proper and adequate depreciation account, and the remainder shall be set aside for the reasonable and proper maintenance and operation thereof. The rates or charges to be charged for the services from such waterworks or electric power system shall be sufficient at all times to provide for the payment of interest upon all bonds and to create a sinking fund to pay the principal thereof as and when the same become due, and reasonable reserves therefor, and to provide for the repair, maintenance and operation of the waterworks or electric power system, and to provide an adequate depreciation fund, and to make any other payments which shall be required or provided for in the ordinance or order authorizing the issuance of said bonds. (1933, Ex. Sess., c. 26, § 3; 1933, 2nd Ex. Sess., c. 49; 1955, c. 133; 1969, c. 86; 1970, c. 7; 1978, c. 72; 1980, c. 33; 1981, 1st Ex. Sess., c. 2; 1984, c. 128; 1986, 1st Ex. Sess., c. 18; 1990, c. 141; 1992, c. 147.)

Editor's notes. — This section refers to "the effective date of the amendments to this section made in the year one thousand nine hundred ninety-two." Acts 1992, c. 147 provided that the amendments to this section, made in 1992, take effect July 1, 1992.

§ 8-19-5. Publication of abstract of ordinance or order and notice; hearing.

After the ordinance or order for any project under this article has been adopted, an abstract of the ordinance or order, determined by the governing body to contain sufficient information as to give notice of the contents of such ordinance or order, together with the following described notice, shall be published as a Class II legal advertisement in compliance with the provisions of article three [§ 59-3-1 et seq.], chapter fifty-nine of this code, and the publication area for such publication shall be the municipality or county. The notice to be published with said abstract of the ordinance or order shall state that said ordinance or order has been adopted, that the municipality or county commission contemplates the issuance of the bonds described in the ordinance or order, that any person interested may appear before the governing body, upon a certain date, which shall be not less than ten days subsequent to the date of the first publication of such abstract and notice and which shall not be prior to the date of the last publication by such abstract and notice, and present protests, and that a certified copy of the ordinance or order is on file

with the governing body for review by interested parties during the office hours of the governing body. At such hearing all protests and suggestions shall be heard and the governing body shall take such action as it considers proper in the premises: Provided, That if at such hearing written protest is filed by thirty percent or more of the freeholders of the municipality or county, then the governing body of said municipality or county shall not take further action unless four fifths of the qualified members of said governing body assent thereto. (1933, Ex. Sess., c. 26, § 4; 1967, c. 105; 1969, c. 86; 1971, c. 103; 1981, 1st Ex. Sess., c. 2; 1990, c. 141.)

§ 8-19-6. Amount, negotiability and execution of bonds.

Bonds herein provided for shall be issued in such amounts as may be necessary to provide sufficient funds to pay all costs of acquisition, construction, establishment, extension or equipment, including engineering, legal and other expenses, together with interest to a date six months subsequent to the estimated date of completion. Bonds issued under the provisions of this article are hereby declared to be negotiable instruments, and the same shall be executed by the proper legally constituted authorities of the municipality or county commission, and be sealed with the corporate seal of the municipality or certified by the county commission, and in case any of the officers whose signatures appear on the bonds or coupons shall cease to be such officers before delivery of such bonds, such signatures shall nevertheless be valid and sufficient for all purposes the same as if they had remained in office until such delivery. All signatures on the bonds or coupons and the corporate seal may be mechanically reproduced if authorized in the ordinance or order authorizing the issuance of the bonds. (1933, Ex. Sess., c. 26, § 5; 1933, 2nd Ex. Sess., c. 49, § 5; 1969, c. 86; 1970, c. 7; 1980, c. 33; 1981, 1st Ex. Sess., c. 2; 1984, c. 128; 1990, c. 141.)

§ 8-19-7. Bonds payable solely from revenues; not to constitute municipal or county indebtedness.

Bonds issued under the provisions of this article shall be payable solely from the revenues derived from such waterworks or electric power system, and such bonds shall not in any event constitute an indebtedness of such municipality or county within the meaning of any constitutional or statutory provision or limitation, and it shall be plainly stated on the face of each bond that the same has been issued under the provisions of this article, and that it does not constitute an indebtedness of such municipality or county within constitutional or statutory provision or limitation. Subject to the provisions of subsection (b), section twelve [§ 8-19-12(b)] of this article, the ordinance or order authorizing the issuance of the bonds may contain such covenants and restrictions upon the issuance of additional revenue bonds thereafter as may be considered necessary or advisable for the assurance of payment of the bonds thereby authorized and as may thereafter be issued. (1933, Ex. Sess., c. 26, § 6; 1933, 2nd Ex. Sess., c. 49; 1969, c. 86; 1978, c. 72; 1990, c. 141.)

§ 8-19-8. Lien of bondholders; deeds of trust; security agreements; priority of liens.

Unless the governing body shall otherwise determine in the ordinance or order authorizing the issuance of bonds under this article, there shall be and there is hereby created and granted a statutory mortgage lien upon the waterworks or electric power system so acquired, constructed, established, equipped, extended or improved from the proceeds of bonds hereby authorized to be issued, which shall exist in favor of the holder of said bonds and each of them, and to and in favor of the holder of the coupons attached to said bonds, and such waterworks or electric power system shall remain subject to such statutory mortgage lien until payment in full of the principal of and interest upon said bonds.

Any municipality or county commission in acquiring an existing waterworks system or in improving an existing waterworks or electric power system may provide that financing therefor may be made by issuing revenue bonds and delivering the same at such prices as may be agreed upon within the limitations prescribed in section six [§ 8-19-6] of this article. Any revenue bonds so issued to provide financing for such existing waterworks or electric power system or for any improvements to an existing waterworks or electric power system may be secured by a mortgage or deed of trust upon and security interest in the property so acquired or improved or any other interest of the municipality or county commission in property related thereto as determined by the municipality or county commission in the ordinance or order authorizing the issuance of such revenue bonds; and in such event the holders thereof shall have, in addition to any other remedies and rights prescribed by this article, such remedies and rights as may now or hereafter exist in law in the case of mortgages or deeds of trust on real property and security interests in personal property. Such mortgage or deed of trust, upon its recordation, shall have priority over all other liens or encumbrances, however created or arising, on the property covered by such mortgage or deed of trust, to the same extent and for the same amount as if the municipality or county were obligated to pay the full amount secured by such mortgage or deed of trust immediately upon the recordation of such mortgage or deed of trust and remained so obligated until the obligations secured are fully discharged. (1933, Ex. Sess., c. 26, § 7; 1933, 2nd Ex. Sess., c. 49; 1969, c. 86; 1978, c. 72; 1986, 1st Ex. Sess., c. 18; 1990, c. 141.)

§ 8-19-9. Covenants with bondholders.

Any ordinance or order authorizing the issuance of bonds hereunder, or any trust indenture with any banking institution or trust company within or without the state for the security of said bonds, which any such municipality or county commission is hereby empowered and authorized to enter into and execute, may contain covenants with the holders of such bonds as to:

(a) The purpose or purposes to which the proceeds of sale of such bonds or the revenues derived from said waterworks or electric power system may be

applied and the securing, use and disposition thereof, including, if deemed desirable, the appointment of a trustee or depository for any of such funds;

(b) The pledging of all or any part of the revenues derived from the ownership, control or operation of such waterworks or electric power system, including any part thereof heretofore or hereafter acquired, constructed, established, extended or equipped or derived from any other sources, to the payment of the principal of or interest thereon of bonds issued hereunder and for such reserve or other funds as may be considered necessary or desirable;

(c) The fixing, establishing and collecting of such rates or charges for the use of the services and facilities of the waterworks or electric power system, including the parts thereof heretofore or hereafter acquired, constructed, established, extended or equipped and the revision of same from time to time, as will always provide revenues at least sufficient to provide for all expenses of repair, maintenance and operation of such waterworks or electric power system, the payment of the principal of and interest upon all bonds or other obligations payable from the revenues of such waterworks or electric power system, and all reserve and other funds required by the terms of the ordinance or order authorizing the issuance of such bonds;

(d) The transfer from the general funds of the municipality or county commission to the account or accounts of the waterworks or electric power system of an amount equal to the cost of furnishing the municipality or county commission or any of its departments, boards or agencies or the county commission with the services and facilities of such waterworks or electric power system;

(e) Subject to the provisions of subsection (b), section twelve [§ 8-19-12(b)] of this article, limitations or restrictions upon the issuance of additional bonds or other obligations payable from the revenues of such waterworks or electric power system, and the rank or priority, as to lien and source and security for payment from the revenues of such waterworks or electric power system, between bonds payable from such revenues;

(f) The manner and terms upon which all bonds and other obligations issued hereunder may be declared immediately due and payable upon the happening of a default in the payment of the principal of or interest thereon, or in the performance of any covenant or agreement with bondholders, and the manner and terms upon which such defaults may be declared cured and the acceleration of the maturity of such bonds rescinded and repealed;

(g) Budgets for the annual repair, maintenance and operation of such waterworks or electric power system and restrictions and limitations upon expenditures for such purposes, and the manner of adoption, modification, repeal or amendment thereof, including the approval of such budgets by consulting engineers designated by holders of bonds issued hereunder;

(h) The amounts of insurance to be maintained upon such waterworks or electric power system, or any part thereof, and the use and disposition of the proceeds of any insurance; and

(i) The keeping of books of account, relating to such undertakings and the audit and inspection thereof, and the furnishing to the holders of bonds issued hereunder or their representatives, reports prepared, certified or approved by accountants designated or approved by the holders of bonds issued hereunder.

Any such ordinance, order or trust indenture may also contain such other additional covenants as shall be considered necessary or desirable for the security of the holders of bonds issued hereunder, notwithstanding that such other covenants are not expressly enumerated above, it being the intention hereof to grant to municipalities or county commissions plenary power and authority to make any and all covenants or agreements necessary in order to secure greater marketability for bonds issued hereunder as fully and to the same extent as such covenants or agreements could be made by a private corporation rendering similar services and facilities and to grant to municipalities and counties full and complete power and authority to enter into any contracts, covenants or agreements with holders of bonds issued hereunder not inconsistent with the constitution of this state. (1955, c. 133; 1969, c. 86; 1978, c. 72; 1990, c. 141.)

§ 8-19-10. Operating contract.

Any such municipality or county commission may enter into contracts or agreements with any persons for (1) the repair, maintenance and operation and management of the facilities and properties of said waterworks or electric power system, or any part thereof, or (2) the collection and disbursement of the income and revenues therefor, or for both (1) and (2), for such period of time and under such terms and conditions as shall be agreed upon between such municipality or county commission and such persons. Any such municipality or county commission shall have plenary power and authority to provide in the ordinance or order authorizing the issuance of bonds hereunder, or in any trust indenture securing such bonds, that such contracts or agreements shall be valid and binding upon the municipality and county commission as long as any of said bonds, or interest thereon, is outstanding and unpaid. (1955, c. 133; 1969, c. 86; 1978, c. 72; 1990, c. 141.)

§ 8-19-11. Rates or charges for water and electric power must be sufficient to pay bonds, etc.; disposition of surplus.

Rates or charges for water or electric power fixed precedent to the issuance of bonds shall not be reduced until all of said bonds shall have been fully paid, and may, whenever necessary, be increased in amounts sufficient to provide for the payment of the principal of and interest upon such bonds, and to provide proper funds for the depreciation account and repair, maintenance and operation charges. If any surplus shall be accumulated in the repair, maintenance and operation fund which shall be in excess of the cost of repairing, maintaining and operating the waterworks or electric power system during the remainder of the fiscal year then current, and the cost of repairing, maintaining and operating the said waterworks or electric power system during the fiscal year then next ensuing, then any such excess may be transferred to either the depreciation account or to the bond and interest redemption account, and if any surplus shall be accumulated in the depreciation account over and

above that which the municipality or county commission shall find may be necessary for the probable replacements which may be needed during the then present fiscal year, and the next ensuing fiscal year, such excess may be transferred to the bond and interest redemption account, and, if any surplus shall exist in the bond and interest redemption account, the same shall be applied insofar as possible in the purchase or retirement of outstanding revenue bonds payable from such account. (1933, Ex. Sess., c. 26, § 8; 1969, c. 86; 1978, c. 72; 1990, c. 141.)

§ 8-19-12. Service charges; sinking fund; amount of bonds; additional bonds; surplus.

(a) Every municipality or county commission issuing bonds under the provisions of this article shall thereafter, so long as any of such bonds remain outstanding, repair, maintain and operate its waterworks or electric power system as hereinafter provided and shall charge, collect and account for revenues therefrom as will be sufficient to pay all repair, maintenance and operation costs, provide a depreciation fund, retire the bonds and pay the interest requirements of the bonds as the same become due. The ordinance or order pursuant to which any such bonds are issued shall pledge the revenues derived from the waterworks or electric power system to the purposes aforesaid and shall definitely fix and determine the amount of revenues which shall be necessary and set apart in a special fund for the bond requirements. The amounts as and when so set apart into said special fund for the bond requirements shall be remitted to the West Virginia municipal bond commission to be retained and paid out by said commission consistent with the provisions of this article and the ordinance or order pursuant to which such bonds have been issued: Provided, That payment of principal of and interest on any bonds owned by the United States of America or any agency or department thereof may be made by the municipality or county commission directly to the United States of America or said agency or department thereof. The bonds hereby authorized shall be issued in such amounts as may be determined necessary to provide funds for the purpose for which they are authorized, and in determining the amount of bonds to be issued it shall be proper to include interest on the bonds for a period not beyond six months from the estimated date of completion.

(b) If the proceeds of the bonds, because of error or otherwise, shall be less than the cost of the property or undertaking for which authorized, additional bonds may be issued to provide the amount of such deficit and such additional bonds shall be considered to be of the same issue and shall be entitled to payment from the same fund without preference or priority over the bonds first authorized and issued.

(c) If the proceeds of the bonds shall exceed the cost of the property or undertaking, the surplus shall be converted into the fund thereon. (1933, Ex. Sess., c. 26, § 11; 1969, c. 86; 1978, c. 72; 1986, c. 118; 1990, c. 141.)

§ 8-19-12a. Lien for delinquent service rates and charges; notice of delinquency; failure to cure delinquency; civil actions; deferral of filing fees and costs in magistrate court action; limitations with respect to foreclosure.

(a) Whenever any rates and charges for water services or facilities furnished remain unpaid for a period of thirty days after the same become due and payable, the property and the owner thereof, as well as the user of the services and facilities provided, shall be delinquent and the owner, user and property shall be held liable at law until such time as all such rates and charges are fully paid: Provided, That in the event the user is a tenant, the property owner shall be given notice of any said delinquency by certified mail, return receipt requested, and the user shall be given such notice by first-class mail: Provided, however, That failure of the user to cure the delinquency within a thirty-day period after receipt of such notice shall constitute grounds to terminate the user's lease of the premises concerned.

(b) All rates or charges for water service whenever delinquent, as provided by ordinance of the municipality or order of the county commission, shall be liens of equal dignity, rank and priority with the lien on such premises of state, county, school and municipal taxes for the amount thereof upon the real property served, and the municipality or county commission shall have plenary power and authority from time to time to enforce such lien in a civil action to recover the money due for such services rendered plus court fees and costs and a reasonable attorney's fee: Provided, That a municipality or county commission shall have exhausted all remedies available against such delinquent users before it may proceed in a civil action against the owner.

(c) Municipalities and county commissions are hereby granted a deferral of filing fees or other fees and costs incidental to the bringing and maintenance of an action in magistrate court for the collection of the delinquent rates and charges. If the municipality or county commission collects the delinquent account, plus fees and costs, from its customer or other responsible party, the municipality or county commission shall pay to the magistrate court the filing fees or other fees and costs which were previously deferred.

(d) No municipality or county commission may foreclose upon the premises served by it for delinquent rates or charges for which a lien is authorized by this section except through the bringing and maintenance of a civil action for such purpose brought in the circuit court of the county or the county wherein the municipality lies. In every such action, the court shall be required to make a finding based upon the evidence and facts presented that the municipality or county commission had exhausted all other remedies for the collection of debts with respect to such delinquencies prior to the bringing of such action. In no event shall foreclosure procedures be instituted by any municipality or county commission or on its behalf unless such delinquency had been in existence or continued for a period of two years from the date of the first such delinquency for which foreclosure is being sought. (1989, c. 133; 1990, cc. 140, 141.)

Editor's notes. — This section was amended twice in 1990, first by c. 140 (passed March 10, and effective 90 days from passage) and then by c. 141 (passed March 10, and in effect from passage). The text set out above reflects the amendment by c. 141, which amended and reenacted the entire article. As amended by c. 140, this section read: "(a) Whenever any rates and charges for water services or facilities furnished remain unpaid for a period of thirty days after the same become due and payable, the user of the services and facilities provided shall be delinquent and the user shall be held liable at law until such time as all such rates and charges are fully paid.

"(b) All rates or charges for water service whenever delinquent, as provided by ordinance of the municipality, shall be liens of equal dignity, rank and priority with the lien on such premises of state, county, school and municipal taxes for the amount thereof upon the real property served, and the municipality shall have plenary power and authority from time to time to enforce such lien in a civil action to recover the money due for such services rendered plus court fees and costs and a reasonable attorney's fee: Provided, That an owner of real property may not be held liable for the delinquent rates or charges for services or facilities of a tenant, nor shall any lien attach to real property for the reason of delinquent rates or charges for services or facilities of a tenant of such real property, unless the owner has contracted directly with the municipality to purchase such services or facilities.

"(c) Municipalities are hereby granted a deferral of filing fees or other fees and costs incidental to the bringing and maintenance of an action in magistrate court for the collection of the delinquent rates and charges. If the municipality collects the delinquent account, plus fees and costs, from its customer or other responsible party, the municipality shall pay to the magistrate court the filing fees or other fees and costs which were previously deferred.

"(d) No municipality may foreclose upon the premises served by it for delinquent rates or charges for which a lien is authorized by this section except through the bringing and maintenance of a civil action for such purpose brought in the circuit court of the county wherein the municipality lies. In every such action, the court shall be required to make a finding based upon the evidence and facts presented that the municipality had exhausted all other remedies for the collection of debts with respect to such delinquencies prior to the bringing of such action. In no event shall foreclosure procedures be instituted by any municipality or on its behalf unless such delinquency had been in existence or continued for a period of two years from the date of the first such delinquency for which foreclosure is being sought."

§ 8-19-13. Discontinuance of water or electric power service for nonpayment of rates or charges.

Any such municipality or county commission shall also have plenary power and authority, and may covenant with the holders of any bonds issued hereunder, to shut off and discontinue the supplying of the water or electric power service of said waterworks or electric power system for the nonpayment of the rates or charges for said water or electric power service. (1955, c. 133; 1969, c. 86; 1978, c. 72; 1990, c. 141.)

§ 8-19-14. Bonds for additions, betterments and improvements.

Whenever any municipality or county commission shall now or hereafter own and operate a waterworks or electric power system, whether acquired, constructed, established, extended or equipped under the provisions of this article or not, and shall desire to construct additions, betterments or improvements thereto, it may issue revenue bonds under the provisions of this article to pay for the same, and the procedure therefor, including the fixing of rates or charges and the computation of the amount thereof, and the power and authority in connection therewith, shall be the same as in this article provided for the issuance of bonds for the acquisition, construction, establishment, extension or equipment of a waterworks system or electric power system in a

municipality or county which has not heretofore owned and operated a waterworks or electric power system: Provided, That nothing in this article shall be construed as authorizing any municipality or county commission to impair or commit a breach of the obligation of any valid lien or contract created or entered into by it, the intention being to authorize the pledging, setting aside and segregation of such revenues for the construction of such additions, betterments or improvements only where and to the extent consistent with outstanding obligations of such municipality or county commission, and in accordance with the provisions of this article. (1933, Ex. Sess., c. 26, § 10; 1933, 2nd Ex. Sess., c. 49; 1969, c. 86; 1978, c. 72; 1990, c. 141.)

§ 8-19-15. System of accounts; audit.

Any municipality or county commission operating a waterworks or electric power system under the provisions of this article shall set up and maintain a proper system of accounts in accordance with the requirements of the public service commission, showing the amount of revenues received from such waterworks or electric power system and the application of the same. At least once each year such municipality or county commission shall cause such accounts to be properly audited, and a report of such audit shall be open to the public for inspection at all reasonable times. (1939, c. 98, § 10; 1969, c. 86; 1978, c. 72; 1990, c. 141.)

§ 8-19-16. Protection and enforcement of rights of bondholders, etc.; receivership.

Any holder of any bonds issued under the provisions of this article or of any coupons representing interest accrued thereon may by civil action, mandamus or other proper proceeding enforce the statutory mortgage lien created and granted in section eight of this article, protect and enforce any and all rights granted hereunder or under any such ordinance, order or trust indenture, and may enforce and compel performance of all duties required by the provisions of this article or by any such ordinance, order or trust indenture to be performed by the municipality or county commission, or by the governing body or any officer, including the making and collecting of reasonable and sufficient rates or charges for services rendered by the waterworks or electric power system. If there be default in the payment of the principal of or interest upon any of such bonds, or of both principal and interest, any court having jurisdiction shall appoint a receiver to administer said waterworks or electric power system on behalf of the municipality or county commission, and the bondholders or trustee, or both, with power to charge and collect rates or charges sufficient to provide for the retirement of the bonds and pay the interest thereon, and for the payment of the repair, maintenance and operation expenses, and such receiver shall apply the revenues in conformity with the provisions of this article and the ordinance or order pursuant to which such bonds have been issued or any trust indenture, or both. (1933, Ex. Sess., c. 26, § 12; 1969, c. 86; 1978, c. 72; 1990, c. 141.)

Rules of Civil Procedure. — As to receivers, see Rule 66.

PART V. GRANTS, LOANS, ADVANCES AND AGREEMENTS; CUMULATIVE AUTHORITY.

§ 8-19-17. Grants, loans, advances and agreements.

As an alternative to, or in conjunction with, the issuance of revenue bonds authorized by this article, any municipality or county commission is hereby empowered and authorized to accept loans or grants and procure loans or temporary advances evidenced by notes or other negotiable instruments issued in the manner, and subject to the privileges and limitations, set forth with respect to bonds authorized to be issued under the provisions of this article, or otherwise enter into agreement, including, but not limited to, agreements of indemnity, assurance or guarantee with respect to, and for the purpose of financing part or all of, the cost of acquisition, construction, establishment, extension or equipment of waterworks or electric power systems and the construction of additions, betterments and improvements to existing waterworks systems or to existing electric power systems, and for the other purposes herein authorized, from or with any authorized agency of the state or from the United States of America or any federal or public agency or department of the United States or any private agency, corporation or individual, which loans or temporary advances, including the interest thereon, or the municipality's or county's financial obligations contained in such other agreements, which need not bear interest, may be repaid out of the proceeds of bonds authorized to be issued under the provisions of this article, the revenues of or proceeds from the said waterworks system or electric power system or grants to the municipality or county commission from any agency of the state or from the United States of America or any federal or public agency or department of the United States or any private agency, corporation or individual or from any combination of such sources of payment, and may be secured in the manner provided in sections eight, nine and sixteen [§§ 8-19-8, 8-19-9 and 8-19-16] of this article to secure bonds issued under the provisions of this article, but shall not otherwise be subject to the requirements of sections eleven and twelve [§§ 8-19-11 and 8-19-12] of this article, and to enter into the necessary contracts and agreements to carry out the purposes hereof with any agency of the state, the United States of America or any federal or public agency or department of the United States, or with any private agency, corporation or individual.

In no event shall any such loan or temporary advance or agreement be a general obligation of the municipality or county and such loans or temporary advances or agreements, including the interest thereon, shall be paid solely from the sources specified in this section. (1961, c. 105; 1969, c. 86; 1978, c. 72; 1981, 1st Ex. Sess., c. 2; 1986, c. 118; 1986, 1st Ex. Sess., c. 18; 1990, c. 141.)

County financing of municipality. — A county commission may finance the acquisition of a waterworks system by a municipality. Op. Att'y Gen., Apr. 1, 1985, No. 6 (decided under prior law).

§ 8-19-18. Additional and alternative method for constructing or improving and for financing waterworks or electric power system; cumulative authority.

This article shall, without reference to any other statute or charter provision, be deemed full authority for the acquisition, construction, establishment, extension, equipment, additions, betterment, improvement, repair, maintenance and operation of or to a waterworks or electric power system or for the construction of any additions, betterments, improvements, repairs, maintenance or operation of or to an existing electric power system as herein provided and for the issuance and sale of the bonds or the alternative methods of financing by this article authorized, and shall be construed as an additional and alternative method therefor and for the financing thereof, and no petition, referendum or election or other or further proceeding with respect to any such undertaking or to the issuance or sale of bonds or the alternative methods of financing under the provisions of this article and no publication of any resolution, ordinance, order, notice or proceeding relating to any such undertaking or to the issuance or sale of such bonds or the alternative methods of financing shall be required, except as prescribed by this article, any provisions of other statutes of the state to the contrary notwithstanding: Provided, That all functions, powers and duties of the state division of health shall remain unaffected by this article.

This article shall be construed as cumulative authority for any undertaking herein authorized, and shall not be construed to repeal any existing laws with respect thereto. (1933, Ex. Sess., c. 26, § 13; 1969, c. 86; 1978, c. 72; 1986, 1st Ex. Sess., c. 18; 1990, c. 141.)

PART VI. OPERATION BY BOARD; CONSTRUCTION.

§ 8-19-19. Alternative procedure for acquisition, construction or improvement of waterworks or electric power system.

As an alternative to the procedures hereinabove provided, any municipality or county commission is hereby empowered and authorized to acquire, construct, establish, extend, equip, repair, maintain and operate a waterworks or an electric power system or to construct, maintain and operate additions, betterments and improvements to an existing waterworks system or an existing electric power system, whether acquired, constructed, established, extended or equipped under the provisions of this article or not, and to collect the revenues therefrom for the services rendered thereby, through the supervision and control of a committee, by whatever name called, composed of all or a portion of the governing body, or of a board or commission appointed by such

governing body, as may be provided by the governing body, and if such alternative is followed, said committee, board or commission shall have and be limited to all the powers, authority and duties granted to and imposed upon a board as provided in article sixteen [§ 8-16-1 et seq.] of this chapter. (1961, c. 104; 1969, c. 86; 1978, c. 72; 1990, c. 141.)

§ 8-19-20. Article to be liberally construed.

This article is necessary for the public health, safety and welfare and shall be liberally construed to effectuate its purposes. (1933, Ex. Sess., c. 26, § 14; 1969, c. 86; 1990, c. 141.)

§ 8-19-21. Specifications for water mains and water service pipes.

Considering the importance of public fire protection, any state or local government, public service district, public or private utility which installs, constructs, maintains, or upgrades water mains, shall ensure that all new mains specifically intended to provide fire protection are supplied by mains which are not less than six inches in diameter. A permit or other written approval shall be obtained from the department of health and human resources for each hydrant or group of hydrants installed in compliance with section nine [§ 16-1-9], article one, chapter sixteen of the West Virginia code as amended: Provided, That all newly constructed water distribution systems transferred to a public or private utility shall have mains at least six inches in diameter where fire flows are desired or required by the public or private utility: Provided, however, That the utility providing service has sufficient hydraulic capacity as determined by the department of health and human resources. (1994, c. 31.)

ARTICLE 20.

COMBINED WATERWORKS AND SEWERAGE SYSTEMS.

Part I. Combined Waterworks and Sewerage Systems Authorized; Definitions.

Sec.
8-20-1. Acquisition and operation of combined waterworks and sewerage systems; extension beyond corporate limits; definitions.
8-20-1a. Cooperation with other governmental units.
8-20-1b. Severance of combined system.

Part II. Right of Eminent Domain.

8-20-2. Right of eminent domain; limitations.

Part III. Revenue Bond Financing.

8-20-3. Ordinance describing project; contents.
8-20-4. Publication of abstract of ordinance and notice; hearing.
8-20-5. Amount, negotiability and execution of bonds; refund of outstanding obligations or securities by sale or exchange of bonds.
8-20-6. Bonds payable solely from revenues; not to constitute municipal indebtedness.
8-20-7. Lien of bondholders.
8-20-8. Covenants with bondholders.
8-20-9. Operating contract.
8-20-10. Power and authority of municipality to enact ordinances and make rules and regulations and fix rates or charges; change in rates or charges; failure to cure delinquency; delinquent rates or charges as liens; civil action for recovery thereof; deferral of filing fees and costs in magistrate court action; limitations with respect to foreclosure.
8-20-11. Discontinuance of water service for nonpayment of rates or charges.
8-20-12. Use of revenues; sinking fund.
8-20-13. System of accounts; audit.
8-20-14. Repair and maintenance of municipal sewerage system outside corporate limits.
8-20-15. Protection and enforcement of rights of bondholders, etc.; receivership.

Part IV. Grants, Loans and Advances; Cumulative Authority.

8-20-16. Grants, loans and advances.
8-20-17. Additional and alternative method for constructing, etc., and financing combined waterworks and sewerage system; cumulative authority.

Part V. Operation by Board; Construction.

8-20-18. Alternative procedure for acquisition, construction, etc., of combined waterworks and sewerage system.
8-20-19. Article to be liberally construed.

Revision of chapter. — See note under the same catchline at the beginning of this chapter.

Legislative intent. — It appears clear that the legislature recognized the need for municipal utility systems; however, it did not wish the municipality to become generally obligated for the building or acquisition of the system. Financing is provided for primarily by revenue bonds, and bondholders are assured of a safe investment through the collection of sufficient user charges to service the bonds and maintain the assets of the system. Op. Att'y Gen., April 3, 1979.

PART I. COMBINED WATERWORKS AND SEWERAGE SYSTEMS AUTHORIZED; DEFINITIONS.

§ 8-20-1. Acquisition and operation of combined waterworks and sewerage systems; extension beyond corporate limits; definitions.

Any municipality may acquire, construct, establish and equip and thereafter repair, maintain and operate a combined waterworks and sewerage system either wholly within or partly within and partly without the corporate limits thereof, under the provisions of this article, and any municipality owning and operating either a waterworks or a sewerage system, but not both, may acquire, construct, establish and equip the waterworks or sewerage system which it does not then own and operate, and in either of such cases such municipality may provide by ordinance that when such waterworks or sewerage system, or both, shall have been acquired, constructed, established and equipped, the same shall thereafter be owned, repaired, maintained and operated as a combined undertaking under the provisions of this article, and any municipality already owning and operating an existing waterworks system and an existing sewerage system may by ordinance combine the same into a single undertaking under the provisions of this article.

Any municipality which has combined its waterworks and sewerage system under the provisions of this article, or pursuant to provisions of any other law,

STEPTOE & JOHNSON
ATTORNEYS AT LAW
BANK ONE CENTER
SIXTH FLOOR
P. O. BOX 2190
CLARKSBURG, W. VA. 26302-2190
(304) 624-8000
FACSIMILE (304) 624-8183

BANK ONE CENTER, SEVENTH FLOOR
P. O. BOX 1588
CHARLESTON, W. VA. 25326-1588
(304) 353-8000
FACSIMILE (304) 353-8180

1000 HAMPTON CENTER
P. O. BOX 1616
MORGANTOWN, W. VA. 26507-1616
(304) 598-8000
FACSIMILE (304) 598-8116

126 EAST BURKE STREET
P. O. BOX 2629
MARTINSBURG, W. VA. 25402-2629
(304) 263-6991
FACSIMILE (304) 262-3541

RILEY BUILDING, FOURTH FLOOR
14TH AND CHAPLINE STREETS
P. O. BOX 150
WHEELING, W. VA. 26003-0020
(304) 233-0000
FACSIMILE (304) 233-0014

THE RIVERS OFFICE PARK
200 STAR AVENUE, SUITE 220
P. O. BOX 628
PARKERSBURG, W. VA. 26102-0628
(304) 422-6463
FACSIMILE (304) 422-6462

ALAN B. MOLLOHAN INNOVATION CENTER
1000 TECHNOLOGY DRIVE
SUITE 2210
FAIRMONT, W. VA. 26554-8824
(304) 368-8000
FACSIMILE (304) 368-8413

WRITER'S DIRECT DIAL NUMBER

February 2, 1999

City of Fairmont, West Virginia
Water Revenue Bonds, Series 1998

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Internal Revenue Service
Internal Revenue Service Center
Philadelphia, Pennsylvania 19255

Gentlemen:

Enclosed herewith is a completed and executed Internal Revenue Service Form 8038-G, and a file copy thereof with regard to the above-captioned issue. Please file the original form in the appropriate Internal Revenue Service records and return the copy marked in red as the "File Copy" to me (after acknowledging receipt of the same) in the enclosed self-addressed, stamped envelope. Thank you for your attention to this matter.

Very truly yours,

Vincent A. Collins

Vincent A. Collins

Enclosures
Copy of letter with enclosure to:
Mr. Bruce McDaniel
268460/98001

CL505578.1

Form **8038-G** (Rev. May 1995) Department of the Treasury Internal Revenue Service

Information Return for Tax-Exempt Governmental Obligations

▶ Under Internal Revenue Code section 149(e)

▶ See separate instructions.

(Note: *Use Form 8038-GC if the issue price is under $100,000.*)

OMB No. 1545-0720

Part I Reporting Authority — If Amended Return, check here ▶ ☐

1 Issuer's name: CITY OF FAIRMONT, WEST VIRGINIA

2 Issuer's employer identification number: 55 : 6000171

3 Number and street (or P.O. box if mail is not delivered to street address): 200 Jackson Street — Room/suite:

4 Report number: G19 98 -1

5 City, town, or post office, state, and ZIP code: Fairmont, West Virginia 26555

6 Date of issue: 12/30/98

7 Name of issue: City of Fairmont, Water Revenue Bonds, Series 1998

8 CUSIP number: 305459 EL9

Part II Type of Issue (check applicable box(es) and enter the issue price)

9	☐ Education (attach schedule–see instructions)	9	$
10	☐ Health and hospital (attach schedule–see instructions)	10	
11	☐ Transportation	11	
12	☐ Public safety	12	
13	☐ Environment (including sewage bonds)	13	
14	☐ Housing	14	
15	☒ Utilities	15	$9,465,921
16	☐ Other. Describe (see instructions) ▶	16	
17	If obligations are tax or other revenue anticipation bonds, check box ▶ ☐		
18	If obligations are in the form of a lease or installment sale, check box ▶ ☐		

IRS RECEIVED 020799 28 PSC PHILA., PA MAY 11 FILE COPY

Part III Description of Obligations

		(a) Maturity date	(b) Interest rate	(c) Issue price	(d) Stated redemption price at maturity	(e) Weighted average maturity	(f) Yield	(g) Net interest cost
19	Final maturity	07/01/2029	4.750%	3,310,921	3,445,000			
20	Entire issue			9,465,921	9,600,000	21.610 years	4.8951%	4.9108%

Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)

21	Proceeds used for accrued interest			21	18,753
22	Issue price of entire issue (enter amount from line 20, column (c))			22	9,465,921
23	Proceeds used for bond issuance costs (including underwriters' discount)	23	94,260		
24	Proceeds used for credit enhancement	24	52,732		
25	Proceeds allocated to reasonably required reserve or replacement fund	25	800,347		
26	Proceeds used to currently refund prior issues	26	-0-		
27	Proceeds used to advance refund prior issues	27	-0-		
28	Total (add lines 23 through 27)			28	947,339
29	Nonrefunding proceeds of the issue (subtract line 28 from line 22 and enter amount here)			29	8,518,582

Part V Description of Refunded Bonds (Complete this part only for refunding bonds.)

30 Enter the remaining weighted average maturity of the bonds to be currently refunded ▶ _____ years

31 Enter the remaining weighted average maturity of the bonds to be advance refunded ▶ _____ years

32 Enter the last date on which the refunded bonds will be called ▶ _____

33 Enter the date(s) the refunded bonds were issued ▶

Part VI Miscellaneous

34	Enter the amount of the state volume cap allocated to the issue under section 141(b)(5)	34	-0-
35	Enter the amount of the bonds designated by the issuer under section 265(b)(3)(B)(i)(III) (small issuer exception)	35	9,600,000
36a	Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (see instructions)	36a	7,266,920
b	Enter the final maturity date of the guaranteed investment contract ▶ 10/01/2000		
37	Pooled financings: a Proceeds of this issue that are to be used to make loans to other governmental units	37a	-0-

b If this issue is a loan made from the proceeds of another tax-exempt issue, check box ▶ ☐ and enter the name of the issuer ▶ _____ and the date of the issue ▶ _____

38 If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box ▶ ☐

39 If the issuer has identified a hedge, check box ▶ ☐

Please Sign Here

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete.

Signature of issuer's authorized representative ▶ Nick L. Fantasia — Date: 12/30/98 — Type or print name and title ▶ Nick L. Fantasia, Mayor, City of Fairmont

Printed on recycled paper

STEPTOE & JOHNSON

ATTORNEYS AT LAW

BANK ONE CENTER
SIXTH FLOOR
P. O. BOX 2190
CLARKSBURG, W. VA. 26302-2190
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(304) 368-8000
FACSIMILE (304) 368-8413

WRITER'S DIRECT DIAL NUMBER

February 2, 1999

City of Fairmont, West Virginia
Water Revenue Bonds, Series 1999

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Internal Revenue Service
Internal Revenue Service Center
Philadelphia, Pennsylvania 19255

Gentlemen:

Enclosed herewith is a completed and executed Internal Revenue Service Form 8038-G, and a file copy thereof with regard to the above-captioned issue. Please file the original form in the appropriate Internal Revenue Service records and return the copy marked in red as the "File Copy" to me (after acknowledging receipt of the same) in the enclosed self-addressed, stamped envelope. Thank you for your attention to this matter.

Very truly yours,

Vincent Collins

Vincent A. Collins

Enclosures
Copy of letter with enclosure to:
Mr. Bruce McDaniel
268460/98001

CL505618.1

Form **8038-G** (Rev. May 1995) Department of the Treasury Internal Revenue Service

Information Return for Tax-Exempt Governmental Obligations

▶ Under Internal Revenue Code section 149(e)

▶ See separate instructions.

(Note: *Use Form 8038-GC if the issue price is under $100,000.*)

OMB No. 1545-0720

If Amended Return, check here ▶ ☐

Part I Reporting Authority

1 Issuer's name: CITY OF FAIRMONT, WEST VIRGINIA

2 Issuer's employer identification number: 55 6000171

3 Number and street (or P.O. box if mail is not delivered to street address): 200 Jackson Street — Room/suite:

4 Report number: G19 99 - 1

5 City, town, or post office, state, and ZIP code: Fairmont, West Virginia 26555

6 Date of issue: 01/14/99

7 Name of issue: City of Fairmont, West Virginia, Water Revenue Bonds, Series 1999

8 CUSIP number: 305459 FN5

Part II Type of Issue (check applicable box(es) and enter the issue price)

9	☐ Education (attach schedule–see instructions)	9	$
10	☐ Health and hospital (attach schedule–see instructions)	10	
11	☐ Transportation	11	
12	☐ Public safety	12	
13	☐ Environment (including sewage bonds)	13	
14	☐ Housing	14	
15	☒ Utilities	15	$19,932,201
16	☐ Other. Describe (see instructions) ▶	16	
17	If obligations are tax or other revenue anticipation bonds, check box ▶ ☐		
18	If obligations are in the form of a lease or installment sale, check box ▶ ☐		

FILE COPY

Part III Description of Obligations

	(a) Maturity date	(b) Interest rate	(c) Issue price	(d) Stated redemption price at maturity	(e) Weighted average maturity	(f) Yield	(g) Net interest cost
19 Final maturity	07/01/2029	5.000%	8,236,095	8,365,000			
20 Entire issue			19,932,201	19,945,000	23.041 years	5.0519%	5.0329 %

Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)

21	Proceeds used for accrued interest		21	36,178
22	Issue price of entire issue (enter amount from line 20, column (c))		22	19,932,201
23	Proceeds used for bond issuance costs (including underwriters' discount)	23 186,653		
24	Proceeds used for credit enhancement	24 114,284		
25	Proceeds allocated to reasonably required reserve or replacement fund	25 1,803,586		
26	Proceeds used to currently refund prior issues	26 -0-		
27	Proceeds used to advance refund prior issues	27 -0-		
28	Total (add lines 23 through 27)		28	2,104,523
29	Nonrefunding proceeds of the issue (subtract line 28 from line 22 and enter amount here)		29	17,827,678

Part V Description of Refunded Bonds (Complete this part only for refunding bonds.)

30 Enter the remaining weighted average maturity of the bonds to be currently refunded ▶ _____ years

31 Enter the remaining weighted average maturity of the bonds to be advance refunded ▶ _____ years

32 Enter the last date on which the refunded bonds will be called ▶ _____

33 Enter the date(s) the refunded bonds were issued ▶

Part VI Miscellaneous

34	Enter the amount of the state volume cap allocated to the issue under section 141(b)(5)	34	-0-
35	Enter the amount of the bonds designated by the issuer under section 265(b)(3)(B)(i)(III) (small issuer exception)	35	-0-
36a	Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (see instructions)	36a	15,074,678
b	Enter the final maturity date of the guaranteed investment contract ▶ 08/01/2001		
37	Pooled financings: a Proceeds of this issue that are to be used to make loans to other governmental units	37a	-0-

b If this issue is a loan made from the proceeds of another tax-exempt issue, check box ▶ ☐ and enter the name of the issuer ▶ _____ and the date of the issue ▶ _____

38 If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box ▶ ☐

39 If the issuer has identified a hedge, check box ▶ ☐

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete.

Please Sign Here ▶ Signature of issuer's authorized representative — Date: 01/14/99 ▶ Nick L. Fantasia, Mayor, City of Fairmont — Type or print name and title

For Paperwork Reduction Act Notice, see page 1 of the instructions.

Cat. No. 63773S Form 8038-G (Rev. 5-95)

Printed on recycled paper

WV MUNICIPAL BOND COMMISSION

812 Quarrier Street
Suite 300
Charleston, WV 25301
(304)558-3971

NEW ISSUE REPORT FORM

Date of Report: 12/30/98

(See Reverse for Instructions)

ISSUE: City of Fairmont, West Virginia Water Revenue Bonds, Series 1998

ADDRESS: P. O. Box 1428, Fairmont, WV 26554 COUNTY: Marion

PURPOSE OF ISSUE: New Money X Refunding ____ Refunds issue(s) dated: N/A

ISSUE DATE: December 15, 1998 CLOSING DATE: December 30, 1998

ISSUE AMOUNT: $ 9,600,000 RATE: 3.60-4.90%

1st DEBT SERVICE DUE: July 1, 1999 1st PRINCIPAL DUE: July 1, 2002

1st DEBT SERVICE AMOUNT: $245,038.11 PAYING AGENT: WV Municipal Bond Commission

ISSUERS

BOND COUNSEL: Steptoe & Johnson
Contact Person: Vincent A. Collins, Esq.
Phone: 304-624-8161

CLOSING BANK: One Valley Bank, Inc.
Contact Person: Dave Kelly
Phone: 304-368-3240

KNOWLEDGEABLE ISSUER CONTACT
Contact Person: E. Bruce McDaniel
Position: City Manager
Phone: 304-366-6211 FAX: ____

UNDERWRITERS

BOND COUNSEL: Jackson & Kelly
Contact Person: Samme L. Gee, Esq.
Phone: 304-340-1318

ESCROW TRUSTEE: ____
Contact Person: ____
Phone: ____

OTHER: ____
Contact Person: ____
Function: ____
Phone: ____

DEPOSITS TO MBC AT CLOSE:
By X Wire
____ Check

X	Accrued Interest:	$18,752.92
X	Capitalized Interest:	$1,251,661.67
X	Reserve Account:	$800,347.32
____	Other: ____	$ ____

REFUNDS & TRANSFERS BY MBC AT CLOSE:
By ____ Wire
____ Check
____ IGT

____	To Escrow Trustee:	$ ____
____	To Issuer:	$ ____
____	To Cons. Invest. Fund:	$ ____
____	To Other: ____	$ ____

NOTES: ____

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

The purpose of the **NEW ISSUE REPORT FORM** is to provide the WV Municipal Bond Commission with an early warning of three basis facts <u>no later than the day of closing</u> on any issue for which the Commission is to act as fiscal agent. These are:

1. Formal notification that a new issue is outstanding.
2. Date of first action or debt service.
3. Contact people should we lack documents, information, or funds needed to administer the issue by the date of the first action or debt service.

The Commission recognizes that as bond transcripts become increasingly long and complex, it has become more difficult to assemble and submit them to the Commission within the 30 days specified by the WV Code 13-3-8. This notice is not intended to provide all the information needed to administer an issue, but to alert the Commission and ensure that no debt service payments are missed due to delays in assembling bond transcripts. If, at the time of closing, documents such as the ordinance and all suppliments, debt service schedules, and a specimen bond or photostat are available and submitted with this form, it will greatly aid the Commission in the performance of its duties. These documents are needed to set up the proper accounts and to advise the issuer of monthly deposit requirements as far in advance of the first debt service as possible.

It is not necessary to complete all items if they are not pertinent to your issue. Indicate the County of the issuer. With PSDs that overlap more than one county, indicate the county of their business office. Complete "Rate" only if the issue has only one rate. Please complete a separate form for each series of an issue. Other important information can be recorded under "Notes".

Again, please submit this form on each new issue on the day of closing. If fund transfers into or out of the Commission at close are required, please submit this form before closing. If no significant facts change by closing, no resubmission at close is required. If, however, there are changes, please submit an updated form, with changes noted, at close.

If you should have any questions concerning this form, please call the Commission.

WV MUNICIPAL BOND COMMISSION
812 Quarrier Street
Suite 300
Charleston, WV 25301
(304)558-3971

NEW ISSUE REPORT FORM

Date of Report: 1/14/98

(See Reverse for Instructions)

ISSUE: City of Fairmont, West Virginia Water Revenue Bonds, Series 1998

ADDRESS: P. O. Box 1428, Fairmont, WV 26554 COUNTY: Marion

PURPOSE OF ISSUE: New Money X Refunding ____ Refunds issue(s) dated: N/A

ISSUE DATE: January 1, 1998 CLOSING DATE: January 14, 1998

ISSUE AMOUNT: $ 19,945,000 RATE: 4.50 - 5.25%

1st DEBT SERVICE DUE: July 1, 1999 1st PRINCIPAL DUE: July 1, 2014

1st DEBT SERVICE AMOUNT: $500,931.25 PAYING AGENT: WV Municipal Bond Commission

ISSUERS

BOND COUNSEL: Steptoe & Johnson
Contact Person: Vincent A. Collins, Esq.
Phone: 304-624-8161

CLOSING BANK: One Valley Bank, Inc.
Contact Person: Dave Kelly
Phone: 304-368-3240

KNOWLEDGEABLE ISSUER CONTACT
Contact Person: E. Bruce McDaniel
Position: City Manager
Phone: 304-366-6211 FAX: ____

UNDERWRITERS

BOND COUNSEL: Jackson & Kelly
Contact Person: Samme L. Gee, Esq.
Phone: 304-340-1318

ESCROW TRUSTEE: ____
Contact Person: ____
Phone: ____

OTHER: ____
Contact Person: ____
Function: ____
Phone: ____

DEPOSITS TO MBC AT CLOSE:
By X Wire
____ Check

X Accrued Interest: $ 36,178.37
X Capitalized Interest: $ 2,753,000.44
X Reserve Account: $ 1,803,585.96
____ Other: ____ $ ____

REFUNDS & TRANSFERS BY MBC AT CLOSE:
By ____ Wire
____ Check
____ IGT

____ To Escrow Trustee: $ ____
____ To Issuer: $ ____
____ To Cons. Invest. Fund: $ ____
____ To Other: ____ $ ____

NOTES: ____

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

The purpose of the NEW ISSUE REPORT FORM is to provide the WV Municipal Bond Commission with an early warning of three basis facts no later than the day of closing on any issue for which the Commission is to act as fiscal agent. These are:

1. Formal notification that a new issue is outstanding.
2. Date of first action or debt service.
3. Contact people should we lack documents, information, or funds needed to administer the issue by the date of the first action or debt service.

The Commission recognizes that as bond transcripts become increasingly long and complex, it has become more difficult to assemble and submit them to the Commission within the 30 days specified by the WV Code 13-3-8. This notice is not intended to provide all the information needed to administer an issue, but to alert the Commission and ensure that no debt service payments are missed due to delays in assembling bond transcripts. If, at the time of closing, documents such as the ordinance and all suppliments, debt service schedules, and a specimen bond or photostat are available and submitted with this form, it will greatly aid the Commission in the performance of its duties. These documents are needed to set up the proper accounts and to advise the issuer of monthly deposit requirements as far in advance of the first debt service as possible.

It is not necessary to complete all items if they are not pertinent to your issue. Indicate the County of the issuer. With PSDs that overlap more than one county, indicate the county of their business office. Complete "Rate" only if the issue has only one rate. Please complete a separate form for each series of an issue. Other important information can be recorded under "Notes".

Again, please submit this form on each new issue on the day of closing. If fund transfers into or out of the Commission at close are required, please submit this form before closing. If no significant facts change by closing, no resubmission at close is required. If, however, there are changes, please submit an updated form, with changes noted, at close.

If you should have any questions concerning this form, please call the Commission.

FERRIS, BAKER WATTS, INCORPORATED

Closing Memorandum
Relating to:
$9,600,000
City of Fairmont, WV
Water Revenue Bonds, Series 1998
AND
$19,945,000
City of Fairmont, WV
Water Revenue Bonds, Series 1999

Series 1998 Closing - Wednesday, December 30, 1998
Series 1999 Closing - Thursday, January 14, 1999

TO:	Ed Porson (Ext. 6033)	FAX:	301-273-6124
	Sharon Pennington (Ext. 6061)	FAX:	301-273-6118
	Craig Hartman (Ext. 6025)	FAX:	301-273-6113
	Bob Reeves (Ext. 4231)	FAX:	410-268-6757
	Marie Prezioso (Ext. 10354)	FAX:	304-345-5722
	Joe Nassif (Ext. 10354)	FAX:	304-345-5722
FROM:	Liz Andresini (Ext. 4646)	FAX:	410-528-1257
DATE:	January 11, 1999		
COPY:	Dave Kelley/Kim Pellillo (304-368-3208) One Valley Bank	FAX:	304-368-3240
	Witter Hallan (304-558-3971) WV Municipal Bond Commission	FAX:	304-558-1280
	Vincent Collins, Esq. (304-624-8161) Steptoe & Johnson	FAX:	304-624-8183

****

PAYMENT OF 1998 BONDS: **PAID AND CLOSED - SEE PAYMENT OF 1999 BONDS (PAGE 2)**

The Series 1998 transaction will close with the Issuer on **Wednesday, December 30, 1998**. Ferris, Baker Watts (FBW) needs to initiate the following fed funds wires on that date as soon as possible:

Wire #1: **$7,298,674.93**
To: One Valley Bank/Morgantown, WV
ABA #051-503-268
Re: Fairmont Water Bonds

Wire #2: **$2,070,761.91**
To: One Valley Bank/Charleston, WV
ABA #051-900-353
State Treasurer
A/C #846-387-9
Re: Municipal Bond Commission
Fairmont Water Bonds

Wire #3: **$52,731.68**
To: Citibank, N.A.
ABA #021-000-089
Ambac Assurance Corporation
A/C #40609486
Policy #15884BE
Attn: Jennie DiDiego (212-208-3241)

These funds represent:

	Series 1998
Par Amount	$9,600,000.00
Plus: Accrued Interest	18,752.92
Less: Original Issue Discount	(134,079.40)
Less: Underwriter's Discount	(62,505.00)
Total Wire Amount	$9,422,168.52

PAYMENT OF 1999 BONDS:

The Series 1999 transaction will close with the Issuer on **Thursday, January 14, 1999**. Ferris, Baker Watts (FBW) needs to initiate the following fed funds wires on that date as soon as possible:

Wire #1: **$15,132,883.13**
To: One Valley Bank/Morgantown, WV
ABA #051-503-268
Re: Fairmont Water Bonds

Wire #2: **$4,592,764.77**
To: One Valley Bank/Charleston, WV
ABA #051-900-353
State Treasurer
A/C #846-387-9
Re: Municipal Bond Commission
Fairmont Water Bonds

Wire #3: **$114,284.02**
To: Citibank, N.A.
ABA #021-000-089
Ambac Assurance Corporation
A/C #40609486
Policy #15884BE
Attn: Jennie DiDiego (212-208-3241)

These funds represent:

	Series 1999
Par Amount	$19,945,000.00
Plus: Accrued Interest	36,178.37
Less: Original Issue Discount	(12,798.95)
Less: Underwriter's Discount	(128,447.50)
Total Wire Amount	$19,839,931.92

DELIVERY:

Upon confirmation of the above funds transfer, DTC will be notified of FBW's DTC participation #039. Bonds to be credited: On December 30, 1998 for $9,600,000 (Series 1998) and on **January 14, 1999 for $19,945,000 (Series 1999).**

MATURITY SCHEDULE, COUPON/YIELD AND CUSIP NUMBERS ARE LISTED BELOW:

$9,600,000
City of Fairmont, WV
Water Revenue Bonds
Series 1998

Maturity	Par Amount	Coupon/Yield/Price	CUSIP #
			Base 305459
7/1/2002	105,000	3.60%/3.60%/100	DX 4
7/1/2003	100,000	3.70%/3.70%/100	DY 2
7/1/2004	105,000	3.75%/3.75%/100	DZ 9
7/1/2005	110,000	3.85%/3.85%/100	EA 3
7/1/2006	115,000	3.95%/3.95%/100	EB 1
7/1/2007	120,000	4.00%/4.00%/100	EC 9
7/1/2008	125,000	4.05%/4.05%/100	ED 7
7/1/2009	130,000	4.10%/4.10%/100	EE 5
7/1/2010	135,000	4.20%/4.20%/100	EF 2
7/1/2011	140,000	4.25%/4.25%/100	EG 0
7/1/2012	145,000	4.30%/4.30%/100	EH 8
7/1/2013	145,000	4.35%/4.35%/100	EJ 4
7/1/2018	1,625,000	4.75%/4.75%/100	EK 1
7/1/2023	3,055,000	4.90%/4.90%/100	EP 0
7/1/2029	3,445,000	4.75%/5.00%/96.108	EL 9

$19,945,000
City of Fairmont, WV
Water Revenue Bonds
Series 1999

Maturity	Par Amount	Coupon/Yield/Price	CUSIP #
			Base 305459
7/1/2015	1,825,000	5.25%/4.75%/104.521	EQ 8
7/1/2017	2,020,000	5.25%/4.85%/103.596	EM 7
7/1/2019	2,235,000	5.00%/4.90%/100.895	ER 6
7/1/2022	3,000,000	5.25%/4.92%/104.561/NRO	ES 4
7/1/2024	2,500,000	4.50%/5.05%/92.165/NRO	ET 2
7/1/2029	8,365,000	5.00%/5.10%/98.459/NRO	EN 5

$9,600,000
CITY OF FAIRMONT
(WEST VIRGINIA)

WATER REVENUE BONDS, SERIES 1998

ACCEPTANCE OF DUTIES AS DEPOSITORY BANK FOR SERIES 1998 BONDS

One Valley Bank, Inc., a state banking corporation in Fairmont, West Virginia, hereby accepts appointment as Depository Bank in connection with a Bond Ordinance of the City of Fairmont (the "Issuer") enacted by the Issuer on November 10, 1998, and a Supplemental Resolution adopted by the Issuer on December 17, 1998 (collectively, the "Bond Legislation"), authorizing issuance of the Issuer's Water Revenue Bonds, Series 1998, dated December 15, 1998, in the principal amount of $9,600,000 (the "Bonds"), and agrees to perform all duties of Depository Bank in connection with the Bonds, all as set forth in the Bond Legislation.

WITNESS my signature on this 30th day of December, 1998.

ONE VALLEY BANK, INC.

By _____
Its Regional President

08/23/99
268460/98001

CH288229.2

$19,945,000
CITY OF FAIRMONT
(WEST VIRGINIA)

WATER REVENUE BONDS, SERIES 1999

ACCEPTANCE OF DUTIES AS DEPOSITORY BANK FOR SERIES 1999 BONDS

One Valley Bank, Inc., a state banking corporation in Fairmont, West Virginia, hereby accepts appointment as Depository Bank in connection with a Bond Ordinance of the City of Fairmont (the "Issuer") enacted by the Issuer on November 10, 1998, and a Supplemental Resolution adopted by the Issuer on December 17, 1998 (collectively, the "Bond Legislation"), authorizing issuance of the Issuer's Water Revenue Bonds, Series 1999, dated January 1, 1999, in the principal amount of $19,945,000 (the "Bonds"), and agrees to perform all duties of Depository Bank in connection with the Bonds, all as set forth in the Bond Legislation.

WITNESS my signature on this 14th day of January, 1999.

ONE VALLEY BANK, INC.

By _____
Its Regional President

08/23/99n
268460/98001

CH294378.2

CITY OF FAIRMONT

(WEST VIRGINIA)

WATERWORKS REFUNDING REVENUE BONDS, SERIES 1997

BOND ORDINANCE

ORDINANCE NO. 1029

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CITY OF FAIRMONT
(WEST VIRGINIA)

AN ORDINANCE AUTHORIZING THE REFUNDING OF THE WATERWORKS REFUNDING REVENUE BONDS, SERIES 1987, OF THE CITY OF FAIRMONT, WEST VIRGINIA; THE ISSUANCE OF WATERWORKS REFUNDING REVENUE BONDS, SERIES 1997, OF THE CITY IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT MORE THAN $12,500,000, THE PROCEEDS OF WHICH, TOGETHER WITH OTHER FUNDS OF THE CITY, SHALL BE EXPENDED FOR SUCH REFUNDING AND TO PAY COSTS IN CONNECTION THEREWITH; PROVIDING FOR THE RIGHTS AND REMEDIES OF, AND THE SECURITY FOR, THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING THE EXECUTION AND DELIVERY OF AN ESCROW AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS; AND ENACTING OTHER PROVISIONS WITH RESPECT TO SUCH BONDS.

WHEREAS, the City of Fairmont (the "Issuer") presently owns and operates a municipal waterworks system (the "System") and has heretofore financed and refinanced the acquisition and construction of the System and certain additions, extensions and improvements thereto by issuance of several series of bonds or refunding bonds, of which there are presently outstanding the Waterworks Refunding Revenue Bonds, Series 1987, dated January 15, 1987, issued in the original aggregate principal amount of $11,420,000, of which $10,285,000 is presently outstanding (the "Prior Bonds");

WHEREAS, the Prior Bonds were issued pursuant to an ordinance of the Issuer duly enacted by the Council of the Issuer on January 6, 1987, as supplemented by a supplemental resolution duly adopted by the Council of the Issuer on January 15, 1987 (collectively, the "Prior Ordinance");

WHEREAS, the Issuer is advised that current market conditions are such that interest savings would be realized from the refunding of the Prior Bonds;

WHEREAS, under the provisions of Chapter 13, Article 2E and Chapter 8, Article 19 of the West Virginia Code of 1931, as amended (collectively, the "Act"), the

Issuer is authorized and empowered to issue refunding revenue bonds to refund, pay or discharge all or any part of the outstanding Prior Bonds;

WHEREAS, the Issuer has determined and hereby determines that it would therefore be to the benefit of the Issuer and its residents to refund the Prior Bonds to their first permitted Redemption Date, being July 1, 1997, in the manner set forth herein with proceeds of a series of bonds to be designated "City of Fairmont (West Virginia) Waterworks Refunding Revenue Bonds, Series 1997" (the "Series 1997 Bonds"), in the maximum aggregate principal amount of not more than $12,500,000, and other moneys of the Issuer;

WHEREAS, the Issuer now desires to authorize the refunding of the Prior Bonds as aforesaid, and to provide for the financing thereof by the issuance of the Series 1997 Bonds as hereinafter provided;

NOW, THEREFORE, THE CITY OF FAIRMONT 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, collectively, Chapter 13, Article 2E and Chapter 8, Article 19 of the West Virginia Code of 1931, as amended and in effect on the date of delivery of the Series 1997 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 and Redemption Digest.

"Authorized Officer" means the City Manager of the Issuer or any other officer of the Issuer specifically designated by resolution of the Council of the Issuer.

"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, Clarksburg, West Virginia.

"Bondholder," "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 Series 1997 Bonds, and in the event the Series 1997 Bonds are insured, shall initially mean the Bond Insurer set forth in the Supplemental Resolution.

"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 1997 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 1997 Bonds, in substantially the form set forth in EXHIBIT A - BOND FORM attached hereto and incorporated herein by reference.

"City" or "Issuer" means the City of Fairmont, a municipal corporation and political subdivision of the State of West Virginia, in Marion County thereof, and, unless the context clearly indicates otherwise, includes the Council and any successor thereto.

"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 1997 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.

"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 similar terms means all those costs now or hereafter permitted by the Act to be financed with bonds issued pursuant hereto, including, without limitation, the costs of refunding the Prior Bonds, interest accruing or to accrue thereon, redemption premiums, premiums for municipal bond insurance and reserve account insurance or reserve account surety bonds, letter of credit fees, expenses for fiscal or other agents, legal expenses, verification agent expenses and any other costs or expenses necessary, incidental, desirable or appurtenant to the issuance of the Series 1997 Bonds and the refunding of the Prior Bonds.

"Costs of Issuance Fund" means the Costs of Issuance Fund created by Section 4.01 hereof.

"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.

"Depreciation Fund" means the Depreciation Fund created by Section 4.01 hereof.

"DTC" means the Depository Trust Company, New York, New York, or its successor thereof.

"DTC-eligible" means, with respect to the Series 1997 Bonds, meeting the qualifications prescribed by the Depository Trust Company, New York, New York.

"Escrow Agent" means the Escrow Agent under the Escrow Agreement, which shall be appointed pursuant to the Supplemental Resolution.

"Escrow Agreement" means the Escrow Agreement to be entered into between the Issuer and the Escrow Agent, providing for the defeasance and ultimate payment of the Prior Bonds, the deposit therein of proceeds of the Series 1997 Bonds, the disposition of moneys in the various funds and accounts under the Prior Ordinance and other matters in connection therewith, the form of which shall be approved by the Supplemental Resolution.

"Escrow Fund" means the Escrow Fund established pursuant to the Escrow Agreement.

"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.

"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 1997 Bonds, insuring the payment of the principal of and interest on all or any of the Series 1997 Bonds in accordance with the terms thereof.

"Net Proceeds" means the face amount of the Series 1997 Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds deposited in the Series 1997 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 1997 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.

"Nonpurpose Investment" means any investment property which is acquired with the gross proceeds of the Series 1997 Bonds and is not acquired in order to carry out the governmental purpose of the Series 1997 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 fiscal agents, the Depository Bank, the Registrar and the Paying Agent, other than those capitalized as part of the costs, payments to pension or retirement funds, taxes and such other reasonable operating costs and expenses as should normally and regularly be included under generally accepted accounting principles; provided, that "Operating Expenses" does not include payments on account of the principal of or redemption premium, if any, or interest on the Bonds, charges for depreciation, losses from the sale or other disposition of, or any

decrease in the value of, capital assets, amortization of debt discount or such miscellaneous deductions as are applicable to prior accounting periods.

"Ordinance" means this Ordinance and all ordinances, orders and resolutions supplemented hereto or amendatory hereof.

"Original Purchaser" means, collectively, Crews & Associates, Inc., Little Rock, Arkansas, and Ferris Baker Watts, Inc., Charleston, West Virginia, as the purchaser of the Series 1997 Bonds directly from the Issuer, or, if the Issuer and such Original Purchaser do not agree to the purchase of the Series 1997 Bonds with interest rates and other terms allowable under the Act, such other person or persons, firm or firms, bank or banks, corporation or corporations or such other entity or entities as shall purchase the Series 1997 Bonds 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 1997 Bonds, as hereinafter defined, including the exact principal amount thereof and interest rate or rates thereon as fixed by said supplemental resolution to be adopted by the Council at the time of approval of such sale of said Series 1997 Bonds.

"Outstanding," when used with reference to the Bonds or Prior Bonds and as of any particular date, describes all Bonds or Prior 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 or Prior Bonds for the purpose of consents, notices and the like, any Bond or Prior Bond registered to the Issuer. Notwithstanding the foregoing, in the event that the Bond Insurer has paid principal of and/or interest on any Bond, such Bond shall be deemed to be Outstanding until such time as the Bond Insurer has been reimbursed in full.

"Paying Agent" means the Registrar or any other Paying Agent designated as such for the Series 1997 Bonds in the Supplemental Resolution, and any successor thereto, appointed in accordance with Section 8.12 hereof.

"Prior Bonds" shall have the meaning set forth in the recitals hereto.

"Prior Ordinance" shall have the meaning set forth in the recitals hereto.

"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.

"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 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 Bonds are privately placed, the price paid by the first buyer of the 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 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 the investments set forth in the Supplemental Resolution and designated as such.

"Rebate Fund" means the Rebate Fund created by Section 4.01 hereof.

"Record Date" means the day of the month which shall be so stated in the Series 1997 Bonds, 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 1997 Bonds or any other Bonds of the Issuer called for redemption.

"Redemption Price" means the price at which the Prior Bonds, the Series 1997 Bonds or any other Bonds of the Issuer may be called for redemption and includes the principal amount of such Bonds to be redeemed, plus interest and the premium, if any, required to be paid to effect such redemption.

"Registrar" means the bank to be designated in the Supplemental Resolution as the Registrar for the Series 1997 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 Section 4.01 hereof.

"Series 1997 Bonds" means the Waterworks Refunding Revenue Bonds, Series 1997, of the Issuer, originally authorized to be issued pursuant to this Ordinance and the Supplemental Resolution.

"Series 1997 Bonds Redemption Account" means the Series 1997 Bonds Redemption Account created by Section 4.02 hereof.

"Series 1997 Bonds Reserve Account" means the Series 1997 Bonds Reserve Account created by Section 4.02 hereof.

"Series 1997 Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 1997 Bonds in any year.

"Series 1997 Bonds Sinking Fund" means the Series 1997 Bonds Sinking Fund created by Section 4.02 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 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 1997 Bonds, authorizing the sale of the Series 1997 Bonds to the Original Purchaser and setting forth provisions specific to the Bond Insurer, if any; 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, collectively, the complete existing municipal waterworks 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.

"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 Marion County of said State.

B. The Issuer now owns and operates the System, the acquisition and construction of which has been financed and refinanced in part by the proceeds of the Prior Bonds.

C. The Issuer derives revenues from the System which are pledged for payment of the Prior Bonds. Except for such pledge thereof to secure and pay the Prior Bonds, such revenues are not pledged or encumbered in any manner.

D. The Issuer intends to refund the Prior Bonds in their entirety with proceeds of the Series 1997 Bonds and other funds of the Issuer, to issue the Series 1997 Bonds and to pledge the Gross Revenues of the System for payment thereof.

E. The estimated revenues to be derived in each year from the operation of the System after the refunding of the Prior Bonds will be sufficient to pay all Operating Expenses of the System and the principal of and interest on the Series 1997 Bonds and to make all other payments provided for in this Ordinance.

F. Based upon the assumed principal amount, maturity schedule and interest rates for the Series 1997 Bonds presented to the Issuer by the Original Purchaser, and after making allowance for the use of cash on hand of the Issuer, the Series 1997 Bonds show a net present value debt service savings to the Issuer, after deducting all expenses of the refunding and the costs of issuing the Series 1997 Bonds.

G. The Issuer shall not sell the Series 1997 Bonds without setting forth in the Supplemental Resolution the determination set forth in paragraph F above, based upon the actual principal amount, maturity schedule and interest rates for the Series 1997 Bonds, and the Issuer shall not issue the Series 1997 Bonds without having obtained from an independent certified public accountant, a certification that the amount of savings stated to be achieved by the refunding shall in fact be saved, based upon their review, comparison and analysis of the net interest cost in dollars of the Series 1997 Bonds and the net interest cost in dollars of the Prior Bonds.

H. Subject to the determination and certification required by paragraph G above, it is in the best interest of the Issuer and its residents, that the Issuer issue the Series 1997 Bonds and secure the Series 1997 Bonds by a pledge and assignment of the Gross Revenues derived from the operation of the System, the moneys in the Series 1997 Bond Sinking Fund and the Series 1997 Bonds Reserve Account, unexpended proceeds of the Series 1997 Bonds and as further set forth herein.

I. The Series 1997 Bonds and the Certificate of Authentication and Registration to be endorsed thereon are to be in substantially the form set forth in EXHIBIT 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.

J. All things necessary to make the Series 1997 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 hereunder to the payment of the principal of and interest on the Series 1997 Bonds, will be timely done and duly performed.

K. The enactment of this Ordinance, and the execution and issuance of the Series 1997 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.

Section 1.04. Ordinance Constitutes Contract. In consideration of the acceptance of the Series 1997 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 such Bondholders 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 REFUNDING

Section 2.01. Authorization of Refunding. All Prior Bonds outstanding as of the date of issuance of the Series 1997 Bonds are hereby ordered to be refunded pursuant to the terms of the Escrow Agreement, and the pledge of Gross Revenues in favor of the Holders of the Prior Bonds imposed by the Prior Ordinance, the moneys in the funds and accounts created by the Prior Ordinance and any other funds pledged by the Prior Ordinance to the payment of the Prior Bonds are hereby ordered terminated, discharged and released upon the payment into the Escrow Fund from the proceeds of the Series 1997 Bonds, together with other moneys available therefor, of the following: (a) if required by the Escrow Agreement, an amount equal to the fiscal and paying agent charges and the Escrow Agent charges to become due and payable in connection with the Prior Bonds and (b) an amount which will be simultaneously invested in Government Obligations bearing interest and having maturities sufficient, together with certain cash which may also be deposited, to provide for the payment of the principal of, redemption premium and interest on, the Prior Bonds as the same become due, to the first permitted Redemption Date, being July 1, 1997, or as soon thereafter as practicable, all as set forth in the Escrow Agreement. Contemporaneously with the deposit of the proceeds of the Series 1997 Bonds and other moneys into the Escrow Fund, the amounts on deposit in the sinking fund, including the reserve account therein, created and maintained on behalf of the Prior Bonds, shall be released from the lien created by the Prior Ordinance and deposited in the Escrow Fund, the Series 1997 Bonds Reserve Account or such other fund or account as shall be set forth in the Escrow Agreement or in the Supplemental Resolution, and invested as provided thereunder.

ARTICLE III

THE BONDS

Section 3.01. Form and Payment of Bonds. No Bond shall be issued pursuant to this Ordinance except as provided in this Article III. Any Bonds issued pursuant to this Ordinance, may be issued only as fully registered Bonds without coupons, in the denomination of $5,000 or any integral multiple thereof for any year of maturity. All Bonds shall be dated as of the date provided in a Supplemental Resolution applicable to such series. Bonds shall bear interest from the interest payment date next preceding the date of authentication or, if authenticated after the Record Date but prior to the applicable interest payment date or on such interest payment date, from such interest payment date or, if no interest on such Bonds has been paid, from the date thereof; provided however, that, if, as shown by the records of the Registrar, interest on such Bonds shall be in default, Bonds issued in exchange for Bonds surrendered for transfer or exchange shall bear interest from the date to which interest has been paid in full on the initial Bonds surrendered, all as shall be set forth in the Bonds.

The principal of and the premium, if any, on the Bonds shall be payable in any coin or currency which, on the respective date of such payment, is legal tender for the payment of public and private debts under the laws of the United States of America upon surrender at the principal office of the Paying Agent. Interest on the Bonds shall be paid by check or draft made payable and mailed to the Holder thereof at his address as it appears in the Bond Register at the close of business on the Record Date, or, if requested, in the case of a Registered Owner of $500,000 or more of the Bonds, by wire transfer to a domestic bank account specified in writing at least 5 days prior to the Record Date by such Registered Owner.

In the event any Bond is redeemed in part, such bond shall be surrendered to and canceled by the Registrar, and the Issuer shall execute, and the Registrar shall authenticate and deliver to the Holder thereof, another Bond in the principal amount of said Bond then Outstanding.

Section 3.02. Execution of Bonds. The Bonds shall be executed in the name of the Issuer by the 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 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 Bonds shall cease to be such officer of the Issuer before the Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the

execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.03. Authentication and Registration. No Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Ordinance unless and until the Certificate of Authentication and Registration on such Bond, substantially in the form set forth in EXHIBIT A - BOND FORM attached hereto and incorporated herein by reference with respect to the Series 1997 Bonds, shall have been duly manually executed by the Registrar. Any such manually executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Ordinance. The Certificate of Authentication and Registration on any Bond shall be deemed to have been executed by the Registrar if signed by an authorized officer of the Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

Section 3.04. Negotiability and Registration. Subject to the requirements for transfer set forth below, the Bonds shall be, and have all of the qualities and incidents of, negotiable instruments under the Uniform Commercial Code of the State, and each successive Holder, in accepting any of said Bonds, shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State, and each successive Holder shall further be conclusively deemed to have agreed that said Bonds shall be incontestable in the hands of a bona fide holder for value.

So long as any of the Bonds remains Outstanding, the Registrar shall keep and maintain books for the registration and transfer of the Bonds. Bonds shall be transferable only by transfer of registration upon the Bond Register by the registered owner thereof in person or by his attorney or legal representative duly authorized in writing, upon surrender thereof, together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or such duly authorized attorney or legal representative. Upon transfer of a Bond, there shall be issued at the option of the Holder or the transferee another Bond or Bonds of the aggregate principal amount equal to the unpaid amount of the transferred Bond and of the same series, interest rate and maturity of said transferred Bond.

Upon surrender thereof at the office of the Registrar with a written instrument of transfer satisfactory to the Registrar and duly executed by the registered owner or his attorney or legal representative duly authorized in writing, Bonds may at the option of the Holder thereof be exchanged for an equal aggregate principal amount of Bonds of the same series, maturity and interest rate, in any authorized denominations.

In all cases in which the privilege of transferring or exchanging a Bond is exercised, Bonds shall be delivered in accordance with the provisions of this Ordinance. All Bonds surrendered in any such transfer or exchange shall forthwith be canceled by the

Registrar. Transfers of Bonds, the initial exchange of Bonds and exchanges of Bonds in the event of partial redemption of fully registered Bonds shall be made by the Registrar without charge to the Holder or the transferee thereof, except as provided below. For other exchanges of Bonds, the Registrar may impose a service charge. For every such transfer or exchange of bonds, the Registrar may make a charge sufficient to reimburse its office for any tax or other governmental charge required to be paid with respect to such transfer or exchange, and such tax or governmental charge, and such service charge for exchange other than the initial exchange or in the event of partial redemption, shall be paid by the person requesting such transfer or exchange as a condition precedent to the exercise of the privilege of making such transfer or exchange. The Registrar shall not be obliged to make any such transfer or exchange of Bonds that have been called for redemption.

Section 3.05. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may execute, in its discretion, and the Registrar shall authenticate, register and deliver any new Bond of like series, maturity and principal amount as the Bond, so mutilated, destroyed, stolen or lost, in exchange and upon surrender and cancellation of, such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing the Issuer and the Registrar proof of his ownership thereof and that 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 Bonds so surrendered shall be submitted to and canceled by the Registrar, and evidence of such cancellation shall be given to the Issuer. If such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer, by and through the Registrar, may pay the same, upon being indemnified as aforesaid, and, if such Bond be lost, stolen or destroyed, without surrender therefor.

Any such duplicate Bonds issued pursuant to this section shall constitute original, additional contractual obligations on the part of the Issuer, whether or not the lost, stolen or destroyed Bonds be at any time found by any one, and such duplicate Bonds shall be entitled to equal and proportionate benefits and rights as to lien and source of and security for payment from the Revenues pledged herein with all other Bonds issued hereunder.

Section 3.06. Term Bonds. In the event Term Bonds are issued pursuant to this 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 1997 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

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 1997 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 Series 1997 Bonds Sinking Fund), as will exhaust as nearly as practicable the Series 1997 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 Holder of the Series 1997 Bonds to be redeemed, official notice of any redemption shall be given by the Registrar on behalf of the Issuer by mailing a copy of an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Bond Insurer, the Original Purchaser and the registered owner of the Series 1997 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.

So long as DTC (as CEDE & CO.) is the registered Owner of the Series 1997 Bonds, the Registrar shall send all notices of redemption to DTC and shall verify that DTC has received notice. Copies of all redemption notices relating to optional redemption of the Series 1997 Bonds shall also be sent to registered securities depositories 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 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 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 Bonds called for redemption of such fact.

Official notice of redemption having been given as aforesaid, the Series 1997 Bonds or portions of Bonds so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Issuer shall default in the payment of the Redemption Price) such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Registrar at the Redemption Price. Installments of interest due on or prior to the Redemption Date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Bond, there shall be prepared for the registered owner a new Bond or Bonds of the same maturity in the amount of the unredeemed principal of such Bond. All Bonds which have been redeemed shall be canceled and destroyed by the Registrar and shall not be reissued.

Failure to receive such notice or any defect therein or in the mailing thereof shall not affect the validity of proceedings for the redemption of Bonds, and failure to mail or otherwise send such notice shall not affect the validity of proceedings for the redemption of any portion of Bonds for which there was no such failure.

Section 3.08. Persons Treated as Owners. The Issuer, the Registrar and any agent of the Issuer or the Registrar may treat the person in whose name any Bond is registered as the owner of such Bond for the purpose of receiving payment of the principal of, and interest on, such Bond and for all other purposes, whether or not such Bond is overdue.

Section 3.09. Temporary Bonds. Until Bonds of any series in definitive form are ready for delivery, the Issuer may execute and the Registrar shall authenticate, register, if applicable, and deliver, subject to the same provisions, limitations and conditions set forth in this Article III, one or more printed, lithographed or typewritten Bonds in temporary form, substantially in the form of the definitive Bonds of such series, with appropriate omissions, variations and insertions; and in authorized denominations. Until exchanged for Bonds in definitive form, such Bonds in temporary form shall be entitled to the lien and benefit created under this 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. Authorization of Series 1997 Bonds. For the purposes of refunding the Prior Bonds, funding the Series 1997 Bonds Reserve Account and paying costs in connection therewith, there shall be issued the Series 1997 Bonds of the Issuer, in an aggregate principal amount of not more than $12,500,000. The Series 1997 Bonds shall

be designated "City of Fairmont (West Virginia) Waterworks Refunding Revenue Bonds, Series 1997" and 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 1997 Bonds maturing in the year of maturity for which the denomination is to be specified. The Series 1997 Bonds shall be numbered from R-1 consecutively upward. The Series 1997 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 Bonds. A. The Series 1997 Bonds shall initially be issued in the form of one fully-registered bond for the aggregate principal amount of the Series 1997 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 1997 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 1997 Bonds be registered in the name of a different nominee, the Registrar shall exchange all or any portion of the Series 1997 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 1997 Bond or any other evidence of ownership of the Series 1997 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 1997 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 1997 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 1997 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 1997 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 1997 Bonds to the extent of the sum or sums so paid. In the event of the redemption of less than all of the Series 1997 Bonds Outstanding of any maturity, the Registrar shall not require surrender by DTC of the Series 1997 Bonds so redeemed, but DTC may return such Series 1997 Bonds and make an appropriate notation on the Series 1997 Bond certificate as to the amount of such partial

redemption; provided that DTC shall deliver to the Registrar, upon request, a written confirmation of such partial redemption. The records maintained by the Registrar shall be conclusive as to the amount of the Series 1997 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 1997 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 1997 Bonds, selecting the Series 1997 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 1997 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 1997 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 1997 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 1997 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 1997 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 1997 Bonds may be discontinued at any time if either: (i) DTC determines to resign as securities depository for the Series 1997 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 1997 Bonds. In either of such events (unless in the case described in clause (ii) above, the Issuer appoints a successor securities depository), the Series 1997 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 1997 Bonds.

Section 3.12. Delivery of Bonds. The Issuer shall execute and deliver the Series 1997 Bonds to the Registrar, and the Registrar shall authenticate, register and deliver the Series 1997 Bonds to the Original Purchaser upon receipt of the documents set forth below:

(A) A list of the names in which the Series 1997 Bonds 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 1997 Bonds to the Original Purchaser;

(C) Copies of this Ordinance and the Supplemental Resolution certified by the Clerk;

(D) The unqualified approving opinion of Bond Counsel regarding the Series 1997 Bonds; and

(E) A copy of the Escrow Agreement and such other documents, certificates and verifications as the Original Purchaser may reasonably require.

Section 3.13. Form of Bonds. The definitive Series 1997 Bonds shall be in substantially the form set forth in EXHIBIT 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 1997 Bonds on behalf of the Issuer and execution thereof by such officers shall constitute conclusive evidence of such approval, and the definitive Series 1997 Bonds shall have the form of the opinion of Steptoe & Johnson, as Bond Counsel, attached thereto or printed on the reverse thereof.

Section 3.14. Disposition of Proceeds of Bonds. Upon the issuance and delivery of the Series 1997 Bonds, the Issuer shall forthwith deposit the proceeds thereof as follows:

A. All interest accrued on the Series 1997 Bonds from the date thereof to the date of delivery thereof shall be deposited in the Series 1997 Bonds Sinking Fund and applied to payment of interest on the Series 1997 Bonds at the first interest payment date.

B. An amount of the proceeds of the Series 1997 Bonds which, together with other moneys or securities deposited therein and the earnings thereon, shall be sufficient to accomplish the refunding and defeasance of the Prior Bonds (which amount shall be set forth in the Escrow Agreement) shall be deposited in the Escrow Fund.

C. An amount of the proceeds of the Series 1997 Bonds equal to the Series 1997 Bonds Reserve Requirement shall be remitted to the Bond Commission for deposit in the Series 1997 Bonds Reserve Account, provided that, to the extent the Series 1997 Bonds Reserve Requirement is satisfied in whole or in part from proceeds of any fund or account established for the Prior Bonds pursuant to the Prior Ordinance, or from a reserve account letter of credit, surety bond or other credit facility, proceeds of the

Series 1997 Bonds shall be deposited in the Series 1997 Bonds Reserve Account only to the extent needed to satisfy the balance of the Series 1997 Bonds Reserve Requirement.

D. The balance of the proceeds of the Series 1997 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 1997 Bonds and miscellaneous costs of refunding the Prior Bonds at the written direction of the Issuer. All such costs of issuance shall be paid within 60 days of the Closing Date. Moneys not to be applied immediately to pay such costs of issuance and refunding 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 6 months after the Closing Date, such unapplied proceeds shall be transferred by the Issuer to the Series 1997 Bonds Redemption Account. All such proceeds shall constitute a trust fund for such purposes, and there is hereby is created a lien upon such moneys until so applied in favor of the Holders of the Series 1997 Bonds.

ARTICLE IV

FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

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

(1) Revenue Fund;

(2) Depreciation Fund;

(3) Costs of Issuance Fund; and

(4) Rebate Fund.

Section 4.02. Establishment of Funds and Accounts with Bond Commission. The following special funds or accounts are hereby created with 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 1997 Bonds Sinking Fund;

(2) Within the Series 1997 Bonds Sinking Fund, the Series 1997 Bonds Reserve Account; and

(3) Within the Series 1997 Bonds Sinking Fund, the Series 1997 Bonds Redemption Account.

Section 4.03. 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 in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in this Ordinance and shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner herein provided.

(1) The Issuer shall first, on the first day of each month, (i) commencing 6 months prior to the first interest payment date of the Series 1997 Bonds, apportion and set apart out of the Revenue Fund and remit to the Bond Commission for deposit in the Series 1997 Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on the Series 1997 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 1997 Bonds Sinking Fund and the next ensuing semiannual interest payment date is more or less than 6 months, then such monthly payments shall be decreased or increased proportionately to provide, 1 month prior to the next ensuing semiannual interest payment date, the required amount of interest coming due on such date; provided further that, the initial amount required to be transferred from the Revenue Fund and deposited in the Series 1997 Bonds Sinking Fund shall be reduced by the amount of accrued interest on the Series 1997 Bonds deposited therein, and (ii) commencing 12 months prior to the first principal payment date or mandatory Redemption Date of the Series 1997 Bonds, apportion and set apart out of the Revenue Fund and remit to the Bond Commission for deposit in the Series 1997 Bonds Sinking Fund and in the Series 1997 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 of principal which will mature or be redeemed and become due on the Series 1997 Bonds on the next ensuing annual principal payment date or mandatory Redemption Date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1997 Bonds Sinking Fund and the next ensuing annual principal payment date or mandatory Redemption Date is more or less than 12 months, then such monthly payments shall be decreased or increased proportionately to provide, 1 month prior to the next ensuing annual principal payment date or mandatory Redemption Date, the required amount of principal coming due on such date.

(2) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and remit to the Bond Commission for deposit in the Series 1997 Bonds Reserve Account, an amount sufficient to remedy any decrease in value of the Series 1997 Bonds Reserve Account below the Series 1997 Bonds Reserve Requirement or any withdrawal from the Series 1997 Bonds Reserve Account, beginning with the first full calendar month following the date on which (i) the valuation of investments in the Series 1997 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 1997 Bonds Reserve Account is less than the Series 1997 Bonds Reserve Requirement, or (ii) any amount is withdrawn from the Series 1997 Bonds Reserve Account for deposit into the Series 1997 Bonds Sinking Fund. To the extent Gross Revenues and any other legally available funds are available therefor, the amount so deposited shall be used to restore the amount of moneys on deposit in the Series 1997 Bonds Reserve Account to an amount equal to the Series 1997 Bonds Reserve Requirement to the full extent that such Gross Revenues are available; provided however, that if the shortfall in the Series 1997 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 1997 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 1997 Bonds Reserve Account whenever and as long as the amount on deposit therein shall be equal to the Series 1997 Bonds Reserve Requirement.

Amounts in the Series 1997 Bonds Reserve Account shall be used only for the purpose of making payments of principal of and interest on the Series 1997 Bonds when due, when amounts in the Series 1997 Bonds Sinking Fund are insufficient therefor and for no other purpose.

(3) The Issuer shall next, each month, pay from the Revenue Fund the Operating Expenses of the System.

(4) The Issuer shall next, each month, from the moneys remaining in the Revenue Fund, transfer to the Depreciation Fund, a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any reserve account. All funds in the Depreciation Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII hereof. Withdrawals and disbursements may be made from the Depreciation Fund for replacements, emergency repairs, improvements or extensions to the System; provided, that any deficiencies in any reserve account (except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof) shall be promptly eliminated with moneys from the Depreciation Fund.

Moneys in the Series 1997 Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest on the Series 1997 Bonds as the same shall become due. Moneys in the Series 1997 Bonds Reserve Account shall be used only for the purpose of paying principal of and interest on the Series 1997 Bonds, as the same shall come due, when other moneys in the Series 1997 Bonds Sinking Fund are insufficient therefor, and for no other purpose except for permitted transfers to the Rebate Fund.

Except to the extent transferred to the Rebate Fund at the request of the Issuer, all investment earnings on moneys in the Series 1997 Bonds Sinking Fund and the Series 1997 Bonds Reserve Account shall be returned, not less than once each year, by the Bond 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 due on the Bonds, and then to the next ensuing principal payment due thereon.

Except with respect to transfers to the Rebate Fund, any withdrawals from the Series 1997 Bonds Reserve Account which result in a reduction in

the balance of the Series 1997 Bonds Reserve Account to below the Series 1997 Bonds Reserve Requirement shall be subsequently restored from the first Gross Revenues available after all required payments have been made in full to the Series 1997 Bonds Sinking Fund for payment of debt service on the Series 1997 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 amount of principal and interest which will become due in any year for account of the Bonds of such series, including such additional parity Bonds.

The Issuer shall not be required to make any further payments into the Series 1997 Bonds Sinking Fund or the Series 1997 Bonds Reserve Account when the aggregate amount of funds therein are at least equal to the aggregate principal amount of the Bonds issued pursuant to this Bond Legislation then Outstanding and all interest to accrue until the maturity thereof.

The Bond Commission is hereby designated as the fiscal agent for the administration of the Series 1997 Bonds Sinking Fund, the Series 1997 Bonds Reserve Account and the Series 1997 Bonds Redemption Account created hereunder, and all amounts required for said accounts shall be remitted to the Bond Commission from the Revenue Fund by the Issuer at the times provided herein.

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 Bond Commission the required principal, interest and reserve payments with respect to the Bonds, 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 Bond Legislation.

Moneys in the Series 1997 Bonds Sinking Fund, the Series 1997 Bonds Reserve Account and the Series 1997 Bonds Redemption Account shall be invested and reinvested by the Bond Commission in accordance with Section 8.01 hereof.

Except with respect to transfers to the Rebate Fund, the Series 1997 Bonds Sinking Fund, including the Series 1997 Bonds Reserve Account therein, shall be used solely and only for, and are hereby pledged for, the purpose of servicing the 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 the Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into such funds during the following month or such other period as required by law, such excess shall be considered Surplus Revenues. Surplus Revenues may be used for any lawful purpose of the System.

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

D. The moneys in excess of the sum insured by the maximum amounts insured by FDIC in the Revenue Fund, the Depreciation Fund and the Rebate 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 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.

F. 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.

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

Section 4.04. Reserve Account Letter of Credit or Surety Bond. In lieu of funding the Series 1997 Bonds Reserve Account with cash or Qualified Investments, the Series 1997 Bonds Reserve Requirement may be satisfied by the deposit by the Issuer into the Series 1997 Bonds Reserve Account of a reserve account letter of credit, a surety bond, or other credit facility satisfactory to the Bond Insurer in an amount at least equal to the Series 1997 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 Bond Insurer and the execution and delivery of any applicable reimbursement agreement or note in such forms as shall be described in the Supplemental Resolution.

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 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 Series 1997 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 semiannually transfer from the Series 1997 Bonds Reserve Account to the Series 1997 Bonds Sinking Fund, any earnings on the moneys deposited therein and any other funds in excess of the Series 1997 Bonds Reserve Requirement; provided, however, that there shall at all times remain on deposit in the Series 1997 Bonds Reserve Account an amount at least equal to the Series 1997 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 1997 Bonds Reserve Account, whereupon it shall be valued immediately after such

withdrawal. If amounts on deposit in the Series 1997 Bonds Reserve Account shall, at any time, be less than the Series 1997 Bonds Reserve Requirement, the 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 Series 1997 Bonds Sinking Fund and otherwise in accordance with Section 4.03 hereof.

(D) All amounts representing accrued and capitalized interest shall be held by the Bond Commission, pledged solely to the payment of interest on the Series 1997 Bonds and invested only in Government Obligations maturing at such times and in such amounts as are necessary to match the interest payments to which they are pledged.

(E) Notwithstanding the foregoing, all moneys deposited in the Series 1997 Bonds Sinking Fund may be invested by the Bond Commission in 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.

Section 5.02. Arbitrage. The Issuer covenants that (i) it will restrict the use of the proceeds of the Series 1997 Bonds in such manner and to such extent as may be necessary, so that the Series 1997 Bonds will not constitute "arbitrage bonds" under Section 148 of the Code and Regulations prescribed thereunder, and (ii) it will take all actions that may be required of it (including, without implied limitation, the timely filing of a federal information return with respect to the Series 1997 Bonds) so that the interest on the Series 1997 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. 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 1997 Bonds. In addition, the Issuer covenants to comply with all Regulations from time to time in effect and applicable to the Series 1997 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 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 at the time and the address prescribed by the Regulations as the same may be in effect from time to time 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 interest 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 1997 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.

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 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 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 Bonds or the interest thereon, are Outstanding and unpaid.

Section 6.02. 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 Gross Revenues of the System, the moneys in the Series 1997 Bonds Sinking Fund and the Series 1997 Bonds Reserve Account therein and the unexpended proceeds of the Series 1997 Bonds, all as herein provided. No Holder or Holders of the Series 1997 Bonds issued hereunder shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Series 1997 Bonds or the interest thereon.

Section 6.03. Bonds Secured by Pledge of Gross Revenues. The payment of the debt service of all of the Series 1997 Bonds issued hereunder shall be secured forthwith equally and ratably with each other by a first lien on the Gross Revenues derived from the System and all moneys in the Series 1997 Bonds Sinking Fund, including the Series 1997 Bonds Reserve Account therein. The Gross Revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Series 1997 Bonds herein authorized, and to make the payments into the Series 1997 Bonds Sinking Fund, including the Series 1997 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 Series 1997 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 1997 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 City Clerk of the Issuer, which copy 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 make the prescribed payments into the funds and accounts created hereunder. Such schedule 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 of rates or charges from time to time in effect shall be sufficient (i) to pay all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 120% of the maximum amount required in any year for payment of principal of and interest on the Series 1997 Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Series 1997 Bonds. All such rates and charges, if not paid when due, shall constitute a lien upon the premises served by the System. For purposes of this test, the terms "Gross Revenues" and "Net Revenues" shall not include proceeds from the sale of capital assets.

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 Issuer 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 operate and maintain the System in good condition and as a revenue-producing enterprise in an efficient and economical manner, making all necessary expenditures for equipment, renewal, repair and replacement. The Issuer will also operate and maintain the System in compliance with all federal and state laws.

Section 6.06. Sale of the System. The System may be sold, mortgaged, leased or otherwise disposed of only as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to defease the pledge created by 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 1997 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 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 Depreciation 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 Depreciation Fund. Payment of such proceeds into the Depreciation Fund shall not reduce the amounts required to be paid into said fund by other provisions of 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 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, pledge and source of and security for payment from such Revenues and in all other respects to the Bonds; provided that, no such subordinate obligations shall be issued unless all payments required to be made into all funds and accounts set forth herein have been made and are current at the time of issuance of such subordinate obligations.

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 Bonds, and the interest thereon, upon any of the income and Revenues of the System pledged for payment of the Bonds and the interest thereon in this Ordinance or upon the System or any part thereof.

Section 6.08. Additional Parity Bonds. No additional parity Bonds, as in this section defined, payable out of the Revenues of the System shall be issued after the issuance of any Bonds pursuant to this Ordinance, except under the conditions and in the manner herein provided.

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

No such additional parity Bonds shall be issued at any time, however, unless and until there has been procured and filed with the City Clerk of the Issuer a written statement by Independent Accountants, reciting the conclusion that the Net Revenues actually derived, subject to the adjustments hereinafter provided, from the System during the Fiscal Year preceding the date of the actual issuance of such additional parity Bonds, plus the estimated average increased annual Net Revenues to be received in each of the three succeeding years after the date of issuance of such parity Bonds, shall not be less than 120% 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 Series 1997 Bonds then Outstanding;

(2) Any additional parity Bonds theretofore issued pursuant to the provisions contained in this Ordinance then Outstanding; and

(3) 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 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.

The Net Revenues actually derived from the System during the preceding Fiscal Year 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, 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. For purposes of this test, the terms "Gross Revenues" and "Net Revenues" shall not include proceeds from the sale of capital assets.

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 1997 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 1997 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 the 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 of which on the Revenues of the System is subject to the prior and superior lien of the Bonds on such Revenues. The Issuer shall not issue any obligations whatsoever payable from the Revenues of the System, or any part thereof, which rank prior to or equally, as to lien and source of and security for payment from such Revenues, with the Bonds except in the manner and under the conditions provided in this section.

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 Ordinance with respect to the Bonds then Outstanding, and any other payments provided for in this Ordinance, shall have been made in full as required to the date of issuance of the additional parity Bonds.

Section 6.09. Insurance and Bonds. The Issuer hereby covenants and agrees, that so long as the Bonds remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance 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 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 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 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 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 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 the Bond Insurer, within 120 days following the end of each Fiscal Year, and shall mail to any Bondholder 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 Bonds 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, the Bond Insurer and to any Bondholder or anyone acting for and in behalf of such Bondholder who requests the same.

Section 6.15. Statutory Mortgage Lien. For the further protection of the Holders of the Series 1997 Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding and shall take effect immediately upon the issuance of the Series 1997 Bonds.

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 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) 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 System, or if the 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 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 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 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 which would adversely affect such exclusion.

Section 6.17. Covenants Regarding the Municipal Bond Insurance Policy. The Issuer may apply for a Municipal Bond Insurance Policy for the Series 1997 Bonds. In the event such a Municipal Bond Insurance Policy is obtained, certain additional covenants of the Issuer may be required by the Bond Insurer as a condition to insuring the Series 1997 Bonds. These additional covenants shall be set forth in full in the Supplemental Resolution, shall apply to the Series 1997 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 Bonds:

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

(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 Bondholder; 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 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 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 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 if the defaulted Bonds are insured) 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 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 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 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.

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 1997 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 Series 1997 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 1997 Bonds by the Issuer. Notwithstanding the foregoing, the Registrar shall be responsible for any representation in its Certificate of Authentication and Registration on the Series 1997 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 Bonds, the first exchange of Bonds and the exchange of Bonds in the event of partial redemption, incurred in the performance of its duties hereunder.

Section 8.05. Certain Permitted Acts. The Registrar may become the owner of or may deal in Bonds as fully and with the same rights it would have if it were not Registrar. To the extent permitted by law, the Registrar may act as depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or effect or aid in any reorganization growing out of the enforcement of the Bonds or this Ordinance, whether or not any such committee shall represent the Holders of a majority in principal amount of the 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 Bond Insurer or by the Holders of a majority in principal amount of the Bonds then Outstanding by an instrument or concurrent instruments in writing signed and duly acknowledged by the Issuer, the 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 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 moneys, 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 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 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. 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 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 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 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 Holders of all Bonds the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in 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 Holders of the Bonds made hereunder, shall thereupon cease, terminate and become void and be discharged and satisfied, except as may be necessary to assure the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Bonds for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide 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 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 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 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 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, 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 1997 Bonds, this Ordinance may be amended or supplemented in any way by the Supplemental Resolution. All provisions required by the Bond Insurer, if any, shall be set forth in the Supplemental Resolution and to the extent they constitute an amendment or modification of this Ordinance, shall be controlling. Following issuance of the Series 1997 Bonds, this Ordinance and any Supplemental Resolution may be amended or modified without the consent of any Bondholder or other person, solely for the purpose of maintaining the tax-exempt status of the Bonds, provided that, in the event any of the Bonds are insured, no such amendment or modification which adversely affects the security for such Bonds or the rights of the applicable Bond Insurer for such 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 Holders of 60% in aggregate principal amount of the 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 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 acknowledgements of deeds to be recorded in the jurisdiction in which he purports to act that the person signing such instrument acknowledged to him the execution thereof, or by the affidavit of a witness of such execution, duly sworn to before such a notary public or other officer or (ii) by the certificate, which need not be acknowledged or verified, of an officer of a bank, a trust company or a financial firm or corporation satisfactory to the Issuer or the Registrar, as the case may be, that the person

signing such instrument acknowledged to such bank, trust company, firm or corporation the execution thereof.

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

C. The amount of fully registered Bonds held by a person executing any instrument as a Bondholder, the date of his holding such Bonds and the numbers and other identification thereof, shall be confirmed by the Bond Register.

Any request, consent or other instrument executed by the Holder of any Bond shall bind all future Holders and owners of such Bond in respect of anything done or suffered to be done hereunder by the Issuer or the Registrar in accordance therewith.

Section 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 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 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 moneys held by the Bond Commission or a Paying Agent in trust for the payment and discharge of any of the Bonds which remain unclaimed for 1 year after the date on which such Bonds have become due and payable, whether by maturity or upon call for redemption, shall at the written request of the Issuer be paid by the Bond Commission or said Paying Agent to the Issuer as its absolute property and free from trust, and the Bond Commission or said Paying Agent shall thereupon be released and discharged with respect thereto, and the Holders of such Bonds shall look only to the Issuer for the payment of such Bonds; provided, however, that, before making any such payment to the Issuer, the Registrar, if so advised by the Bond Commission, or said Paying Agent shall send to the Holder, at the address listed on the Bond Register, by certified mail, a

notice that such 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 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 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:

ISSUER

City of Fairmont
City Hall
200 Jackson Street
Fairmont, West Virginia 26555

REGISTRAR AND PAYING AGENT

[Name(s) and address(es) to be set forth in Supplemental Resolution]

DEPOSITORY BANK

[Name(s) and address(es) to be set forth in Supplemental Resolution]

ORIGINAL PURCHASER

Crews & Associates, Inc.
2000 Union National Plaza
124 West Capitol
Little Rock, Arkansas 72201

Ferris Baker Watts, Inc.
170 Laidley Tower
500 Lee Street, East
Charleston, West Virginia 25301

BOND INSURER

[Name(s) and address(es) to be set forth in
Supplemental Resolution]

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

Section 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 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 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 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 Holders of the 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.

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. 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 Times West Virginian, a qualified newspaper published and of general circulation in the City of Fairmont, together with a notice stating that this Ordinance has been adopted and that the Issuer contemplates the issuance of the Bonds, and that any person interested may appear before 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	March 18, 1997
Passed on Second Reading	March 25, 1997
Passed on Third Reading Following Public Hearing:	April 8, 1997

Mayor

CERTIFICATION

Certified a true, correct and complete copy of an Ordinance duly enacted by the Council of the CITY OF FAIRMONT on April 8, 1997.

Dated this 19th day of June, 1997.

[SEAL]

Janet L. Keller
City Clerk

EXHIBIT A - BOND FORM

$_____

No. R-_____

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF FAIRMONT
(WEST VIRGINIA)
WATERWORKS REFUNDING REVENUE BOND,
SERIES 1997

INTEREST RATE	MATURITY DATE	BOND DATE	CUSIP NO.

REGISTERED OWNER: _____

PRINCIPAL AMOUNT: _____

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF FAIRMONT, 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, 199___ (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 same meanings set forth 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 $500,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to a domestic bank account specified in writing by the Registered Owner to the Paying Agent at least 5 days prior to such Record Date. Principal and premium, if any, shall be paid when due upon presentation and surrender of this Bond for payment at the principal corporate trust office of the Paying Agent, in _____, West Virginia.

This Bond is one of an issue of a series of bonds, in the aggregate principal amount of $_____ designated "City of Fairmont (West Virginia) Waterworks Refunding Revenue Bonds, Series 1997" (the "Bonds"), of like tenor and effect, except as to number, denomination, date of maturity and interest rate, dated _____, 199___, the proceeds of which are to be used, together with other funds of the Issuer, to refund in full the Waterworks Refunding Revenue Bonds, Series 1987, of the Issuer, outstanding in the total aggregate principal amount of $_____ (the "Prior Bonds"), which Prior Bonds were issued to refinance the cost of acquisition and construction of certain additions, betterments and improvements to the waterworks system of the Issuer. 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 13, Article 2E and Chapter 8, Article 19 of the West Virginia Code of 1931, as amended (collectively, the "Act"), and an ordinance duly enacted by the council of the Issuer on _____, 199___, as supplemented by a supplemental resolution duly adopted by the council on _____, 199___ (collectively, the "Ordinance"), and is subject to all the terms and conditions of the 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 Fairmont, West Virginia.

This Bond is 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 _____.

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

(B) Mandatory Sinking Fund Redemption. The Bonds maturing _____, 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.

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, all moneys in the Series 1997 Bonds Sinking Fund and the Series 1997 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 1997 Bonds Sinking Fund and the Series 1997 Bonds

the same or the interest hereon except from said special fund provided from the Gross Revenues, the moneys in the Series 1997 Bonds Sinking Fund and the Series 1997 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 _____% of the maximum amount payable in any year for principal of and interest on the Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds. The Issuer has entered into certain further covenants with the Registered Owners of the Bonds, for the terms of which reference is made to the 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 refund the Prior Bonds and pay all costs in connection therewith and 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 or county commission, 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, CITY OF FAIRMONT (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 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, 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.

06/05/97
FWATJ.A3
268460/95002

STATEMENT OF INSURANCE

CITY OF FAIRMONT

(WEST VIRGINIA)

WATERWORKS REFUNDING REVENUE BONDS, SERIES 1997

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO AMOUNT, MATURITIES, INTEREST RATES, REDEMPTION PROVISIONS, PURCHASE PRICE AND OTHER DETAILS AS TO THE WATERWORKS REFUNDING REVENUE BONDS, SERIES 1997 OF THE CITY; DESIGNATING CERTAIN INVESTMENT SECURITIES AS QUALIFIED INVESTMENTS; AUTHORIZING AND APPROVING A RESERVE ACCOUNT LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT RELATING THERETO; AUTHORIZING AND APPROVING A BOND PURCHASE AGREEMENT, A COMMITMENT FOR BOND INSURANCE, A REGISTRAR AND PAYING AGENT AGREEMENT, AN ESCROW AGREEMENT, AN OFFICIAL STATEMENT, A CONTINUING DISCLOSURE CERTIFICATE AND OTHER INSTRUMENTS RELATING TO THE BONDS; IMPLEMENTING PROVISIONS REQUIRED AS A CONDITION TO OBTAINING A MUNICIPAL BOND INSURANCE POLICY INSURING THE BONDS FROM MBIA INSURANCE CORPORATION; APPOINTING AN ESCROW AGENT, REGISTRAR, PAYING AGENT, AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS AND THE REFUNDING.

WHEREAS, the City of Fairmont (the "Issuer"), in the County of Marion, 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 8, 1997, an ordinance (the "Ordinance") entitled:

AN ORDINANCE AUTHORIZING THE REFUNDING OF THE WATERWORKS REFUNDING REVENUE BONDS, SERIES 1987, OF THE CITY OF FAIRMONT, WEST VIRGINIA; THE ISSUANCE OF WATERWORKS REFUNDING REVENUE BONDS, SERIES 1997, OF THE CITY IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT MORE THAN $12,500,000, THE PROCEEDS OF WHICH,

TOGETHER WITH OTHER FUNDS OF THE CITY, SHALL BE EXPENDED FOR SUCH REFUNDING AND TO PAY COSTS IN CONNECTION THEREWITH; PROVIDING FOR THE RIGHTS AND REMEDIES OF, AND THE SECURITY FOR, THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING THE EXECUTION AND DELIVERY OF AN ESCROW AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS; AND ENACTING OTHER PROVISIONS WITH RESPECT TO SUCH BONDS.

WHEREAS, capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in the Ordinance;

WHEREAS, the Ordinance provided generally for the issuance of the Issuer's Waterworks Refunding Revenue Bonds, Series 1997 (the "Series 1997" Bonds"), in an aggregate principal amount not to exceed $12,500,000 for the purposes of paying a portion of the costs of currently refunding the Issuer's outstanding Waterworks Refunding Revenue Bonds, Series 1987 (the "Prior Bonds"); funding a reserve account for the Series 1997 Bonds; and paying costs of issuance thereof, all in accordance with Chapter 8, Article 19 and Chapter 13, Article 2E, of the West Virginia Code of 1931, as amended (collectively, the "Act");

WHEREAS, the Ordinance further provided that the exact principal amount of the Series 1997 Bonds to be sold and the dates, maturities, interest rates, redemption provisions, price and other terms of the Series 1997 Bonds should be established, that investment securities constituting "Qualified Investments" be designated, that a Bond Insurer, an Escrow Agent, Registrar and Paying Agent be designated, that an Escrow Agreement and Registrar and Paying Agent Agreement be approved, that additional covenants and provisions relating to the Series 1997 Bonds be provided herein as may be required by any Bond Insurer as a condition to insuring such Series 1997 Bonds and that other matters pertaining to the Series 1997 Bonds be provided for by resolution of this Council upon receipt of a Bond Purchase Agreement acceptable to this Council;

WHEREAS, the Series 1997 Bonds are proposed to be purchased by Crews & Associates, Inc. and Ferris, Baker Watts, Incorporated (collectively, the "Original Purchaser"), pursuant to a Bond Purchase Agreement dated the date of adoption hereof (the "Bond Purchase Agreement");

WHEREAS, the Issuer has obtained a commitment for Municipal Bond Insurance for the Series 1997 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;

WHEREAS, the Issuer has determined to fund the Series 1997 Bonds Reserve Account with a letter of credit (the "Reserve Account Letter of Credit") issued by One Valley Bank, National Association (the "Letter of Credit Bank") in the amount of $1,000,000, which together with moneys to be transferred from the Prior Bonds Reserve Account, will equal the maximum annual debt service on the Series 1997 Bonds; and

WHEREAS, this Council deems it essential and desirable that this Resolution be adopted and that the Bond Purchase Agreement, the Escrow Agreement, the Continuing Disclosure Certificate, the Reimbursement Agreement (as hereinafter defined) and the Registrar and Paying Agent Agreement hereinafter provided for be entered into by the Issuer, that the Reserve Account Letter of Credit and Official Statement relating to the Series 1997 Bonds, hereinafter described, be approved, that the date and price of the Series 1997 Bonds, the maturity dates and amounts, the redemption provisions, the interest rates, and the exact principal amount of the Series 1997 Bonds be fixed hereby in the manner stated herein, that Qualified Investments be herein designated, that provisions required by the Bond Insurer as a condition to issuing its Municipal Bond Insurance Policy be provided herein and that other matters relating to the Series 1997 Bonds be herein provided for, all in accordance with said Ordinance;

NOW, THEREFORE, THE COUNCIL OF THE CITY OF FAIRMONT 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 Series 1997 Bonds. The Series 1997 Bonds shall be dated June 1, 1997, upon original issuance, shall be issued in the aggregate principal amount, bear interest payable semiannually on January 1 and July 1 of each year, commencing January 1, 1998, shall mature on July 1 in such years and shall have such redemption provisions as are set forth in EXHIBIT A - SERIES 1997 BOND TERMS, attached hereto and incorporated by reference herein. Except as otherwise set forth herein, all other provisions relating to the Series 1997 Bonds shall be as provided in the Ordinance, and the Series 1997 Bonds shall be in substantially the form provided in the Ordinance.

Section 2. The Bond Purchase Agreement between the Original Purchaser and the Issuer, dated the date of adoption of this resolution, substantially in the form submitted to this meeting, and the execution and delivery (in multiple counterparts) by the City Manager and the Mayor on this day of the Bond Purchase Agreement on behalf of the

Issuer are hereby authorized, approved, and directed. The City Manager and the Mayor shall execute and deliver the Bond Purchase Agreement with such changes, insertions and omissions as may be approved by the City Manager and the Mayor. Execution of the Bond Purchase Agreement by the City Manager and 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 1997 Bonds, including the payment of all necessary fees and expenses in connection therewith. The price of the Series 1997 Bonds, pursuant to the Bond Purchase Agreement, shall be $10,151,308.20 ($10,260,000 par amount, plus $64.20 Original Issue Premium and less $108,756.00 Underwriters' Discount), plus interest accrued from the date of the Series 1997 Bonds to the date of delivery of the Series 1997 Bonds, expected to be on or about June 19, 1997.

Section 3. The Escrow Agreement by and among the Issuer and the West Virginia Municipal Bond Commission, as Escrow Agent, to be dated the Closing Date, substantially in the form submitted to this meeting, and the execution and delivery (in multiple counterparts) by the City Manager thereof shall be and the same are hereby authorized, approved and directed. The City Manager shall execute and deliver the Escrow Agreement with such changes, insertions and omissions as may be approved by the City Manager. Execution of the Escrow Agreement by the City Manager shall be conclusive evidence of any approval required by this Section.

Section 4. The Continuing Disclosure Certificate of the Issuer to be dated the Closing Date, substantially in the form submitted to this meeting, 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 Continuing Disclosure Certificate with such changes, insertions and omissions as may be approved by the City Manager. Execution of the Escrow Agreement by the City Manager shall be conclusive evidence of any approval required by this Section.

Section 5. The Official Statement dated the date of adoption of this resolution, 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 City Manager and the Mayor), and the distribution of counterparts or copies thereof by the Original Purchaser are hereby approved. The City Manager and the Mayor shall execute and deliver the Official Statement with such changes, insertions and omissions as may be approved by the City Manager and the Mayor. The execution of the Official Statement by the City Manager and the Mayor shall be conclusive evidence of any approval required by this Section. The distribution by the Original Purchaser of the Preliminary Official Statement dated June 3, 1997 (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 ratified and approved.

Section 6. The Registrar and Paying Agent Agreement to be dated the Closing Date, by and between the Issuer and the Registrar and Paying Agent designated herein, substantially in the form submitted to this meeting, shall be and the same is hereby approved. The City Manager shall execute and deliver the Registrar and Paying Agent Agreement with such changes, insertions and omissions as may be approved by the City Manager. The execution of the Registrar and Paying Agent Agreement by the City Manager shall be conclusive evidence of any approval required by this Section.

Section 7. The Issuer does hereby authorize and approve the Reserve Account Letter of Credit, the deposit thereof in the Series 1997 Bonds Reserve Account held by the Bond Commission and the execution and delivery of the reimbursement agreement (the "Reimbursement Agreement") relating thereto. The City Manager shall execute and deliver the Reimbursement Agreement with such changes, insertions and omissions as may be approved by the City Manager. Execution of the Reimbursement Agreement by the City Manager shall be conclusive evidence of any approval required by this Section.

Section 8. The Issuer does hereby determine that the Municipal Bond Insurance Policy offered by the Bond Insurer 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 hereby ratifies acceptance of the Commitment for Municipal Bond Insurance (the "Commitment"), dated April 16, 1997. The City Manager is hereby authorized and directed to execute the approval of the Commitment and deliver the same to the Bond Insurer. Execution of the Commitment shall be conclusive evidence of any approval required by this Section.

Section 9. Pursuant to the Commitment, and, as permitted by Section 6.17 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 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 1997 Bonds:

A. Notice to the Bond Insurer. All notices required to be given by any party set forth in the Ordinance shall also be given to the Bond Insurer, Attn: Insured Portfolio Management.

B. Amendments. The Bond Insurer shall be given notice of any amendment to the Ordinance that does not require consent of Bondholders. The written consent of the Bond Insurer must be obtained prior to any amendment of the Ordinance requiring Bondholder consent. Any amendments to the Ordinance which are consented to by the Bond Insurer shall be sent to Standard & Poor's.

C. Supplemental Legal Documents. The Issuer shall first obtain the Bond Insurer's written consent prior to the issuance of any additional Bonds other than (1) refunding bonds to obtain savings or (2) bonds which meet the parity tests set forth in Section 6.08 of the Ordinance.

D. Events of Default and Remedies. The Bond Insurer, acting alone, shall have the right to direct all remedies upon the occurrence of an Event of Default. The Bond 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 Bond 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 Ordinance. Except as a result of optional or mandatory sinking fund redemptions, any acceleration of principal payments shall be subject to the Bond Insurer's prior written consent.

E. Defeasance of the Bonds requires the deposit of:

1. Cash, or

2. U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series -- "SLGs"), or

3. Direct obligations of the Treasury which have been stripped by the Treasury itself, CATS, TIGRS and similar securities, or

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, or

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, or

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. United States Department of Agriculture-Rural Utilities Service (RUS)
   Certificates of beneficial ownership,

   c. Federal Financing Bank,

d. General Services Administration
Participation certificates,

e. U.S. Maritime Administration
Guaranteed Title XI financing, or

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. In the event the Series 1997 Bonds Reserve Account is replaced with either a surety bond or a letter of credit, or a surety bond or letter of credit is used to fund the reserve account for additional parity Bonds,no such surety bond or letter of credit may be used without the written consent of the Bond Insurer both as to the provider of such security and its structure.

Section 10. The following investment securities are hereby designated as Qualified Investments under the Ordinance:

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. United States Department of Agriculture-Rural Utilities Service (RUS)
   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

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, saving 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, 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 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.

Repurchase Agreements must satisfy the following criteria or be approved by MBIA.

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.

L. Any state administered pool investment fund in which the Issuer is statutorily permitted or required to invest.

Section 11. Based upon the actual principal amounts, maturity schedule and interest rates for the Series 1997 Bonds, as set forth in **EXHIBIT A**, attached hereto, it is hereby determined that the Series 1997 Bonds show a net savings to the Issuer after deducting all expenses of the refunding. Prior to delivery of the Series 1997 Bonds, the Issuer shall have obtained from Smith, Cochran & Hicks, P.L.L.C., Charleston, West Virginia or such other independent certified public accountant acceptable to the Mayor and City Manager, a certification that the amount of savings stated to be achieved by the refunding shall in fact be correct, based upon their review, comparison and analysis of the net interest cost in dollars of the Series 1997 Bonds and the net interest cost in dollars of the Prior Bonds. The Mayor and City Manager are hereby authorized and directed to employ Smith, Cochran & Hicks, P.L.L.C., Charleston, West Virginia or such other independent certified public accountant satisfactory to Bond Counsel to supply the certification required herein and to take other actions required in connection with the refunding.

Section 12. The Issuer does hereby appoint and designate Bank One, West Virginia, NA, Charleston, West Virginia, for the purpose of serving in the capacities of Registrar and Paying Agent.

Section 13. The Issuer does hereby appoint and designate One Valley Bank, Inc., Fairmont, West Virginia, for the purpose of serving in the capacity of Depository Bank.

Section 14. The firm of Steptoe & Johnson, Clarksburg, West Virginia, is hereby appointed bond counsel to the Issuer in connection with the issuance of the Series 1997 Bonds.

Section 15. The Issuer does hereby appoint and designate the West Virginia Municipal Bond Commission for the purpose of serving in the capacity of Escrow Agent under the Escrow Agreement.

Section 16. The firm of Smith, Cochran & Hicks, P.L.L.C., Charleston, West Virginia, is hereby engaged as verification agent for the purpose of verifying yield, savings and sufficiency of the Escrow Fund.

Section 17. The notice addresses for the Registrar, Paying Agent, Depository Bank, Escrow Agent, Original Purchaser and Bond Insurer shall be as follows:

REGISTRAR AND PAYING AGENT

Bank One, West Virginia, NA
Bank One Plaza
Charleston, West Virginia 25301
Attention: Corporate Trust Department

DEPOSITORY BANK

One Valley Bank, Inc.
120 Fairmont Avenue
Fairmont, West Virginia 26554
Attention: Corporate Trust Department

ESCROW AGENT

West Virginia Municipal Bond Commission
812 Quarrier Street, Suite 300
Charleston, West Virginia 25301
Attention: Executive Director

ORIGINAL PURCHASER

Crews & Associates
128 Capitol Street
Charleston, West Virginia 25301
Attention: Public Finance
and
Ferris, Baker Watts, Incorporated
170 Laidley Tower
Charleston, West Virginia 25301
Attention: Public Finance

BOND INSURER

MBIA Insurance Corporation
113 King Street
Armonk, New York 10504
Attention: Insured Portfolio Management

Section 18. 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 Series 1997 Bond issue, including, but not limited to, subscription forms for the purchase of United States Treasury Obligations, to the end that the Series 1997 Bonds may be delivered on a timely basis to the Original Purchaser pursuant to the Bond Purchase Agreement.

Section 19. Under the provisions of the Act, and as provided in the Ordinance and the Series 1997 Bonds, the Series 1997 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 revenues derived from the operation of the System of the Issuer, the Series 1997 Bonds Reserve Account and the Depreciation Fund 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 1997 Bonds and the interest thereon.

Section 20. The City Manager and other appropriate officers and employees of the Issuer are hereby authorized and directed to take all further actions necessary to cause the Series 1997 Bonds to be insured by the Bond Insurer or such other municipal bond insurance company as is acceptable to the Original Purchaser. Any rebate received by the Issuer in connection with municipal bond insurance on the Prior Bonds shall be deposited by the Issuer in accordance with the Escrow Agreement.

Section 21. This Resolution shall be effective immediately.

Adopted this 5th day of June, 1997.

Mayor

CERTIFICATION

Certified a true, correct and complete copy of a Supplemental Resolution duly adopted by the City Council of the CITY OF FAIRMONT at a special meeting of the City Council held at 4:30 p.m., on June 5, 1997, pursuant to proper notice, at which meeting a quorum was present and acting throughout.

Dated this 19th day of June, 1997.

[SEAL]

Janet L. Keller
City Clerk

06/16/97
FWATJM.J4
268460/95002

EXHIBIT A - SERIES 1997 BOND TERMS

$10,260,000
City of Fairmont (West Virginia)
Waterworks Refunding Revenue Bonds, Series 1997

CUSIP	Bond No.	Maturity (July 1)	Amount	Interest Rate	Price or Yield
305459 DG1	R-1	1999	$210,000	4.250%	100.000%
305459 DH9	R-2	2000	520,000	4.400	100.000
305459 DJ5	R-3	2001	545,000	4.500	100.000
305459 DK2	R-4	2002	565,000	4.600	100.000
305459 DL0	R-5	2003	595,000	4.700	100.000
305459 DM8	R-6	2004	625,000	4.750	99.702
305459 DN6	R-7	2005	650,000	4.800	99.668
305459 DP1	R-8	2006	685,000	4.850	99.636
305459 DQ9	R-9	2007	715,000	5.000	100.000
305459 DR7	R-10	2008	750,000	5.100	100.000
305459 DS5	R-11	2009	790,000	5.300	100.884
305459 DT3	R-12	2010	830,000	5.350	100.438
305459 DU0	R-13	2011	875,000	5.300	99.508
305459 DV8	R-14	2012	925,000	5.500	100.874
305459 DW6	R-15	2013	980,000	5.375	99.202

OPTIONAL REDEMPTION

The Series 1997 Bonds shall not be subject to optional redemption prior to July 1, 2007. The Series 1997 Bonds maturing on or after July 1, 2008, shall be redeemable prior to their stated dates of maturity at the option of the Issuer on or after July 1, 2007, 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 redemption prices (expressed as percentages of the principal amount to be redeemed) set forth below, plus interest accrued to the date fixed for redemption:

Period During Which Redeemed (both dates inclusive)	Redemption Price
July 1, 2007 - June 30, 2008	102%
July 1, 2008 - June 30, 2009	101
July 1, 2009 and thereafter	100

If a Series 1997 Bond is called for redemption in part, the Series 1997 Bond shall be renumbered and exchanged for a Series 1997 Bond of the amount then outstanding, without charge to the Bondholder.

EXECUTION COPY

DEBT SERVICE RESERVE FORWARD DELIVERY AGREEMENT

This Debt Service Reserve Forward Delivery Agreement (this "Agreement"), dated as of June 17, 1999, by and among the CITY OF FAIRMONT, WEST VIRGINIA, a municipal corporation and political subdivision of the State of West Virginia (the "Issuer"), the WEST VIRGINIA MUNICIPAL BOND COMMISSION (the "Commission") and FIRST UNION NATIONAL BANK, a national bank duly organized and existing under and by virtue of the laws of the United States of America (the "Provider").

SECTION I. DEFINITIONS

For purposes of this Agreement, unless the context clearly indicates otherwise, the words and terms defined in this Section I have the respective meanings given to them herein:

"Amended Agreement" has the meaning specified in Section 3.2(c)(iii).

"Amended Cash Flows" has the meaning specified in Section 3.2(c)(iii).

"Available Reserve Amount" means, at any time, the amount available in the Reserve Account to purchase Qualified Securities from the Provider pursuant to the terms hereof and shall include any Replenishment Amount.

"Bond Insurer" means Ambac Assurance Corporation.

"Bond Payment Date" means with respect to each Delivery Date, each date identified as a "Bond Payment Date" on Exhibit A unless such date is not a Business Day, in which case "Bond Payment Date" means the immediately succeeding Business Day; provided that in determining whether any such date is a Business Day no effect shall be given to clause (c) or (d) of the definition of Business Day.

"Bonds" means collectively, the Series 1998 Bonds and the Series 1999 Bonds.

"Burdened Party" means, (i) in the case of (A) an Issuer Event of Default or (B) a termination of this Agreement by the Issuer pursuant to Section 3.2 following a redemption, defeasance or refunding of the Bonds, the Provider and (ii) in the case of the Provider Event of Default, the Issuer.

"Business Day" means any day of 24 hours other than (a) a Saturday or Sunday, (b) a day on which the principal corporate office of the Commission or the Issuer is authorized or required by law to close, (c) a day on which banking institutions in the City of New York are authorized or required by law to close, (d) a day on which any Qualified Securities which may be delivered hereunder are not subject to delivery in the City of New York or (e) a day on which the Provider is required by law to close.

"Closing Date" means June 17, 1999.

"Coupon Payment" means, for any Qualified Security, a payment of interest which is due to be paid thereon prior to the scheduled maturity of such Qualified Security.

"Dealer" means a leading dealer in the relevant markets selected by the Provider in good faith (a) from among dealers of the highest credit standing which satisfy all the criteria that the Provider applies generally at the time in deciding whether to offer or to make an extension of credit and (b) to the extent practicable, from among such dealers having an office in the same city.

"Debt Service Payment" means (i) a scheduled payment of principal of or interest on the Bonds, including any such payment in connection with a scheduled mandatory sinking fund redemption of the Bonds from sinking fund installments but excluding any such payment in connection with any other redemption of the Bonds and excluding any payment required to make a regularly scheduled deposit to the principal account or interest account for the Bonds or (ii) a payment of principal of or interest on the Bonds upon an acceleration of the Bonds following an event of default under the Resolution.

"Default Rate" means a per annum rate equal to the lesser of (a) the cost (without proof or evidence of any actual cost to the party to whom such amount is owed) to the party to whom such amount is owed if it were to fund or of funding the relevant amount plus 1% per annum, and (b) the maximum rate permitted by law.

"Delivery Date" means each date identified as a "Delivery Date" on Exhibit A unless such date is not a Business Day, in which case "Delivery Date" means the immediately succeeding Business Day.

"Delivery Notice" means a notice substantially in the form of Exhibit E or in such other form as provided by the Provider and is reasonably acceptable to the Commission.

"Eligible Securities" means those securities identified in Exhibit A hereto or, if not available, direct, full faith and credit, non-callable obligations of, the United States of America.

"Financing Documents" means the Resolution.

"Guaranteed Rate" means a rate per annum equal to 4.701% assuming that the interest on the applicable security was compounded semi-annually on the basis of a year of 360 days with twelve thirty day months.

"Guaranteed Interest" has the meaning specified in Section 7.5(b).

"Incidental Expenses" has the meaning specified in Section 7.5(a).

"Incorporated Provisions" has the meaning specified in Section 5.3(a).

"Insolvent" means (i) either the Issuer or the Provider as the case may be, shall (1) commence a voluntary case under the federal bankruptcy laws (as in effect on the date of this Agreement or hereafter), (2) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding up or composition or adjustment of debts, (3) consent to any petition filed against it in an involuntary case under such bankruptcy or insolvency or other laws, (4) apply for or consent to the appointment of, or the taking of possession by, a trustee, receiver, custodian, liquidator or the like for itself or for all or a

substantial part of its property, (5) admit in writing its inability to pay, or generally not be paying, its debts as they come due, (6) make a general assignment for the benefit of creditors, or (7) take any official action for the purpose of effecting any of the foregoing; or (ii) a case or other proceeding shall be commenced against either the Issuer or the Provider, as the case may be, in any court of competent jurisdiction seeking (1) relief under the federal bankruptcy laws (as in effect on the date of this Agreement or hereafter) or under any other law relating to bankruptcy, insolvency, reorganization, winding up or composition or adjustment of debts, or (2) the appointment of a trustee, receiver, custodian, liquidator or the like for the Issuer or the Provider, as the case may be, or for all or a substantial part of its property, and any such case or proceeding shall continue undismissed and unstayed for a period of 60 consecutive calendar days, or an order granting the relief requested in any such case or proceeding against such party shall be entered and shall remain in effect and unstayed for a period of 60 consecutive days.

"Issuer Event of Default" means the occurrence of an event specified in Section 7.1.

"Loss Amount" has the meaning specified in Section 7.5(a).

"Market Value" means, with respect to any Qualified Security, the market value thereof on the date of delivery (including accrued interest thereon) as specified by the Provider delivering that security.

"Maturity Amount" means, with respect to any Qualified Security delivered in respect of a Delivery Date, the amount, payable in cash, representing the principal and interest (including any Coupon Payment) due thereon on or prior to its maturity date.

"Moody's" means Moody's Investors Service, Inc.

"Original Cash Flows" has the meaning specified in Section 3.2(c)(iv).

"Permitted Investments" means Permitted Investments as defined in the Resolution.

"Previously Purchased Securities" has the meaning specified in Section 2.3(a).

"Provider Cure Period" has the meaning specified in Section 7.2(a).

"Provider Event of Default" means the occurrence of an event specified in Section 7.2.

"Purchase Price" means, the price set forth in Exhibit A hereto for the United States Treasury Bills or if such United States Treasury Bills are not available, that price for such other Eligible Security delivered hereunder, as set forth in the Delivery Notice, which will produce a rate of return on such security for the period from (and including) the Delivery Date to (but excluding) its maturity date of the Guaranteed Rate.

"Qualified Dealer" means First Union Capital Markets Corporation, a corporation duly organized and validly existing under the laws of the State of North Carolina, its successors or assigns, or any other dealer in Eligible Securities selected by the Provider.

"Qualified Securities" means, in connection with any Delivery Date, Eligible Securities which, to the extent available on the open market, shall (i) mature not later than the

day prior to the related Bond Payment Date and (ii) have an aggregate Purchase Price which is as close as possible to but does not exceed the Available Reserve Amount.

"Refunding Bonds" has the meaning specified in Section 3.2(c).

"Refunding Date" has the meaning specified in Section 3.2(c)(iii).

"Replenishment Amount" has the meaning specified in Section 3.1(b).

"Reserve Account" means collectively, the accounts created pursuant to the Resolution and designated thereunder as the Series 1998 Bonds Reserve Account and the Series 1999 Bonds Reserve Account.

"Reserve Securities" means any Qualified Securities delivered to the Commission hereunder.

"Resolution" means the City of Fairmont (West Virginia) Water Revenue Bonds, Series 1998 Bond Ordinance, enacted November 10, 1998, as supplemented by the City of Fairmont (West Virginia) Water Revenue Bonds, Series 1998 and Water Revenue Bonds, Series 1999 Supplemental Resolution, each dated as of December 17, 1998.

"S&P" means Standard & Poor's Ratings Services, A Division of The McGraw-Hill Companies, Inc.

"Scheduled Reserve Amount" means, for each Delivery Date, $2,603,933.28 (which, under the terms of the Resolution, will be the Reserve Account Requirement on such date) less any withdrawals from the Reserve Account have been made to make a Debt Service Payment and assuming no Bonds will have been defeased or redeemed on or prior to such date except in connection with a scheduled sinking fund redemption.

"Series 1998 Bonds" means the Issuer's $9,600,000 Water Revenue Bonds, Series 1998.

"Series 1999 Bonds" means the Issuer's $19,945,000 Water Revenue Bonds, Series 1999.

"Shortfall Amount" has the meaning specified in Section 7.5(a).

"Specified Indebtedness" means any bond, note or other evidence of indebtedness, including without limitation the Bonds, or any guarantee.

"Termination Amount" means an amount, as determined by the Provider in good faith on the basis of the arithmetic mean of quotations from at least three Dealers of the amount, if any, that each such Dealer would require the Burdened Party to pay to the Dealer (expressed as a positive number if the Burdened Party is the Provider and a negative number if the Burdened Party is the Issuer) or would pay to the Burdened Party (expressed as a negative number if the Burdened Party is the Provider and a positive number if the Burdened Party is the Issuer) in consideration of such Dealer entering into an agreement with the Burdened Party (with such documentation as the Provider and the Dealer may in good faith agree) which would have the effect of preserving for the Burdened Party the economic equivalent of its rights under this Agreement for the period commencing on the termination date of this Agreement and terminating on the last Bond Payment Date set forth in Exhibit A (assuming for these purposes

that this Agreement had not terminated on the termination date and continued in full force through such last Bond Payment Date); provided, however, that:

(i)if more than three quotations are provided, the Termination Amount will be the arithmetic mean of such quotations, without regard to the quotations having the highest and lowest values,

(ii) if exactly three quotations are provided, the Termination Amount will be the quotation remaining after disregarding the highest and lowest quotations,

for purposes of clauses (i) and (ii), if more than one quotation has the same highest value or lowest value, then one of such quotations shall be disregarded, and

(iii) if the Provider is unable to obtain three such quotations, the Termination Amount shall be the amount, as reasonably determined by the Provider, to be the Burdened Party's total losses and costs (expressed as a positive number if the Burdened Party is the Provider and a negative number if the Burdened Party is the Issuer), or gains (expressed as a negative number if the Burdened Party is the Provider and a positive number if the Burdened Party is the Issuer) in connection with a termination of this Agreement, including any loss of bargain, cost of funding or, at the election of the Provider but without duplication, any loss or cost incurred as a result of its terminating, liquidating, obtaining or reestablishing any hedge or related trading position, and;

provided further, however, that in any event the Termination Amount shall also include (A) any unpaid amounts due as of the date of termination of this Agreement (including any amounts due under Section 7.5) and (B) if such Termination Amount is being paid in connection with a termination of this Agreement following an Event of Default or if any Termination Amount otherwise due hereunder is not paid when due, the Termination Amount shall also include any incidental costs and expenses incurred by the Burdened Party in connection with such termination and the enforcement of its rights hereunder (including costs of collection and reasonable attorneys' fees). Any such Termination Amount payable to the Provider shall be payable solely from Gross Revenues (as defined in the Resolution) which are subordinate to amounts payable to the holders of the Bonds.

SECTION II. PURCHASE AGREEMENT

Section 2.1 Purchase and Sale of Qualified Securities.

(a) The Provider shall deliver to the Commission on each Delivery Date Qualified Securities selected by the Provider to the extent such securities are available on the open market, the Maturity Amount of Qualified Securities delivered on any date shall not exceed the difference between the Scheduled Reserve Amount and the Maturity Amount of Qualified Securities previously delivered by the Provider with respect to such Delivery Date and which have not yet matured.

(b) At the time of the delivery by the Provider of any Qualified Securities in accordance with this Agreement, whether on or after a Delivery Date, the Commission shall, out of the Reserve Account, purchase such Qualified Securities and pay to the Provider in accordance with Section 2.2 an amount equal to the Purchase Price thereof.

(c) If on any Delivery Date the Provider does not cause a Qualified Dealer to deliver any Qualified Securities, or the Qualified Dealer delivers Qualified Securities which have an aggregate Maturity Amount which is less than the Available Reserve Amount, then for the duration of the Provider Cure Period the Commission shall hold uninvested, until the earlier of the first Business Day succeeding the Provider Cure Period and the date on which such funds are applied to purchase Qualified Securities in accordance with this Agreement, that portion of the Available Reserve Amount not applied to purchase Qualified Securities on such Delivery Date. If the Provider fails to deliver Qualified Securities as required hereunder by 10:00 a.m. New York City time on the first Business Day succeeding the Provider Cure Period, the Commission shall, on each such date, invest the Available Reserve Amount in Permitted Investments with the longest possible maturities permitted under the Resolution, provided such maturities are not later than the related Bond Payment Date.

(d) The Provider is not required to own any Qualified Securities at the time of the Provider's execution of this Agreement or at any time prior to the respective delivery dates thereof. The Provider's failure to deliver Qualified Securities at any time shall not terminate or affect the Provider's right to deliver Qualified Securities at any other time prior to the termination of this Agreement.

Section 2.2 Delivery; Payment.

(a) All Qualified Securities delivered under this Agreement shall be delivered to the Commission to the account specified in Section 10.1, in such manner as at the time is generally acceptable for delivery of Qualified Securities. All Qualified Securities delivered under this Agreement shall be delivered to the Commission on a "delivery versus payment" basis.

(b) (i) The Provider shall cause the Delivery Notice to be delivered to the Commission at least one Business Day prior to the delivery of any Qualified Securities that are in book-entry form and at least two Business Days prior to the delivery of any Qualified Securities that are in certificated form.

(ii) Concurrently with the delivery of such Qualified Securities the Commission shall pay the Qualified Dealer delivery such Qualified Securities the Market Value thereof, and to the Qualified Dealer, as agent for the Provider, the Differential, if any.

Section 2.3 Downgrade of Provider. If the long-term rating of the Provider by S&P or Moody's is suspended, withdrawn or falls below "A-" by S&P or "A3" by Moody's, the Provider shall provide within two (2) Business Day's of such event, written notice of such Downgrade Event to the Issuer, Bond Insurer and the Commission and, within ten (10) days of receipt of written notice from the Issuer shall enter into an oral agreement (with written documentation to follow within forty-five (45) days) to assign its right, title and interest in this Agreement to a provider rated at least "A-" by S&P and "A3" by Moody's and acceptable to the Bond Insurer. Upon the effective date of any such assignment, the Provider shall have no further rights against or obligations to the Issuer hereunder and the Issuer shall have the same rights against, and shall owe the same obligations to, the assignee as if such assignee had been named as a party to this Agreement instead of the Provider. In the event the Provider fails to comply with this Section 2.3, the Issuer shall, by providing written notice to the Provider, have the right, at the direction of the Bond Insurer, to terminate this Agreement. Upon a termination pursuant to

this Section 2.3, if the Termination Amount is a negative number, the Provider shall promptly, but no later than one Business Day after notice that such amount is due, pay such amount, in immediately available funds, to the Issuer and if the Termination Amount is a positive number, no further amounts shall be due or payable by any party hereto.

SECTION III. LIQUIDATION OF RESERVE SECURITIES; DEFEASANCE OR REFUNDING

Section 3.1 Liquidation of Reserve Securities to make a Debt Service Payment.

(a) If at any time the Commission is required under the Resolution to withdraw any Reserve Securities from the Reserve Account or use the proceeds thereof to make a Debt Service Payment, the Issuer shall promptly, but by no later than the Business Day following such withdrawal, give oral and written notice thereof to the Provider and shall in such notice specify (i) the aggregate Maturity Amount of the Reserve Securities which are being withdrawn (or the proceeds of which are being used) to make such Debt Service Payment, (ii) the Available Reserve Amount after giving effect to such withdrawal or use and (iii) the Bond Payment Date and Delivery Date to which such withdrawal relates.

(b) If the Reserve Account is replenished after any Reserve Securities are withdrawn (or the proceeds thereof are used) to make a Debt Service Payment, the Issuer shall promptly, but by no later than the Business Day following such replenishment, give the Provider oral and written notice of such replenishment and the amount thereof (the "Replenishment Amount"). Upon any such replenishment the Provider may, if it so elects, deliver to the Commission Qualified Securities in an aggregate Maturity Amount equal to the Replenishment Amount. Provided that the Provider delivering such Qualified Securities has delivered a Delivery Notice to the Commission, the Commission shall, concurrently with such delivery, purchase such securities in the manner set forth in Section 2.2(b).

Section 3.2 Defeasance or Refunding.

(a) The Issuer may, by giving the Provider and the Commission at least fifteen Business Days' prior notice, but without the consent of the Provider redeem, defease, repurchase or refund the Bonds as provided in the Resolution, provided that if the Issuer takes any such action (i) if the Termination Amount is a positive number, the Issuer shall pay to the Provider the Termination Amount and (ii) if the Termination Amount is a negative number, the Provider shall pay such amount to the Issuer. If the Termination Amount is payable pursuant to this Section 3.2, the party owing such amount shall pay such amount promptly but by no later than the later of (A) one Business Day after receipt of notice of the Termination Amount from the Provider or (B) the date of such redemption, defeasance, repurchase or refunding. Such payment shall be made in immediately available funds, to or at the direction of the party to whom such Termination Amount is due.

(b) Immediately upon payment of the Termination Amount in accordance with this Section 3.2 this Agreement shall terminate. The Issuer agrees that it shall not redeem, defease, repurchase or refund the Bonds unless it shall have sufficient funds to pay any Termination Amount which may be due as provided herein.

(c) If pursuant to clause (a) above this Agreement would be terminated in connection with the issuance of bonds to refund the Bonds (the "Refunding Bonds") and a Termination Amount would be payable to the Provider, the Issuer may, by written notice to the Provider, request that the Provider continue this Agreement and have such Agreement apply to the Refunding Bonds. The Provider agrees that if it receives such a request it shall agree to so continue this Agreement with respect to the Refunding Bonds and the Bonds remaining outstanding after such refunding, provided that:

(i) the Provider receives such request (together with all relevant details relating thereto) at least 30 days in advance of the issuance of the Refunding Bonds;

(ii) on or prior to the date the Bonds are to be refunded (the "Refunding Date") the Issuer enters into such amendments of this Agreement with the Provider (the "Amended Agreement") as are necessary to have this Agreement pertain to the scheduled reserve amounts, delivery dates and bond payment dates applicable to the Refunding Bonds and to any Bonds which remain outstanding after giving effect to such refunding (the "Amended Cash Flows");

(iii) if as determined on the Refunding Date, the Termination Amount payable to the Provider of its investment rights with respect to the Scheduled Reserve Amounts, Delivery Dates and Bond Payment Dates which would be remaining hereunder on such date, assuming that the Bonds were not then refunded (the "Original Cash Flows") would be greater than the Termination Amount to the Provider of its investment rights with respect to the Amended Cash Flows, the Issuer shall on or before the Refunding Date pay to the Provider the amount of such difference; provided that in no circumstances will an amount be due from the Issuer to the Provider if the Scheduled Reserve Amount for the Refunding Bonds is at least equal to the Scheduled Reserve Amount on the Bonds and the final Maturity Date of the Refunding Bonds occurs on or subsequent to the final Maturity Date of the Bonds;

(iv) the last Delivery Date under the Amended Agreement is no later than the last Delivery Date hereunder;

(v) the Refunding Bonds have a credit rating at least equivalent to the credit rating of the Bonds without giving effect to any bond insurance;

(vi) at the time such request is received and on the Refunding Date no Issuer Event of Default has occurred and is continuing or would, with notice or the passage of time, result in such a default; and

(vii) the Provider receives any opinions and other assurances it may reasonably request to assure that the protections afforded it hereunder will continue under the Amended Agreement.

If the conditions described in paragraphs (i) through (vii) are satisfied but the Termination Amount to the Provider of its investment rights with respect to the Amended Cash Flows would be greater than the Termination Amount to the Provider of its investment rights with respect to the Original Cash Flows, the Provider may, at its option, pay the Issuer the amount of such difference or retain investment rights only with respect to such portion of the Amended Cash Flows as would have a Termination Amount equal to the Termination Amount of the Original Cash Flows.

SECTION IV. REPRESENTATIONS AND WARRANTIES

Section 4.1 Representations and Warranties. Each party hereto represents and warrants to the other parties hereto that:

(a) it is duly organized and validly existing under the laws of its jurisdiction, incorporation or establishment;

(b) it has the power and the authority to enter into and perform its obligations under this Agreement (including, in the case of the Issuer, to pay the Termination Amount in accordance herewith and to enter into and perform its obligations under the Resolution);

(c) this Agreement has been duly authorized, executed and delivered by it and, assuming the due authorization, execution and delivery hereof by the other parties hereto, constitutes a legal, valid and binding obligation of it enforceable against it in accordance with the terms hereof, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity regardless of whether enforcement is sought in a proceeding in equity or at law;

(d) its execution and delivery of this Agreement and its performance of its obligations hereunder do not and will not constitute or result in a default under, a breach or violation of, or the creation of any lien or encumbrance on any of its property under, its charter or by-laws (or equivalent organizational documents), or any other agreement (including in the case of the Issuer, the Resolution), instrument, law, ordinance, regulation, judgment, injunction or order applicable to it or any of its property;

(e) all consents, authorizations and approvals requisite for its execution, delivery and performance of this Agreement have been obtained and remain in full force and effect and all conditions thereof have been duly complied with, and no other action by, and no notice to or filing with, any governmental authority or regulatory body is required for such execution, delivery or performance;

(f) there is no proceeding pending or threatened against it at law or in equity, or before any governmental instrumentality or in any arbitration, which would materially impair its ability to perform its obligations under this Agreement, and there is no such proceeding pending against it which purports or is likely to affect the legality, validity or enforceability of this Agreement;

(g) in the case of the Issuer:

(i) the Scheduled Reserve Amount is the amount the Issuer is required to have on deposit in the Reserve Account on each Delivery Date pursuant to Section 4.03 of the Resolution, assuming that (i) no withdrawals from the Reserve Account have been made to make a Debt Service Payment and (ii) no Bonds will have been defeased or redeemed on or prior to such date;

(ii) solely in regard to its Gross Revenues (as defined in the Resolution) it is not entitled to claim, and shall not assert any claim, with respect to itself or its revenues, assets or property (irrespective of the use or intended use thereof), of immunity on the grounds of sovereignty or similar grounds from suit, jurisdiction of any court, relief by way of injunction, order for specific performance or for recovery of property, attachment of its assets

(whether before or after judgment, in aid of execution, or otherwise) and execution or enforcement of any judgment to which it or its revenues or assets or property might otherwise be entitled in any suit, action or proceeding relating to this Agreement in the courts of any jurisdiction, nor may there be attributed to the Issuer or its revenues, assets or property any such immunity (nor shall such attribution be claimed by the Issuer);

(iii) there have been no withdrawals from the Reserve Account or any other debt service Reserve Account relating to obligations of the Issuer in order to cover a shortfall in amounts available to make payment of amounts due on such obligations;

(iv)it has entered into this Agreement for purposes of managing its borrowings or investments by increasing the predictability of its cash flow from earnings on its investments and not for purposes of speculation; and

(v) its obligation to replenish the Reserve Account pursuant to Section 4.03 of the Resolution constitutes its revenue obligation;

(h) in the case of the Issuer:

(i) the Resolution has been duly authorized, executed and delivered by it,

(ii) assuming the due authorization, execution and delivery thereof by the other parties thereto, the Resolution constitutes legal, valid and binding obligation of it, enforceable against it in accordance with the terms thereof, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity regardless of whether enforcement is sought in a proceeding in equity or at law,

(iii) the Resolution is in full force and effect on the date hereof and no amendment, waiver or course of dealing has amended or terminated any of the terms thereof since the original execution and delivery of the Resolution, except such as may have been delivered to the Provider pursuant to Section 6.1(e),

(iv) no "event of default" or event which would with the passage of time or the giving of notice constitute an event of default has occurred and is continuing under the Resolution, and

(v) the Issuer has not entered into any agreements providing for the forward delivery of Eligible Securities or for the investment of funds held in the Debt Service Fund under the Resolution except for this Agreement.

SECTION V. COVENANTS AND ACKNOWLEDGEMENTS

Section 5.1 Covenants. Each party hereto covenants to the other parties hereto that so long as it shall have any obligations under this Agreement it shall:

(a) maintain in full force and effect all authorizations and agreements of and exemptions, consents, licenses, actions or approvals by, and all filings with or notices to, any governmental or other authority that are required to be obtained or made by such party with

respect to this Agreement and will use all reasonable efforts to obtain or make any that may become necessary in the future;

(b) comply in all material respects with all applicable laws, rules, regulations and orders to which it may be subject if failure so to comply could materially impair its ability to perform its obligations under this Agreement;

(c) if it is the Issuer, not enter into any amendment or modification of the Resolution which could impair its ability to perform its obligations to the Provider hereunder except nothing contained herein shall restrict the Issuer's ability to issue additional bonds under the Resolution; and

(d) withdraw any funds or investments from the Reserve Account unless it is required to do so under the Resolution in order to pay amounts then due on the Bonds.

Section 5.2 Additional Covenants of Issuer. In addition to its covenants under Section 5.1, the Issuer covenants to the other parties to this Agreement that so long as it shall have any obligations hereunder:

(a) it shall not redeem, defease or refund the Bonds unless it shall have sufficient funds to pay the Termination Amount to the Provider pursuant to Section 3.2; and

(b) it shall, in the event that the Available Reserve Amount on any Business Day is less than the Scheduled Reserve Amount for the immediately preceding Delivery Date (or, if such Business Day is a Delivery Date, for such Delivery Date), be replenished by 12 equal monthly payments for any shortfall.

Section 5.3 Incorporated Provisions.

(a) The Issuer agrees that each of its covenants and other agreements in the Resolution and the other Financing Documents (the "Incorporated Provisions") are incorporated herein as fully as if set forth herein and the Provider were a named beneficiary thereof (including, without limitation, the right to consent to certain actions subject to consent under the Resolution and the other Financing Documents and the right to receive financial statements and other notices and information). The Issuer will observe, perform and fulfill each such agreement in the Resolution and the other Financing Documents to which it is a party. If the Resolution or such other Financing Document ceases to be in effect prior to the termination of this Agreement, the Incorporated Provisions (other than those provisions requiring payments in respect of bonds, notes, warrants or other similar instruments issued under the Resolution) will remain in full force and effect for purposes of this Agreement as though set forth herein until such date on which all of the obligations of the Issuer under this Agreement have been fully satisfied. Any amendment, supplement, modification or waiver of any of the Incorporated Provisions without the prior written consent of the Provider shall have no force and effect with respect to this Agreement. Any amendment, supplement or modification for which such consent is obtained shall be part of the Incorporated Provisions for purposes of this Agreement.

(b) The Issuer shall provide the Provider with at least ten (10) Business Days prior written notice of any proposed amendment, supplement or modification of the Incorporated Provisions which proposed amendment, supplement or modification will adversely affect the rights or obligations of the Provider under this Agreement. If the Issuer fails to comply with any

Incorporated Provision, the Issuer shall provide written notice of such failure to the Provider within one (1) Business Day thereof.

Section 5.4 Role of the Provider.

(a) It is expressly understood and agreed that for all purposes of this Agreement and the transactions contemplated hereby, the Provider has acted solely as independent contractor and has not acted as a financial or investment advisor, fiduciary or agent of or to the Issuer or any representative of the holders of the Bonds or for any other person.

(b) Neither the Provider nor any of its directors, officers, employees, agents, affiliates or representatives have made any investigation with respect to or have any liability with respect to: (i) the tax-exempt status of the Bonds, (ii) the payment of any amounts owing on or with respect to the Bonds, (iii) the use or application by the Commission or the Issuer of any moneys payable hereunder, (iv) any acts or omissions of the Commission or the Issuer under, or with respect to, the validity, tax exemption or enforceability of, the Bonds, the Resolution, or (v) the Issuer's performance of its obligations under the Bonds, the Resolution or any other agreement or instrument with respect to the Bonds. Without limiting the foregoing, the Provider shall have no duty to ascertain whether the Commission or the Issuer is in compliance with any applicable statute, regulation or law, the Resolution.

(c) The Issuer acknowledges that the economic terms of this Agreement have been individually negotiated by it and that, to the extent it has deemed necessary, it has consulted with its own legal, tax and investment advisors regarding its decision to enter into this Agreement. The Issuer understands that in entering into this Agreement pursuant to which it is agreeing upon the rate of return it will receive during the term of this Agreement on amounts held in the Reserve Account and thereby minimizing the risks resulting from fluctuations in interest rates during the term hereof it is also foregoing the possibility of receiving greater returns on such amounts from such fluctuations.

Section 5.5 Termination Amount. The Issuer understands that if under any of the circumstances provided herein (including upon the occurrence of a redemption or a defeasance of the Bonds on or prior to the last Delivery Date), a Termination Amount would be due from the Issuer, the size of such Termination Amount will vary depending, in large part, on prevailing interest rates at the time such Termination Amount is calculated. Under certain market conditions the amount of the Termination Amount owed to the Provider by, as applicable, the Issuer, could be substantial.

Section 5.6 Broker's Fees. Each of the Commission and the Issuer acknowledges that the Provider has paid $20,800 as a broker's or arrangement fee to Chambers, Dunhill, Rubin & Co.

SECTION VI. CLOSING CONDITIONS

Section 6.1 Closing Conditions. On or prior to the Closing Date the following shall occur:

(a) delivery to the Issuer and the Commission of an opinion of counsel to the Provider, in the form of Exhibit B;

(b) delivery to the Provider and the Commission of an opinion of counsel to the Issuer, in the form of Exhibit C;

(c) delivery to the Provider and the Issuer of an opinion of counsel to the Commission, in the form of Exhibit D;

(d) delivery to the Provider of a copy of the official statement for the Bonds;

(e) delivery to the Provider of a copy of the Resolution and the other Financing Documents and any other Investment Agreements (as defined in Section 4.1(h)(v)), each certified by authorized officer of the Issuer as being a true and correct copy of such document as in full force and effect on the date hereof;

(f) delivery to the Provider of a copy of any consent received by the Issuer to enter into this Agreement; and

(g) delivery to the Provider of a copy of the statutory or regulatory authority pursuant to which the Issuer is authorized to enter into this Agreement and a certified copy of any resolution or resolutions of the Issuer pursuant to which the Issuer is authorized to enter into this Agreement.

SECTION VII. DEFAULTS; TERMINATION

Section 7.1 Issuer Events of Default. The occurrence of any of the following events shall constitute an Issuer Event of Default:

(a) the amount in the Reserve Account available to purchase Qualified Securities on any Delivery Date is less than the Scheduled Reserve Amount other than as the result of a withdraw to make a Debt Service Payment pursuant to Section 3.1 hereto;

(b) the Issuer shall default in the performance of any covenant or obligation under, or incorporated by reference in, this Agreement, other than as described in clause (a) above and such default is not cured within five Business Days of notice thereof from the Provider;

(c) any representation or warranty of the Issuer contained in this Agreement proves to have been incorrect, false or misleading in any material respect as of the date on which it was made;

(d) the Issuer (1) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (2) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due; (3) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (4) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (A) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (B) is not dismissed, discharged, stayed or restrained in each case within 30 days of the institution or presentation thereof; (5) has a resolution passed for

its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger); (6)(A) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets or (B)(I) there shall be appointed or designated with respect to it, an entity such as an organization, board, commission, authority, agency or body to monitor, review, oversee, recommend or declare a financial emergency or similar state of financial distress with respect to it or (II) there shall be declared or introduced or proposed for consideration by it or by any legislative or regulatory body with competent jurisdiction over it, the existence of a state of financial emergency or similar state of financial distress in respect of it; (7) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 30 days thereafter; (8) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (1) to (7) (inclusive); or (9) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts;

(e) the interest and principal outstanding under the Bonds shall be declared due and payable at any time prior to the scheduled maturity thereof;

(f) there shall be an investment of amounts in the Reserve Account other than pursuant to this Agreement; or

(g) the Issuer consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, another entity (or, without limiting the foregoing, if an entity such as an organization, board, commission authority, agency or body succeeds to the principal functions of, or powers and duties granted, to the Issuer) and, at the time of such consolidation, amalgamation, merger or transfer either (i) the resulting or surviving or transferee entity fails to assume all the obligations of the Issuer under this Agreement or by operation of law or pursuant to an agreement reasonably satisfactory to the other party to this Agreement or (ii) the creditworthiness of the resulting, surviving or transferee entity is materially weaker than that of the Issuer.

Section 7.2 The Provider Events of Default. The occurrence of any of the following events shall constitute the Provider Event of Default:

(a) the Provider shall fail, on any Delivery Date, to deliver Qualified Securities and such failure is not cured within five Business Days after written notice thereof to the Provider from the Issuer or the Commission (the "Provider Cure Period");

(b) any representation or warranty of the Provider contained in this Agreement proves to have been incorrect, false or misleading in any material respect as of the date on which it was made; or

(c) the Provider is at any time Insolvent.

Section 7.3 Remedies Upon Occurrence of Issuer Event of Default. Upon the occurrence of an Issuer Event of Default, the Provider shall have the right to:

(a) to redeliver to the Commission or sell to any other purchaser the Qualified Securities which were to be delivered in connection with any Delivery Date and which have not theretofore been delivered to and purchased by the Commission and make demand for the payment of its losses (calculated in accordance with Section 7.5) arising out of the Commission's failure to purchase such Qualified Securities; and/or

(b) immediately terminate this Agreement by giving notice thereof to the Issuer and the Commission, and (i) if the Termination Amount is a positive number, make demand upon the Issuer for the payment of the Termination Amount and (ii) if the Termination Amount is a negative number, pay such amount to the Issuer.

If a Termination Amount is payable pursuant to this Section 7.3(b), the party owing such amount shall promptly, but by no later than one Business Day after notice that such amount is due from the party to whom such Termination Amount is due, pay such amount, in immediately available funds, to or at the direction of the party to whom such Termination Amount is due. If any such amount is not paid when due, the party owing such amount shall pay interest on such amount for each date such amount is due but not paid at the Default Rate. Any amounts payable pursuant to Section 7.5 shall be payable upon demand as provided therein.

Section 7.4 Remedies Upon Occurrence of the Provider Event of Default. Upon the occurrence of the Provider Event of Default, the Issuer shall have the right to, and at the direction of the Bond Insurer, shall:

(a) if such default is a default under Section 7.2(a), apply the Available Reserve Amount to purchase Permitted Investments in accordance with Section 2.1(c) hereof and make demand for the payment of its losses in connection therewith, calculated as provided in Section 7.5(b);

(b) if such default is a default under Section 7.2(a) and the Provider has failed to pay the Issuer's losses (as described in Section 7.5(b)) upon demand therefor or if such default is a default under Sections 7.3(b) or (c) hereof, immediately terminate this Agreement by giving notice thereof to the Provider, whereupon the Provider shall determine the Termination Amount and (i) if the Termination Amount is a negative number, the Provider shall promptly, but no later than one Business Day after notice that such amount is due, pay such amount, in immediately available funds, to the Issuer and (ii) if the Termination Amount is a positive number, the Provider may demand payment by the Issuer of the Termination Amount in which case the Issuer shall promptly, but no later than one Business Day after notice that such amount is due, pay, in immediately available funds, the Termination Amount to the Provider. If any such amount is not paid when due, the party owing such amount shall pay interest on such amount for each date such amount is due but not paid at the Default Rate. Notwithstanding anything to the contrary in this Agreement, if the Provider fails to determine the Termination Amount within three Business Days of notice from the Issuer of the occurrence of the Provider Event of Default then the Issuer shall make such determination as if it were the Provider and the amount as so determined by the Issuer shall for purposes of this Section 7.4 be deemed the Termination Amount.

Section 7.5 Loss Amount if Failed or Late Purchase.

(a) If (i) the Commission fails to apply any funds in the Reserve Account to purchase any Qualified Securities delivered by the Provider in accordance with this Agreement

or (ii) if on any Delivery Date the amount in the Reserve Account available to purchase Qualified Securities is less than the Scheduled Reserve Amount, the Issuer shall pay to the Provider, as liquidated damages for its losses and not as a penalty, on demand by the Provider, the sum (the "Loss Amount") of (w) interest on the Purchase Price at the Default Rate of the Qualified Securities which the Provider tendered for delivery to, but were not purchased by, the Commission for each day from and including the delivery date thereof to but excluding the date on which such securities are resold to a third party or to the Commission, (x) the excess, if any, of the Purchase Price of such Qualified Securities over the amount received by the Provider upon such resale of the securities (the "Shortfall Amount"), (y) interest at the Default Rate on the Shortfall Amount from and including the resale date to but excluding the date on which the Issuer compensates the Provider for its losses as described herein, and (z) any incidental costs and expenses including reasonable legal fees and expenses ("Incidental Expenses") incurred by the Provider in connection with the Commission's failure to so purchase such Qualified Securities; provided that if the Provider elects not to cause the Qualified Dealer to redeliver the Qualified Securities to the Commission or resell such Qualified Securities to a third party, the Provider's damages shall be calculated as the sum of (x) the excess of the Maturity Amount of the Qualified Securities which the Commission failed to purchase over the Market Value thereof, (y) interest at the Default Rate on such excess from the date of attempted delivery to the Commission in accordance with this Agreement to but excluding the date on which the Issuer compensates the Provider for its losses and (z) any Incidental Expenses. All calculations of default interest herein shall be calculated on the basis of daily compounding. Notwithstanding the foregoing, if the Provider does not on any date cause the delivery of Qualified Securities because the amount in the Reserve Account is less than the Scheduled Reserve Amount, the Loss Amount shall equal the sum of (y) the amount, if any, by which the aggregate Maturity Amount of the Qualified Securities which the Provider could have caused to be delivered exceeds the market value thereof (as reasonably determined by the Provider as of the date such tender was to be made) and (z) interest on such amount at the Default Rate for each date from the date such securities could have been delivered to the next succeeding Bond Payment Date plus any amounts specified in clause (x) above.

(b) If there is the Provider Event of Default as described in Section 7.2(a) hereof, the amount of losses payable by the Provider upon demand therefor pursuant to Section 7.4(a) shall equal the excess, if any, of (i) interest the Issuer would have earned on the Available Reserve Amount had the Available Reserve Amount been invested in Qualified Securities at the Guaranteed Rate (the "Guaranteed Interest") over the amount of the (ii) interest the Issuer actually earned by investing the related Available Reserve Amount in Permitted Investments in accordance with Section 2.1(c) hereof (or if the Commission fails to invest such Available Reserve Amount in Permitted Investments in accordance with Section 2.1(c), the amount of interest the Issuer would have earned on such Available Reserve Amount had the Commission complied with the requirements of Section 2.1(c) hereof).

Section 7.6 Limited Rights Against the Reserve Account. The Provider shall not have any right to any amounts held in the Reserve Account except as expressly provided herein upon the delivery of a Qualified Security in accordance with this Agreement.

Section 7.7 No Waiver; Remedies Cumulative. No failure or delay on the Provider's part in exercising any right or remedy hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any such right or remedy preclude any other or further

exercise thereof or the exercise of any other right or remedy. The Provider's rights and remedies hereunder are cumulative and not exclusive of any rights or remedies provided by law, this Agreement or otherwise. None of the terms or provisions of this Agreement may be waived, modified or amended except in a writing duly signed by the Commission, the Issuer and the Provider and consented to in writing by the Bond Insurer.

SECTION VIII. RESERVED

SECTION IX. RESERVED

SECTION X. MISCELLANEOUS

Section 10.1 Notices and Delivery Instructions. All notices, demands or other communications hereunder shall be given or made in writing and shall be delivered personally, or sent by certified or registered mail, postage prepaid, return receipt requested, or overnight delivery service, telex or telecopy to the party to whom they are directed at the following addresses, or at such other addresses as may be designated by notice from such party to all other parties:

To the Provider:

First Union National Bank
One First Union Center
301 South College Street
Charlotte, North Carolina 28288-0601

Attention: Scott Teague
Telephone: (704) 374-4220
Telecopy: (704) 383-9139

Bank Name: First Union Charlotte Capital Markets
Attention: Derivatives Desk
ABA # 053 000 219

To the Issuer:

City of Fairmont, West Virginia
PO Box 1428
200 Jackson Street
Fairmont, WV 26555-1428
Attention: Bruce McDaniel
Telephone: 304/366-6211
Telecopy: 304/366-0228
Issuer's Tax Payer I.D.#55-6000171

To the Commission:

West Virginia Municipal Bond Commission
812 Quarrier Street, Suite 300
Charleston, WV 25301
Telephone: 304/558-3971
Telecopy: 304/558-1280

FOR DELIVERY OF BOOK-ENTRY GOVERNMENT OBLIGATIONS:

Bank Name: Mellon Bank, Pittsburg, PA
ABA #011001234
Account Name: WVIMB-WVBF0002002
Account #048771
Further Credit to: WV Investment Management Board

To the Bond Insurer:

Ambac Assurance Corporation
One State Street Plaza
New York, NY 10004
Attention: Phyllis Santry
Telephone: 212/208-3432
Telecopy: 212/480-3682

Any notice, demand or other communication given in a manner prescribed in this Section shall be deemed to have been delivered on receipt.

Section 10.2 Binding Effect; Transfer. This Agreement shall be binding upon the Commission, the Issuer and the Provider and upon their respective permitted successors and transferees. The Provider shall be entitled to transfer this Agreement, and its interests and obligations hereunder (i) without the consent of the Issuer, the Bond Insurer or the Commission to any subsidiary or affiliate of the Provider, or to any office, branch, or subsidiary of any affiliate of the Provider by giving written notice to the Issuer, the Bond Insurer and Commission of such transfer and the name of the transferee and (ii) with the Commission's, the Bond Insurer's and the Issuer's prior written consent (such consent not to be unreasonable withheld or delayed) to any other person; provided however, that if the Commission and the Issuer has not consented or objected to such transfer in writing within ten Business Days of the Provider's request therefor, the Commission's and the Issuer's consent shall be deemed to have been given and the Provider may transfer this Agreement. Such transferee shall immediately assume the rights and obligations of the Provider hereunder and upon such transfer shall for all purposes become the Provider under this Agreement. Neither the Commission or the Issuer may transfer this Agreement without the prior written consent of the Provider and the other party and consented to in writing by the Bond Insurer.

Section 10.3 Limitation. Nothing expressed or implied herein is intended or shall be construed to confer upon any person, firm or corporation other than the parties hereto, any right, remedy or claim by reason of this Agreement or any term hereof, and all terms contained herein shall be for the sole and exclusive benefit of the parties hereto, and their successors and permitted transferees.

Section 10.4 Severability. If one or more provisions of this Agreement or the applicability of any such provisions to any set of circumstances shall be determined to be invalid or ineffective for any reason, such determination shall not affect the validity and enforceability of the remaining provisions or the applicability of the same provisions or any of the remaining provisions to other circumstances.

Section 10.5 Amendments, Changes and Modifications. This Agreement may be amended or any of its terms modified only by a written document authorized, executed and delivered by each of the parties hereto and consented to in writing by the Bond Insurer.

Section 10.6 Counterparts. This Agreement may be executed in one or more counterparts and when each party hereto has executed at least one counterpart, this Agreement shall become binding on all parties and such counterparts shall be deemed to be one and the same document.

Section 10.7 Termination. Unless earlier terminated pursuant to Sections 3.2, 7.4, 7.5 or 7.6, this Agreement shall terminate on the later of the last Bond Payment Date set forth in Exhibit A and the date on which the Issuer and the Commission have satisfied all of their obligations hereunder.

Section 10.8 Entire Agreement. This Agreement constitutes the entire agreement and understanding of the parties with respect to its subject matter and supersedes all oral communication and prior writings with respect thereto.

Section 10.9 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to conflict of law principles, except that the capacity, power and authority of the Issuer and the Commission to enter into this Agreement and any issue relating to the interpretation of the Resolution and any ordinance, resolution, security agreement or other instrument of the Issuer and its obligations hereunder, heretofore or hereafter adopted or assumed, shall be governed by and construed in accordance with the laws of the State of West Virginia.

Section 10.10 Use of Qualified Dealer The Provider may use a Qualified Dealer in effecting the sales of Qualified Securities as contemplated herein.

IN WITNESS WHEREOF, the Issuer, the Provider and the Commission have caused this Debt Service Reserve Forward Delivery Agreement to be executed by their respective duly authorized officers, all as of the date and year first above written.

CITY OF FAIRMONT, WEST VIRGINIA

By: _____
Name: Bruce McDaniel
Title: City Manager

FIRST UNION NATIONAL BANK

By: _____
Name:
Title:

WEST VIRGINIA MUNICIPAL BOND COMMISSION

By: _____
Name:
Title:

IN WITNESS WHEREOF, the Issuer, the Provider and the Commission have caused this Debt Service Reserve Forward Delivery Agreement to be executed by their respective duly authorized officers, all as of the date and year first above written.

CITY OF FAIRMONT, WEST VIRGINIA

By:_____
Name:
Title:

FIRST UNION NATIONAL BANK

By:_____
Name: BRUCE M. YOUNG
Title: SENIOR VICE PRESIDENT

WEST VIRGINIA MUNICIPAL BOND COMMISSION

By:_____
Name:
Title:

IN WITNESS WHEREOF, the Issuer, the Provider and the Commission have caused this Debt Service Reserve Forward Delivery Agreement to be executed by their respective duly authorized officers, all as of the date and year first above written.

CITY OF FAIRMONT, WEST VIRGINIA

By:_____
Name:
Title:

FIRST UNION NATIONAL BANK

By:_____
Name:
Title:

WEST VIRGINIA MUNICIPAL BOND COMMISSION

By:_____
Name: R Witter Hallan
Title: Executive Director

EXHIBIT A

Delivery Date*	Bond Payment Date*	Scheduled Reserve Amo

[Insert Schedule here]

* If any Delivery Date or Bond Payment Date specified above is not a Business Day, such date will be the immediately succeeding Business Day; provided, however, that with respect to any date specified as a Bond Payment Date, the determination of whether such date is a Business Day shall be made without giving effect to clauses (c), (d) and (e) of the definition of Business Day.

CITY OF FAIRMONT (WV) 1998 & 1999 WATER RESERVE
FORWARD DELIVERY AGREEMENT

SECURITY DESCRIPTION	PURCHASE DATE	MATURITY DATE	CALCULATED PAR AMOUNT	PURCHASE PRICE	CALCULATED PURCHASE PRICE
US T Bill	6/18/1999	7/1/1999	2,603,000.00	99.834249	2,598,685.50
US T Bill	7/1/1999	12/30/1999	2,603,000.00	97.704316	2,543,243.35
US T Bill	1/3/2000	6/29/2000	2,603,000.00	97.754199	2,544,541.80
US T Bill	7/3/2000	12/28/2000	2,603,000.00	97.754199	2,544,541.80
US T Bill	1/2/2001	6/28/2001	2,603,000.00	97.766674	2,544,866.52
US T Bill	7/2/2001	12/27/2001	2,603,000.00	97.754199	2,544,541.80
US T Bill	1/2/2002	6/27/2002	2,603,000.00	97.779151	2,545,191.30
US T Bill	7/1/2002	12/26/2002	2,603,000.00	97.754199	2,544,541.80
US T Bill	1/2/2003	6/26/2003	2,603,000.00	97.791629	2,545,516.10
US T Bill	7/1/2003	1/2/2004	2,603,000.00	97.666920	2,542,269.93
US T Bill	1/2/2004	7/1/2004	2,603,000.00	97.716784	2,543,567.89
US T Bill	7/1/2004	12/30/2004	2,603,000.00	97.704316	2,543,243.35
US T Bill	1/3/2005	6/30/2005	2,603,000.00	97.754199	2,544,541.80
US T Bill	7/1/2005	12/29/2005	2,603,000.00	97.716784	2,543,567.89
US T Bill	1/3/2006	6/29/2006	2,603,000.00	97.766674	2,544,866.52
US T Bill	7/3/2006	12/28/2006	2,603,000.00	97.754199	2,544,541.80
US T Bill	1/2/2007	6/28/2007	2,603,000.00	97.766674	2,544,866.52
US T Bill	7/2/2007	12/27/2007	2,603,000.00	97.754199	2,544,541.80
US T Bill	1/3/2008	6/26/2008	2,603,000.00	97.791629	2,545,516.10
US T Bill	7/1/2008	1/2/2009	2,603,000.00	97.666920	2,542,269.93
US T Bill	1/2/2009	6/25/2009	2,603,000.00	97.804109	2,545,840.96
US T Bill	7/1/2009	12/31/2009	2,603,000.00	97.691849	2,542,918.83
US T Bill	1/4/2010	7/1/2010	2,603,000.00	97.754199	2,544,541.80
US T Bill	7/1/2010	12/30/2010	2,603,000.00	97.704316	2,543,243.35
US T Bill	1/3/2011	6/30/2011	2,603,000.00	97.754199	2,544,541.80
US T Bill	7/1/2011	12/29/2011	2,603,000.00	97.716784	2,543,567.89
US T Bill	1/2/2012	6/28/2012	2,603,000.00	97.754199	2,544,541.80
US T Bill	7/2/2012	12/27/2012	2,603,000.00	97.754199	2,544,541.80
US T Bill	1/2/2013	6/27/2013	2,603,000.00	97.779151	2,545,191.30
US T Bill	7/1/2013	12/26/2013	2,603,000.00	97.754199	2,544,541.80
US T Bill	1/2/2014	6/26/2014	2,603,000.00	97.791629	2,545,516.10
US T Bill	7/1/2014	1/2/2015	2,603,000.00	97.666920	2,542,269.93
US T Bill	1/2/2015	6/25/2015	2,603,000.00	97.804109	2,545,840.96
US T Bill	7/1/2015	12/31/2015	2,603,000.00	97.691849	2,542,918.83
US T Bill	1/4/2016	6/30/2016	2,603,000.00	97.754199	2,544,541.80
US T Bill	7/1/2016	12/29/2016	2,603,000.00	97.716784	2,543,567.89
US T Bill	1/2/2017	6/29/2017	2,603,000.00	97.754199	2,544,541.80
US T Bill	7/3/2017	12/28/2017	2,603,000.00	97.754199	2,544,541.80
US T Bill	1/2/2018	6/28/2018	2,603,000.00	97.766674	2,544,866.52
US T Bill	7/2/2018	12/27/2018	2,603,000.00	97.754199	2,544,541.80
US T Bill	1/2/2019	6/27/2019	2,603,000.00	97.779151	2,545,191.30
US T Bill	7/1/2019	12/26/2019	2,603,000.00	97.754199	2,544,541.80
US T Bill	1/3/2020	6/25/2020	2,603,000.00	97.804109	2,545,840.96
US T Bill	7/1/2020	12/31/2020	2,603,000.00	97.691849	2,542,918.83
US T Bill	1/4/2021	7/1/2021	2,603,000.00	97.754199	2,544,541.80
US T Bill	7/1/2021	12/30/2021	2,603,000.00	97.704316	2,543,243.35
US T Bill	1/3/2022	6/30/2022	2,603,000.00	97.754199	2,544,541.80
US T Bill	7/1/2022	12/29/2022	2,603,000.00	97.716784	2,543,567.89
US T Bill	1/2/2023	6/29/2023	2,603,000.00	97.754199	2,544,541.80
US T Bill	7/3/2023	12/28/2023	2,603,000.00	97.754199	2,544,541.80
US T Bill	1/2/2024	6/27/2024	2,603,000.00	97.766674	2,544,866.52
US T Bill	7/1/2024	12/26/2024	2,603,000.00	97.754199	2,544,541.80
US T Bill	1/2/2025	6/26/2025	2,603,000.00	97.791629	2,545,516.10
US T Bill	7/1/2025	1/2/2026	2,603,000.00	97.666920	2,542,269.93
US T Bill	1/2/2026	6/25/2026	2,603,000.00	97.804109	2,545,840.96
US T Bill	7/1/2026	12/31/2026	2,603,000.00	97.691849	2,542,918.83
US T Bill	1/4/2027	7/1/2027	2,603,000.00	97.754199	2,544,541.80
US T Bill	7/1/2027	12/30/2027	2,603,000.00	97.704316	2,543,243.35
US T Bill	1/3/2028	6/29/2028	2,603,000.00	97.754199	2,544,541.80
US T Bill	7/3/2028	12/28/2028	2,603,000.00	97.754199	2,544,541.80
US T Bill	1/2/2029	6/28/2029	2,603,000.00	97.766674	2,544,866.52

Purchase Date	Bond Pmt Date	Security Maturity Date	Purchase Price	Calculated Par Amt.	Maturity Amount	Coupon	Accrued Interest	Reserve Req.	Security Description
06/18/99	07/01/99	07/01/99	99.834249	2,603,000	2,603,000	0%	0	2,603,933	US TBill
07/01/99	01/01/00	12/30/99	97.704316	2,603,000	2,603,000	0%	0	2,603,933	US TBill
01/03/00	07/01/00	06/29/00	97.754199	2,603,000	2,603,000	0%	0	2,603,933	US TBill
07/03/00	01/01/01	12/28/00	97.754199	2,603,000	2,603,000	0%	0	2,603,933	US TBill
01/02/01	07/01/01	06/28/01	97.766674	2,603,000	2,603,000	0%	0	2,603,933	US TBill
07/02/01	01/01/02	12/27/01	97.754199	2,603,000	2,603,000	0%	0	2,603,933	US TBill
01/02/02	07/01/02	06/27/02	97.779151	2,603,000	2,603,000	0%	0	2,603,933	US TBill
07/01/02	01/01/03	12/26/02	97.754199	2,603,000	2,603,000	0%	0	2,603,933	US TBill
01/02/03	07/01/03	06/26/03	97.791629	2,603,000	2,603,000	0%	0	2,603,933	US TBill
07/01/03	01/01/04	01/02/04	97.666920	2,603,000	2,603,000	0%	0	2,603,933	US TBill
01/02/04	07/01/04	07/01/04	97.716784	2,603,000	2,603,000	0%	0	2,603,933	US TBill
07/01/04	01/01/05	12/30/04	97.704316	2,603,000	2,603,000	0%	0	2,603,933	US TBill
01/03/05	07/01/05	06/30/05	97.754199	2,603,000	2,603,000	0%	0	2,603,933	US TBill
07/01/05	01/01/06	12/29/05	97.716784	2,603,000	2,603,000	0%	0	2,603,933	US TBill
01/03/06	07/01/06	06/29/06	97.766674	2,603,000	2,603,000	0%	0	2,603,933	US TBill
07/03/06	01/01/07	12/28/06	97.754199	2,603,000	2,603,000	0%	0	2,603,933	US TBill
01/02/07	07/01/07	06/28/07	97.766674	2,603,000	2,603,000	0%	0	2,603,933	US TBill
07/02/07	01/01/08	12/27/07	97.754199	2,603,000	2,603,000	0%	0	2,603,933	US TBill
01/03/08	07/01/08	06/26/08	97.791629	2,603,000	2,603,000	0%	0	2,603,933	US TBill
07/01/08	01/01/09	01/02/09	97.666920	2,603,000	2,603,000	0%	0	2,603,933	US TBill
01/02/09	07/01/09	06/25/09	97.804109	2,603,000	2,603,000	0%	0	2,603,933	US TBill
07/01/09	01/01/10	12/31/09	97.691849	2,603,000	2,603,000	0%	0	2,603,933	US TBill
01/04/10	07/01/10	07/01/10	97.754199	2,603,000	2,603,000	0%	0	2,603,933	US TBill
07/01/10	01/01/11	12/30/10	97.704316	2,603,000	2,603,000	0%	0	2,603,933	US TBill
01/03/11	07/01/11	06/30/11	97.754199	2,603,000	2,603,000	0%	0	2,603,933	US TBill
07/01/11	01/01/12	12/29/11	97.716784	2,603,000	2,603,000	0%	0	2,603,933	US TBill
01/02/12	07/01/12	06/28/12	97.754199	2,603,000	2,603,000	0%	0	2,603,933	US TBill
07/02/12	01/01/13	12/27/12	97.754199	2,603,000	2,603,000	0%	0	2,603,933	US TBill
01/02/13	07/01/13	06/27/13	97.779151	2,603,000	2,603,000	0%	0	2,603,933	US TBill
07/01/13	01/01/14	12/26/13	97.754199	2,603,000	2,603,000	0%	0	2,603,933	US TBill
01/02/14	07/01/14	06/26/14	97.791629	2,603,000	2,603,000	0%	0	2,603,933	US TBill
07/01/14	01/01/15	01/02/15	97.666920	2,603,000	2,603,000	0%	0	2,603,933	US TBill
01/02/15	07/01/15	06/25/15	97.804109	2,603,000	2,603,000	0%	0	2,603,933	US TBill
07/01/15	01/01/16	12/31/15	97.691849	2,603,000	2,603,000	0%	0	2,603,933	US TBill
01/04/16	07/01/16	06/30/16	97.754199	2,603,000	2,603,000	0%	0	2,603,933	US TBill
07/01/16	01/01/17	12/29/16	97.716784	2,603,000	2,603,000	0%	0	2,603,933	US TBill
01/02/17	07/01/17	06/29/17	97.754199	2,603,000	2,603,000	0%	0	2,603,933	US TBill
07/03/17	01/01/18	12/28/17	97.754199	2,603,000	2,603,000	0%	0	2,603,933	US TBill
01/02/18	07/01/18	06/28/18	97.766674	2,603,000	2,603,000	0%	0	2,603,933	US TBill
07/02/18	01/01/19	12/27/18	97.754199	2,603,000	2,603,000	0%	0	2,603,933	US TBill
01/02/19	07/01/19	06/27/19	97.779151	2,603,000	2,603,000	0%	0	2,603,933	US TBill
07/01/19	01/01/20	12/26/19	97.754199	2,603,000	2,603,000	0%	0	2,603,933	US TBill
01/03/20	07/01/20	06/25/20	97.804109	2,603,000	2,603,000	0%	0	2,603,933	US TBill
07/01/20	01/01/21	12/31/20	97.691849	2,603,000	2,603,000	0%	0	2,603,933	US TBill
01/04/21	07/01/21	07/01/21	97.754199	2,603,000	2,603,000	0%	0	2,603,933	US TBill
07/01/21	01/01/22	12/30/21	97.704316	2,603,000	2,603,000	0%	0	2,603,933	US TBill
01/03/22	07/01/22	06/30/22	97.754199	2,603,000	2,603,000	0%	0	2,603,933	US TBill
07/01/22	01/01/23	12/29/22	97.716784	2,603,000	2,603,000	0%	0	2,603,933	US TBill
01/02/23	07/01/23	06/29/23	97.754199	2,603,000	2,603,000	0%	0	2,603,933	US TBill
07/03/23	01/01/24	12/28/23	97.754199	2,603,000	2,603,000	0%	0	2,603,933	US TBill
01/02/24	07/01/24	06/27/24	97.766674	2,603,000	2,603,000	0%	0	2,603,933	US TBill
07/01/24	01/01/25	12/26/24	97.754199	2,603,000	2,603,000	0%	0	2,603,933	US TBill
01/02/25	07/01/25	06/26/25	97.791629	2,603,000	2,603,000	0%	0	2,603,933	US TBill
07/01/25	01/01/26	01/02/26	97.666920	2,603,000	2,603,000	0%	0	2,603,933	US TBill
01/02/26	07/01/26	06/25/26	97.804109	2,603,000	2,603,000	0%	0	2,603,933	US TBill
07/01/26	01/01/27	12/31/26	97.691849	2,603,000	2,603,000	0%	0	2,603,933	US TBill
01/04/27	07/01/27	07/01/27	97.754199	2,603,000	2,603,000	0%	0	2,603,933	US TBill
07/01/27	01/01/28	12/30/27	97.704316	2,603,000	2,603,000	0%	0	2,603,933	US TBill
01/03/28	07/01/28	06/29/28	97.754199	2,603,000	2,603,000	0%	0	2,603,933	US TBill
07/03/28	01/01/29	12/28/28	97.754199	2,603,000	2,603,000	0%	0	2,603,933	US TBill
01/02/29	07/01/29	06/28/29	97.766674	2,603,000	2,603,000	0%	0	2,603,933	US TBill

EXHIBIT B

[LETTERHEAD OF COUNSEL TO FIRST UNION]

June 17, 1999

City of Fairmont, West Virginia
PO Box 1428
200 Jackson Street
Fairmont, WV 26555-1428

West Virginia Municipal Bond Commission
812 Quarrier Street, Suite 300
Charleston, WV 25301

Re: City of Fairmont, West Virginia $9,600,000 Water Revenue Bonds, Series 1998.and
$19,945,000 Water Revenue Bonds, Series 1999

Ladies and Gentlemen:

We have acted as counsel to First Union National Bank (the "Provider"), in connection with its execution and delivery of the Debt Service Reserve Forward Delivery Agreement, dated as of June 17, 1999 (the "Agreement"), by and among City of Fairmont, West Virginia, the West Virginia Municipal Bond Commission and the Provider. Capitalized terms used herein and not defined herein have the respective meanings given to them in the Agreement.

In rendering this opinion, we have examined among other things, a copy of the Agreement.

In connection with the foregoing, we have also examined, originals or copies satisfactory to us of all such corporate records, agreements, certificates and other documents as we have deemed relevant and necessary as a basis for the opinions hereinafter expressed. In such examination we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, and the conformity with the authentic original documents of all documents submitted to us as copies.

In giving the opinions expressed below we do not purport to be expert in or generally familiar with or qualified to express legal opinions based on the laws of any jurisdiction other than the laws of the State of New York and the opinions expressed herein are limited to the laws of the State of New York.

Based upon the foregoing examination and review, we are of the opinion that:

(i)The Provider has full corporate power and authority to enter into the Agreement.

(ii) The Agreement has been duly authorized, executed and delivered by the Provider and constitutes a legal, valid and binding obligation of the Provider, enforceable against it in accordance with the terms thereof, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

We are furnishing this opinion to you solely for your benefit and no other person is entitled to rely hereon. This opinion is not to be used, circulated, quoted or otherwise referred to for any other purpose.

Very truly yours,

EXHIBIT C

[LETTERHEAD OF COUNSEL OF ISSUER]

June 17, 1999

First Union National Bank
One First Union Center
301 South College Street
Charlotte, North Carolina 28288-0661

West Virginia Municipal Bond Commission
812 Quarrier Street, Suite 300
Charleston, WV 25301

Re: City of Fairmont, West Virginia $9,600,000 Water Revenue Bonds, Series 1998.and $19,945,000 Water Revenue Bonds, Series 1999

Ladies and Gentlemen:

I have acted as counsel to the City of Fairmont, West Virginia (the "Issuer") in connection with its execution and delivery of the Debt Service Reserve Forward Delivery Agreement, dated as of June 17, 1999 (the "Agreement"), by and among the Issuer, the West Virginia Municipal Bond Commission and First Union National Bank (the "Provider") and its enactment and adoption of the Resolution (as defined in the Agreement). Capitalized terms used herein and not defined herein have the respective meanings given to them in the Agreement.

In rendering this opinion, we have examined, among other things, copies of the Agreement and the Resolution.

In connection with the foregoing, we have also examined originals or copies satisfactory to us of all such corporate records, agreements, certificates and other documents as we have deemed relevant and necessary as a basis for the opinions hereinafter expressed. In such examination we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, and the conformity with the original documents of all documents submitted to us as copies.

In giving the opinions expressed below we do not purport to be experts in or generally familiar with or qualified to express legal opinions based on the laws of any jurisdiction other than the laws of the State of West Virginia (the "State").

Based upon the foregoing examination and review, we are of the opinion that:

(i)The Issuer has full legal right, power and authority to enter into the Agreement, to enact and adopt the Resolution and to make purchases of the Qualified Securities in accordance with the terms therein.

(ii) The Agreement, the Resolution and the Financing Documents to which it is a party have been duly authorized, enacted, adopted, executed and delivered by the Issuer.

(iii) Assuming for purposes of the opinion expressed in this paragraph (iv) that the Agreement were governed by and construed in accordance with the laws of the State each of the Agreement and the Resolution is a legal, valid and binding obligation of the Issuer, enforceable against it in accordance with the terms thereof, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(iv)The Issuer's execution and delivery of the Agreement and the performance of its obligations thereunder do not and will not conflict with or constitute or result in a default under, a breach or violation of, or the creation of any lien or encumbrance on any of its property under the Resolution, or any other agreement, instrument, judgment, injunction or order applicable to it or any of its property.

(v) The Resolution is a legal, valid and binding obligation of the Issuer, enforceable against it in accordance with the terms thereof, subject to applicable bankruptcy, insolvency and similar laws affecting creditors rights generally, and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(vi) The Issuer is not entitled to claim immunity on the grounds of sovereignty or other similar grounds with respect to itself or its revenues or assets (irrespective of their use or intended use) from (i) suit, (ii) jurisdiction of any court, (iii) relief by way of injunction, order for specific performance or for recovery of property, (iv) attachment of its assets (whether before or after judgment) or (v) execution or enforcement of any judgment to which it or its revenues or assets might otherwise be made subject to in any suit, action or proceedings relating to this Agreement brought validly ex contractu in the courts of any jurisdiction and no such immunity (whether or not claimed) may be attributed to such party or its revenues or assets.

(vii)All consents, authorizations and approvals requisite for its execution, delivery and performance of this Agreement have been obtained and remain in full force and effect and all conditions thereof have been duly complied with, and no other action by, and no notice to or filing with, any governmental authority, regulatory body or any other entity is required for such execution, delivery or performance.

(viii) The Agreement is a Permitted Investment as defined in the Resolution.

(ix)The obligation of the Issuer to replenish the Reserve Account pursuant to Section 4.03 of the Resolution constitutes its revenue obligation.

I am furnishing this opinion to you solely for your benefit and no other person is entitled to rely hereon. This opinion is not to be used, circulated, quoted or otherwise referred to for any other purpose.

Very truly yours,

EXHIBIT D

[LETTERHEAD OF COUNSEL TO COMMISSION]

June 17, 1999

First Union National Bank
One First Union Center
301 South College Street
Charlotte, North Carolina 28288-0661

City of Fairmont, West Virginia
PO Box 1428
200 Jackson Street
Fairmont, WV 26555-1428

Re: City of Fairmont, West Virginia $9,600,000 Water Revenue Bonds, Series 1998.and $19,945,000 Water Revenue Bonds, Series 1999

Ladies and Gentlemen:

We have acted as counsel to the West Virginia Municipal Bond Commission (the "Commission") in connection with the execution and delivery by the Commission of the Debt Service Reserve Forward Delivery Agreement, dated as of June 17, 1999 (the "Agreement"), by and among the Commission, the City of Fairmont, West Virginia (the "Issuer") and First Union National Bank (the "Provider"). Capitalized terms used herein and not defined herein have the respective meanings given to them in the Agreement.

In rendering this opinion, we have examined, among other things, copies of the Agreement and the Resolution.

In connection with the foregoing, we have also examined originals or copies satisfactory to us of all such corporate records, agreements, certificates and other documents as we have deemed relevant and necessary as a basis for the opinions hereinafter expressed. In such examination we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, and the conformity with the original documents of all documents submitted to us as copies.

In giving the opinions expressed below we do not purport to be experts in or generally familiar with or qualified to express legal opinions based on the laws of any jurisdiction other than the federal laws of the United States of America and the laws of the State of West Virginia (the "State").

Based upon the foregoing examination and review, we are of the opinion that:

(i)The Commission has full legal right, power and authority to enter into the Agreement.

(ii) The Agreement has been duly authorized, executed and delivered by the Commission.

(iii) The Agreement is a legal, valid and binding obligation of the Commission, enforceable against it in accordance with the terms thereof, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(iv) The execution and delivery by the Commission of the Agreement and the performance of its obligations thereunder do not and will not constitute or result in a default under, a breach or violation of, or the creation of any lien or encumbrance on any of its property under, its charter or by-laws, or the Resolution, or any other agreement, instrument, judgment, injunction or order applicable to it or any of its property.

We are furnishing this opinion to you solely for your benefit and no other person is entitled to rely hereon. This opinion is not to be used, circulated, quoted or otherwise referred to for any other purpose.

Very truly yours,

EXHIBIT E

DEBT SERVICE RESERVE FORWARD DELIVERY AGREEMENT
NOTICE OF DELIVERY

[Date of Notice]

[Provider]

Security will be delivered by Provider to:

[account information as provided in Section 10.1 of Debt Service Reserve Forward Delivery Agreement]

Date of Delivery:

Security	Interest	Maturity Date	CUSIP	Am't Due at Maturity ("Maturity Amount")	(if any)

Purchase Price :

Payment Instructions: to be paid as follows:

[Account Information]

EXECUTION COPY

SINKING FUND FORWARD DELIVERY AGREEMENT

This Sinking Fund Forward Delivery Agreement (this "Agreement"), dated as of June 17, 1999, by and among the CITY OF FAIRMONT, WEST VIRGINIA, a municipal corporation and political subdivision of the State of West Virginia (the "Issuer"), the WEST VIRGINIA MUNICIPAL BOND COMMISSION (the "Commission") and FIRST UNION NATIONAL BANK, a national bank duly organized and existing under and by virtue of the laws of the United States of America (the "Provider").

SECTION I. DEFINITIONS

For purposes of this Agreement, unless the context clearly indicates otherwise, the words and terms defined in this Section I have the respective meanings given to them herein:

"Available Sinking Fund Amount" means, on the Closing Date, the Initial Sinking Fund Investment, and at any other time, the difference between the Initial Sinking Fund Investment and the sum of each Sinking Fund Payment.

"Bond Insurer" means Ambac Assurance Corporation.

"Bond Payment Date" means with respect to each Delivery Date, each December 31 and June 30, beginning December 31, 1999, unless such date is not a Business Day, in which case "Bond Payment Date" means the immediately succeeding Business Day; provided that in determining whether any such date is a Business Day no effect shall be given to clause (c), (d) and (e) of the definition of Business Day.

"Bonds" means collectively, the Series 1998 Bonds and the Series 1999 Bonds.

"Business Day" means any day of 24 hours other than (a) a Saturday or Sunday, (b) a day on which the principal office of Commission or the Issuer is authorized or required by law to close, (c) a day on which banking institutions in the City of New York are authorized or required by law to close, (d) a day on which any Qualified Securities which may be delivered hereunder are not subject to delivery in the City of New York or (e) a day on which the Provider is required by law to close.

"Closing Date" means June 17, 1999.

"Coupon Payment" means, for any Qualified Security, a payment of interest which is due to be paid thereon prior to the scheduled maturity of such Qualified Security.

"Dealer" means a leading dealer in the relevant markets selected by the Provider in good faith (a) from among dealers of the highest credit standing which satisfy all the criteria that the Provider applies generally at the time in deciding whether to offer or to make an extension of credit and (b) to the extent practicable from among such dealers having an office in the same city.

"Default Rate" means a rate per annum equal to the lesser of (i) the cost (without proof or evidence of any actual cost to the Provider) to the Provider if it were to fund or of funding the relevant amount plus 1% per annum and (ii) the maximum rate permitted by law.

"Delivery Date" means the Closing Date and each July 1 and January 1 thereafter, unless such date is not a Business Day, in which case "Delivery Date" means the immediately succeeding Business Day.

"Delivery Notice" means a notice substantially in the form of Exhibit E to this Agreement or in such other form as provided by the Provider containing at least the information set forth in Exhibit D.

"Differential" means the amount, if any, by which the Maturity Amount of any Qualified Security delivered hereunder exceeds the Market Value thereof.

"Eligible Securities" means those securities identified in Exhibit A hereto or, if not available, direct, full faith and credit, non-callable obligations of, the United States of America.

"Financing Documents" means the Resolution.

"Guaranteed Interest" has the meaning specified in Section 6.5(b).

"Guaranteed Rate" means a rate per annum equal to 4.701% assuming that the interest on the applicable security was compounded semi-annually on the basis of a year of 360 days with twelve thirty day months.

"Incidental Expenses" has the meaning specified in Section 6.5(a).

"Initial Available Sinking Fund Amount" means $4,059,593.40.

"Issuer Event of Default" means the occurrence of an event specified in Section 6.1.

"Loss Amount" has the meaning specified in Section 6.5(a).

"Market Value" means with respect to any Qualified Security, the market value thereof on the date of delivery (including accrued interest thereon) as specified by the Qualified Dealer delivering that security.

"Maturity Amount" means, with respect to any Qualified Security delivered in respect of a Delivery Date, the amount, payable in cash, representing the principal and interest (including any Coupon Payment) due thereon on or prior to its maturity date.

"Moody's" means Moody's Investors Service, Inc.

"Permitted Investments" means Permitted Investments (as defined in the Resolution).

"Permitted Withdrawal" means any withdrawal from the Sinking Fund which is permitted under the Resolution. Notwithstanding the foregoing, in no event will a Permitted Withdrawal include any withdrawal for the purpose of reinvesting funds in the Sinking Fund in another investment obligation.

"Previously Purchased Securities" has the meaning specified in Section 2.3(b).

"Provider Cure Period" has the meaning specified in Section 6.2(a).

"Provider Event of Default" means the occurrence of an event specified in Section 6.2.

"Purchase Price" means, the price set forth in Exhibit A hereto for the United States Treasury Notes or if such United States Treasury Notes are not available, that price for such other Eligible Security delivered hereunder, as set forth in the Delivery Notice, which will produce a rate of return on such security for the period from (and including) the Delivery Date to (but excluding) its maturity date of the Guaranteed Rate.

"Qualified Dealer" means First Union Capital Markets Corp., its successors or assigns, or any other dealer in Eligible Securities selected by the Provider.

"Qualified Securities" means, for any Delivery Date, Eligible Securities which shall (i) mature not later than the day prior to the next succeeding Delivery Date and (ii) have an aggregate Purchase Price which is as close as possible to, but which does not exceed, the related Available Sinking Fund Amount.

"Resolution" means the City of Fairmont (West Virginia) Water Revenue Bonds, Series 1998 Bond Ordinance, enacted November 10, 1998, as supplemented by the City of Fairmont (West Virginia) Water Revenue Bonds, Series 1998 and Water Revenue Bonds, Series 1999 Supplemental Resolution, each dated as of December 17, 1998.

"S&P" means Standard & Poor's Ratings Services, A Division of The McGraw-Hill Companies, Inc.

"Series 1998 Bonds" means the Issuer's $9,600,000 Water Revenue Bonds, Series 1998.

"Series 1999 Bonds" means the Issuer's $19,945,000 Water Revenue Bonds, Series 1999.

"Shortfall Amount" has the meaning specified in Section 6.5(a).

"Sinking Fund" means collectively the funds created and established pursuant to the Resolution and designated thereunder as the Series 1998 Sinking Fund and the 1999 Bonds Sinking Fund.

"Sinking Fund Payment" means a payment from the Sinking Fund for a payment of interest on the Bonds in accordance with Section 4.03(l) of the Resolution.

"Sinking Fund Securities" means any Qualified Securities delivered to the Custodian hereunder.

"Specified Indebtedness" means any bond, note or other evidence of indebtedness, including without limitation the Bonds, or any guarantee.

"Termination Amount" means an amount, as determined by the Provider in good faith on the basis of the arithmetic mean of quotations from at least three Dealers, of the amount, if any, that each such Dealer would require the Provider to pay to the Dealer in consideration of

such Dealer entering into an agreement with the Provider (with such documentation as the Dealer and the Provider may in good faith agree) which would have the effect of preserving for the Provider the economic equivalent of the Provider's investment rights under this Agreement commencing on the early termination date of this Agreement and terminating on the Termination Date (assuming for these purposes that this Agreement had not terminated on the early termination date); provided, however, that:

(i)if more than three quotations are provided, the Termination Amount will be the arithmetic mean of such quotations, without regard to the quotations having the highest and lowest values,

(ii) if exactly three quotations are provided, the Termination Amount will be the quotation remaining after disregarding the highest and lowest quotations,

for purposes of clauses (i) and (ii), if more than one quotation has the same highest value or lowest value, then one of such quotations shall be disregarded, and

(iii) if the Provider is unable to obtain three such quotations, the Termination Amount shall be the amount, as reasonably determined in good faith by the Provider, to be its total losses and costs in connection with a termination of this Agreement, including any loss of bargain, cost of funding or, at the election of the Provider but without duplication, any loss or cost incurred as a result of its terminating, liquidating, obtaining or reestablishing any hedge or related trading position, and

provided further, however, that in any event the Termination Amount shall also include (A) any unpaid amounts due the Provider as of the early termination date of this Agreement (including any amounts due under Section 6.5) and (B) if such Termination Amount is being paid in connection with a termination of this Agreement following an Event of Default or if any Termination Amount otherwise due hereunder is not paid when due, the Termination Amount shall also include any incidental costs and expenses incurred by the Provider in connection with such termination and the enforcement of its rights hereunder (including costs of collection, reasonable attorneys' fees and, if applicable, a reasonable allocation of compensation and overhead attributable to time of employees of the Provider spent in connection with such termination and the enforcement of its rights hereunder). Any such Termination Amount payable to the Provider shall be payable solely from Gross Revenues (as defined in the Resolution) which are subordinate to amounts payable to the holders of the Bonds.

"Termination Date" means January 1, 2002.

SECTION II. PURCHASE AGREEMENT

Section 2.1 Purchase and Sale of Qualified Securities.

(a) The Provider shall cause a Qualified Dealer to deliver to the Commission on each Delivery Date, Qualified Securities selected by the Provider; provided that the Maturity Amount of Qualified Securities delivered on any date shall not exceed the difference between the Available Sinking Fund Amount and the Maturity Amount of Qualified Securities previously delivered by the Provider with respect to such Delivery Date and which have not yet matured.

(b) At the time of the delivery of any Qualified Securities in accordance with this Agreement by the Qualified Dealer, whether on or after a Delivery Date, the Commission shall, out of funds available in the Capitalized Fund, purchase such Qualified Securities and pay to the Qualified Dealer, in accordance with Section 2.2, an amount equal to the Purchase Price thereof.

(c) If on any Delivery Date the Provider does not cause a Qualified Dealer to deliver any Qualified Securities, or the Qualified Dealer delivers Qualified Securities which have an aggregate Maturity Amount which is less than the Available Sinking Fund Amount, then for the duration of the Provider Cure Period the Commission shall hold uninvested, until the earlier of the first Business Day succeeding the Provider Cure Period and the date on which such funds are applied to purchase Qualified Securities in accordance with this Agreement, that portion of the Available Sinking Fund Amount not applied to purchase Qualified Securities on such Delivery Date. If the Provider fails to deliver Qualified Securities as required hereunder by 10:00 a.m. New York City time on the first Business Day succeeding the Provider Cure Period, the Commission shall, on each such date, invest the Available Sinking Fund Amount in Permitted Investments with the longest possible maturities permitted under the Resolution, provided such maturities are not later than the related Bond Payment Date.

(d) The Provider is not required to own any Qualified Securities at the time of the Provider's execution of this Agreement or at any time prior to the respective delivery dates thereof. The Provider's failure to cause a Qualified Dealer to deliver Qualified Securities at any time shall not terminate or affect the Provider's right to cause a Qualified Dealer to deliver Qualified Securities at any other time prior to the termination of this Agreement.

Section 2.2 Delivery; Payment.

(a) All Qualified Securities delivered under this Agreement shall be delivered to the Commission to the account specified in Section 8.1, in such manner as at the time is generally acceptable for delivery of Qualified Securities. All Qualified Securities delivered under this Agreement shall be delivered to the Commission on a "delivery versus payment" basis.

(b) (i) The Provider shall cause the Delivery Notice to be delivered to the Commission at least one Business Day prior to the delivery of any Qualified Securities that are in book-entry form and at least two Business Days prior to the delivery of any Qualified Securities that are in certificated form.

(ii) Concurrently with the delivery of such Qualified Securities the Commission shall pay the Qualified Dealer delivering such Qualified Securities the Market Value thereof, and to the Qualified Dealer, as agent for the Provider, the Differential, if any.

Section 2.3 Downgrade of Provider. If the long-term rating of the Provider by S&P or Moody's is suspended, withdrawn or falls below "A-" by S&P or "A3" by Moody's, the Provider shall provide within two (2) Business Day's of such event, written notice of such Downgrade Event to the Issuer, Bond Insurer and the Commission and, within ten (10) days of receipt of written notice from the Issuer shall enter into an oral agreement (with written documentation to follow within forty-five (45) days) to assign its right, title and interest in this Agreement to a provider rated at least "A-" by S&P and "A3" by Moody's at the direction of the

Bond Insurer. Upon the effective date of any such assignment, the Provider shall have no further rights against or obligations to the Issuer hereunder and the Issuer shall have the same rights against, and shall owe the same obligations to, the assignee as if such assignee had been named as a party to this Agreement instead of the Provider. In the event the Provider fails to comply with this Section 2.3, the Issuer shall, by providing written notice to the Provider, have the right, at the direction of the Bond Insurer, to terminate this Agreement. Upon a termination pursuant to this Section 2.3, if the Termination Amount is a negative number, the Provider shall promptly, but no later than one Business Day after notice that such amount is due, pay such amount, in immediately available funds, to the Issuer and if the Termination Amount is a positive number, no further amounts shall be due or payable by any party hereto.

SECTION III. REPRESENTATIONS AND WARRANTIES

Section 3.1 Representations and Warranties. Each party hereto represents and warrants to the other parties hereto that:

(a) it is duly organized and validly existing under the laws of its jurisdiction, incorporation or establishment;

(b) it has the power and the authority to enter into and perform its obligations under this Agreement (including, in the case of the Issuer, to pay the Termination Amount in accordance herewith and to enter into and perform its obligations under the Resolution);

(c) this Agreement has been duly authorized, executed and delivered by it and, assuming the due authorization, execution and delivery hereof by the other parties hereto, constitutes a legal, valid and binding obligation of it enforceable against it in accordance with the terms hereof, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity regardless of whether enforcement is sought in a proceeding in equity or at law;

(d) its execution and delivery of this Agreement and its performance of its obligations hereunder do not and will not constitute or result in a default under, a breach or violation of, or the creation of any lien or encumbrance on any of its property under, its charter or by-laws (or equivalent organizational documents), or any other agreement (including in the case of the Issuer, the Resolution), instrument, law, ordinance, regulation, judgment, injunction or order applicable to it or any of its property;

(e) all consents, authorizations and approvals requisite for its execution, delivery and performance of this Agreement have been obtained and remain in full force and effect and all conditions thereof have been duly complied with, and no other action by, and no notice to or filing with, any governmental authority or regulatory body is required for such execution, delivery or performance;

(f) there is no proceeding pending or threatened against it at law or in equity, or before any governmental instrumentality or in any arbitration, which would materially impair its ability to perform its obligations under this Agreement, and there is no such proceeding pending against it which purports or is likely to affect the legality, validity or enforceability of the Agreement;

(g) in the case of the Issuer:

(i) solely in regard to its Gross Revenues (as defined in the Resolution) it is not entitled to claim, and shall not assert any claim, with respect to itself or its revenues, assets or property (irrespective of the use or intended use thereof), of immunity on the grounds of sovereignty or similar grounds from suit, jurisdiction of any court, relief by way of injunction, order for specific performance or for recovery of property, attachment of its assets (whether before or after judgment, in aid of execution, or otherwise) and execution or enforcement of any judgment to which it or its revenues or assets or property might otherwise be entitled in any suit, action or proceeding relating to this Agreement in the courts of any jurisdiction, nor may there be attributed to the Issuer or its revenues, assets or property any such immunity (nor shall such attribution be claimed by the Issuer),

(ii) the Issuer has entered into this Agreement for purposes of managing its borrowings or investments by increasing the predictability of its cash flow from earnings on its investments and not for purposes of speculation;

(iii) each of the Financing Documents to which it is a party has been duly authorized, executed and delivered by it,

(iv) assuming the due authorization, execution and delivery thereof by the other parties thereto, the Resolution constitutes a legal, valid and binding obligations of each of them, enforceable against each of them in accordance with the terms thereof, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity regardless of whether enforcement is sought in a proceeding in equity or at law,

(v) the Resolution is in full force and effect on the date hereof and no amendment, waiver or course of dealing has amended or terminated any of the terms thereof since the original execution and delivery of the Resolution, except such as may have been delivered to the Provider pursuant to Section 5.1(d) hereof,

(vi) no "event of default" or event which would with the passage of time or the giving of notice constitute an event of default has occurred and is continuing under any of the, and

(vii) the Issuer has not entered into any agreements providing for the forward delivery of Eligible Securities or for the investment of funds held in the Sinking Fund under the Resolution except for this Agreement.

SECTION IV. COVENANTS AND ACKNOWLEDGEMENTS

Section 4.1 Covenants. Each of the Provider, the Commission, the Issuer covenants to the other parties to this Agreement that so long as it shall have any obligations under this Agreement it shall:

(a) maintain in full force and effect all authorizations and agreements of and exemptions, consents, licenses, actions or approvals by, and all filings with or notices to, any governmental or other authority that are required to be obtained or made by such party with

respect to this Agreement and will use all reasonable efforts to obtain or make any that may become necessary in the future;

(b) comply in all material respects with all applicable laws, rules, regulations and orders to which it may be subject if failure so to comply could materially impair its ability to perform its obligations under this Agreement; and

(c) if it is the Issuer, not enter into any amendment or modification of the Resolution which could impair its ability to perform its obligations to the Provider hereunder except nothing contained herein shall restrict the Issuer's ability to issue additional bonds under the Resolution.

Section 4.2 Role of the Provider.

(a) It is expressly understood and agreed that for all purposes of this Agreement and the transactions contemplated hereby, the Provider has acted solely as independent contractor and has not acted as a financial or investment advisor, fiduciary or agent of or to the Issuer or any representative of the holders of the Bonds or for any other person.

(b) Neither the Provider nor any of its directors, officers, employees, agents, affiliates or representatives have made any investigation with respect to or have any liability with respect to: (i) the tax-exempt status of the Bonds, (ii) the payment of any amounts owing on or with respect to the Bonds, (iii) the use or application by the Commission or the Issuer of any moneys payable hereunder, (iv) any acts or omissions of the Commission or the Issuer under, or with respect to, the validity, tax exemption or enforceability of, the Bonds, the Resolution, or (v) the Issuer's performance of its obligations under the Bonds, the Resolution or any other agreement or instrument with respect to the Bonds. Without limiting the foregoing, the Provider shall have no duty to ascertain whether the Commission or the Issuer is in compliance with any applicable statute, regulation or law, the Resolution.

(c) The Issuer acknowledges that the economic terms of this Agreement have been individually negotiated by it and that, to the extent it has deemed necessary, it has consulted with its own legal, tax and investment advisors regarding its decision to enter into this Agreement. The Issuer understands that in entering into this Agreement pursuant to which it is agreeing upon the rate of return it will receive during the term of this Agreement on amounts held in the Sinking Fund and thereby minimizing the risks resulting from fluctuations in interest rates during the term hereof it is also foregoing the possibility of receiving greater returns on such amounts from such fluctuations.

Section 4.3 Termination Amount. The Issuer understands that if under any of the circumstances provided herein, a Termination Amount would be due, the size of such Termination Amount will vary depending, in large part, on prevailing interest rates at the time such Termination Amount is calculated. In certain market conditions the amount of the Termination Amount owed the Provider by, as applicable, the Issuer, could be substantial.

Section 4.4 Broker's Fees. Each of the Commission and the Issuer acknowledges that the Provider has paid $3,200 as a broker's or arrangement fee to Chambers, Dunhill, Rubin & Co.

SECTION V. CONDITIONS PRECEDENT

Section 5.1 Conditions Precedent. The performance of the obligations of the parties hereunder are conditioned upon satisfaction of the following conditions:

(a) delivery to the Provider and the Commission of an opinion of counsel to the Issuer, in the form of Exhibit B;

(b) delivery to the Provider and the Issuer of an opinion of counsel to the Commission, in the form of Exhibit D;

(c) delivery to the Provider and the Commission by the Issuer of a copy of the official statement for the Bonds;

(d) delivery to the Provider by the Issuer of a copy of the Resolution, each certified by an authorized officer of the Issuer as being a true and correct copy of such document as in full force and effect on the date hereof;

(e) delivery to the Provider of a copy of any consent received by the Issuer to enter into this Agreement;

(f) delivery to the Issuer and Commission of an opinion of counsel to the Provider, in the form of Exhibit C; and

(g) delivery to the Provider of a copy of the statutory or regulatory authority pursuant to which the Issuer is authorized to enter into this Agreement and a certified copy of any resolution or resolutions of the Issuer pursuant to which the Issuer is authorized to enter into this Agreement.

SECTION VI. DEFAULTS; TERMINATION

Section 6.1 Issuer Events of Default. The occurrence of any of the following events shall constitute an Issuer Event of Default:

(a) the Issuer shall withdraw money from the Sinking Fund or sell or otherwise of, any Qualified Security delivered pursuant to this Agreement other than for a Permitted Withdrawal;

(b) the Issuer shall default in the performance of any covenant or obligation under this Agreement, and such default is not cured within five Business Days of notice thereof from the Provider;

(c) any representation or warranty of the Issuer contained in this Agreement proves to have been incorrect, false or misleading in any material respect as of the date on which it was made;

(d) the Issuer (1) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (2) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due; (3) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (4) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any

other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (A) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (B) is not dismissed, discharged, stayed or restrained in each case within 30 days of the institution or presentation thereof; (5) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger); (6)(A) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets or (B)(I) there shall be appointed or designated with respect to it, an entity such as an organization, board, commission, authority, agency or body to monitor, review, oversee, recommend or declare a financial emergency or similar state of financial distress with respect to it or (II) there shall be declared or introduced or proposed for consideration by it or by any legislative or regulatory body with competent jurisdiction over it, the existence of a state of financial emergency or similar state of financial distress in respect of it; (7) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 30 days thereafter; (8) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (1) to (7) (inclusive); or (9) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts;

(e) the interest and principal outstanding under the Bonds shall be declared due and payable at any time prior to the scheduled maturity thereof;

(f) there shall be an investment of amounts in the Sinking Fund other than permitted by this Agreement; or

(g) the Issuer consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, another entity (or, without limiting the foregoing, if an entity such as an organization, board, commission authority, agency or body succeeds to the principal functions of, or powers and duties granted, to the Issuer) and, at the time of such consolidation, amalgamation, merger or transfer either (i) the resulting or surviving or transferee entity fails to assume all the obligations of the Issuer under this Agreement or by operation of law or pursuant to an agreement reasonably satisfactory to the other party to this Agreement or (ii) the creditworthiness of the resulting, surviving or transferee entity is materially weaker than that of the Issuer.

Section 6.2 Provider Events of Default. The occurrence of any of the following events shall constitute a Provider Event of Default:

(a) the Provider shall fail, on any Delivery Date, to cause a Qualified Dealer to deliver Qualified Securities and such failure is not cured within five Business Days after written notice thereof to the Provider from the Issuer or the Commission (the "Provider Cure Period"); or

(b) any representation or warranty of the Provider contained in this Agreement proves to have been incorrect, false or misleading in any material respect as of the date on which it was made.

Section 6.3 Remedies Upon Occurrence of Issuer Event of Default. Upon the occurrence of an Issuer Event of Default, the Provider shall have the right to:

(a) cause a Qualified Dealer to redeliver to the Commission or sell to any other purchaser the Qualified Securities which were to be delivered in connection with any Delivery Date and which have not theretofore been delivered to and purchased by the Commission and make demand for the payment of its losses (calculated in accordance with Section 6.5) arising out of the Commission's failure to purchase such Qualified Securities; and/or

(b) immediately terminate this Agreement by giving notice thereof to the Issuer and the Commission and make demand upon the Issuer for the payment of the Termination Amount.

If a Termination Amount is payable pursuant to this Section 6.3(b), the Issuer shall promptly, but by no later than one Business Day after notice that such amount is due from the Provider, pay such amount, in immediately available funds, to or at the direction of the Provider. If any such amount is not paid when due, the Issuer shall pay interest on such amount for each date such amount is due but not paid at the Default Rate. Any amounts payable pursuant to Section 6.3 shall be payable upon demand as provided therein.

Section 6.4 Remedies Upon Occurrence of a Provider Event of Default. Upon the occurrence of a Provider Event of Default, the Issuer shall have the right to, and at the direction of the Bond Insurer, shall:

(a) if such default is a default under Section 6.2(a), apply the Available Sinking Fund Amount to purchase Permitted Investments in accordance with Section 2.4 hereof and make demand for the payment of its losses in connection therewith, calculated as provided in Section 6.5(b);

(b) if such default is a default under Section 6.3(a) and the Provider has failed to pay the Issuer's losses (as described in Section 6.5(b)) upon demand therefor or if such default is a default under Sections 6.2(b) or (c) hereof, immediately terminate this Agreement by giving notice thereof to the Provider, whereupon the Provider shall determine the Termination Amount and (i) if the Termination Amount is a negative number, the Provider shall promptly, but no later than one Business Day after notice that such amount is due, pay such amount, in immediately available funds, to the Issuer and (ii) if the Termination Amount is a positive number, the Provider may demand payment by the Issuer of the Termination Amount in which case the Issuer shall promptly, but no later than one Business Day after notice that such amount is due, pay, in immediately available funds, the Termination Amount to the Provider. If any such amount is not paid when due, the party owing such amount shall pay interest on such amount for each date such amount is due but not paid at the Default Rate. Notwithstanding anything to the contrary in this Agreement, if the Provider fails to determine the Termination Amount within three Business Days of notice from the Issuer of the occurrence of a Provider Event of Default then the Issuer shall make such determination as if it were the Provider and the amount as so determined by the Issuer shall for purposes of this Section 6.4 be deemed the Termination Amount.

Section 6.5 Loss Amount if Failed or Late Purchase. If the Commission fails to purchase any Qualified Securities delivered by a Qualified Dealer in accordance with this Agreement, the Issuer shall pay to the Provider as liquidated damages for its losses and not as a penalty, on demand by the Provider, the sum of (w) interest on the Maturity Amount at the Default Rate of such Qualified Securities for each day from and including the delivery date thereof to but excluding the date on which such securities are resold to a third party or to the Commission, (x) the excess, if any, of the Maturity Amount of such Qualified Securities over the amount received by the Qualified Dealer upon such resale of the securities (the "Shortfall Amount"), (y) interest at the Default Rate on the Shortfall Amount from and including the resale date to but excluding the date on which the Issuer compensates the Provider for its losses as described herein, and (z) any incidental costs and expenses including reasonable legal fees and expenses ("Incidental Expenses") incurred by the Provider in connection with the Commission's failure to so purchase such Qualified Securities; provided that if the Provider elects not to cause the Qualified Dealer to redeliver the Qualified Securities to the Commission or resell such Qualified Securities to a third party, the Provider's damages shall be calculated as the sum of (x) the excess of the Maturity Amount of the Qualified Securities which the Commission failed to purchase over the Market Value thereof, (y) interest at the Default Rate on such excess from the date of attempted delivery to the Commission in accordance with this Agreement to but excluding the date on which the Issuer compensates the Provider for its losses and (z) any Incidental Expenses. All calculations of default interest herein shall be calculated on the basis of daily compounding.

Section 6.6 Limited Rights Against the Sinking Fund. Neither the Provider nor any Qualified Dealer shall have any right to any amounts held in the Sinking Fund except as expressly provided herein upon the delivery of a Qualified Security in accordance with this Agreement.

Section 6.7 No Waiver; Remedies Cumulative. No failure or delay on the Provider's part in exercising any right or remedy hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any such right or remedy preclude any other or further exercise thereof or the exercise of any other right or remedy. The Provider's rights and remedies hereunder are cumulative and not exclusive of any rights or remedies provided by law, this Agreement or otherwise. None of the terms or provisions of this Agreement may be waived, modified or amended except in a writing duly signed by the Commission, the Issuer and the Provider and consented to in writing by the Bond Insurer.

SECTION VII. RESERVED.

SECTION VIII. MISCELLANEOUS

Section 8.1 Notices. All notices, demands or other communications hereunder shall be given or made in writing and shall be delivered personally, or sent by certified or registered mail, postage prepaid, return receipt requested, or overnight delivery service, telex or telecopy to the party to whom they are directed at the following addresses, or at such other addresses as may be designated by notice from such party to all other parties:

To the Provider:

First Union National Bank
One First Union Center
301 South College Street
Charlotte, North Carolina 28288-0601

Attention: Scott Teague
Telephone: (704) 374-4220
Telecopy: (704) 383-9139

Bank Name: First Union Charlotte Capital Markets
Attention: Derivatives Desk
ABA # 053 000 219

To the Issuer:

City of Fairmont, West Virginia
PO Box 1428
200 Jackson Street
Fairmont, WV 26555
Attention: Bruce McDaniel
Telephone: 304/366-6211
Telecopy: 304/366-0228
Issuer's Tax Payer I.D.#55-6000171

To the Commission:

West Virginia Municipal Bond Commission
812 Quarrier Street, Suite 300
Charleston, WV 25301
Telephone: 304/558-3971
Telecopy: 304/558-1280

FOR DELIVERY OF BOOK-ENTRY GOVERNMENT OBLIGATIONS:

Bank Name: Mellon Bank, Pittsburg, PA
ABA #011001234
Account Name: WVIMB-WVBF0002002
Account #048771
Further Credit to: WV Investment Management Board

To the Bond Insurer:

Ambac Assurance Corporation
One State Street Plaza
New York, NY 10004
Attention: Phyllis Santry
Telephone: 212/208-3432
Telecopy: 212/480-3682

Any notice, demand or other communication given in a manner prescribed in this Section 8.1 shall be deemed to have been delivered on receipt.

Section 8.2 Binding Effect; Transfer. This Agreement shall be binding upon the Commission, the Issuer and the Provider and upon their respective permitted successors and transferees. The Provider shall be entitled to transfer this Agreement, and its interests and obligations hereunder (i) without the consent of the Commission, the Bond Insurer or the Issuer to any subsidiary or affiliate of the Provider, or to any office, branch, or subsidiary of any affiliate of the Provider by giving written notice to the Commission, the Bond Insurer and the Issuer of such transfer and the name of the transferee and (ii) with the Commission's, the Bond Insurer's and the Issuer's prior written consent (such consent not to be unreasonable withheld or delayed) to any other person; provided however, that if the Commission or the Issuer has not consented or objected to such transfer in writing within ten Business Days of the Provider's request therefor, the Issuer's or Commission's consent shall be deemed to have been given and the Provider may transfer the Agreement. Such transferee shall immediately assume the rights and obligations of the Provider hereunder and upon such transfer shall for all purposes become the Provider hereunder. Neither the Commission nor the Issuer may transfer this Agreement without the prior written consent of the Provider and the other party and consented to in writing by the Bond Insurer.

Section 8.3 Limitation. Nothing expressed or implied herein is intended or shall be construed to confer upon any person, firm or corporation other than the parties hereto, any right, remedy or claim by reason of this Agreement or any term hereof, and all terms contained herein shall be for the sole and exclusive benefit of the parties hereto, and their successors and permitted transferees.

Section 8.4 Counterparts. This Agreement may be executed in one or more counterparts and when each party hereto has executed at least one counterpart, this Agreement shall become binding on all parties and such counterparts shall be deemed to be one and the same document.

Section 8.5 Severability. If one or more provisions of this Agreement or the applicability of any such provisions to any set of circumstances shall be determined to be invalid or ineffective for any reason, such determination shall not affect the validity and enforceability of the remaining provisions or the applicability of the same provisions or any of the remaining provisions to other circumstances.

Section 8.6 Amendments, Changes and Modifications. This Agreement may be amended or any of its terms modified only by a written document authorized, executed and delivered by each of the parties hereto and consented to in writing by the Bond Insurer.

Section 8.7 Termination. Unless earlier terminated pursuant to Section 6.3 or 6.4 hereof, this Agreement shall terminate on the earlier to occur of the withdrawal of all moneys from the Sinking Fund pursuant to Section 2.4 hereof or the Termination Date.

Section 8.8 Entire Agreement. This Agreement constitutes the entire agreement and understanding of the parties with respect to its subject matter and supersedes all oral communication and prior writings with respect thereto.

Section 8.9 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to conflict of law principles, except that the capacity, power and authority of the Issuer and the Commission to enter into this Agreement and any issue relating to the interpretation of the Resolution and any ordinance, resolution, security agreement or other instrument of the Issuer and its obligations hereunder, heretofore or hereafter adopted or assumed, shall be governed by and construed in accordance with the laws of the State of West Virginia.

Section 8-10 Use of Qualified Dealer The Provider may use a Qualified Dealer in effecting the sales of Qualified Securities as contemplated herein.

IN WITNESS WHEREOF, the Issuer, the Provider and the Commission have caused this Sinking Fund Forward Delivery Agreement to be executed by their respective duly authorized officers, all as of the date and year first above written.

CITY OF FAIRMONT, WEST VIRGINIA

By: _____
Name: Bruce McDaniel
Title: City Manager

FIRST UNION NATIONAL BANK

By: _____
Name:
Title:

WEST VIRGINIA MUNICIPAL BOND COMMISSION

By: _____
Name:
Title:

IN WITNESS WHEREOF, the Issuer, the Provider and the Commission have caused this Sinking Fund Forward Delivery Agreement to be executed by their respective duly authorized officers, all as of the date and year first above written.

CITY OF FAIRMONT, WEST VIRGINIA

By:_____
Name:
Title:

FIRST UNION NATIONAL BANK

By:_____
Name: BRUCE M. YOUNG
Title: SENIOR VICE PRESIDENT

WEST VIRGINIA MUNICIPAL BOND COMMISSION

By:_____
Name:
Title:

IN WITNESS WHEREOF, the Issuer, the Provider and the Commission have caused this Sinking Fund Forward Delivery Agreement to be executed by their respective duly authorized officers, all as of the date and year first above written.

CITY OF FAIRMONT, WEST VIRGINIA

By:_____
Name:
Title:

FIRST UNION NATIONAL BANK

By:_____
Name:
Title:

WEST VIRGINIA MUNICIPAL BOND COMMISSION

By:_____
Name: R Witter Hallan
Title: Executive Director

EXHIBIT A

[Insert Schedule here]

CITY OF FAIRMONT (WV) 1998 & 1999 WATER REVENUE SINKING FUND

PURCHASE DATE	SECURITY DESC	INT RATE	MATURITY DATE	CALCULATED PAR AMOUNT	PURCHASE PRICE	CALCULATED PRIN PRICE	ACCRUED INTEREST	TOTAL PAYMENT AMOUNT
6/18/1999	US T-Notes	6.750%	6/30/1999	3,927,000.00	100.06376687	3,929,504.12	123,749.31	4,053,253.43
7/1/1999	US T-Notes	7.750%	12/31/1999	3,272,000.00	101.47632161	3,320,305.24	0.00	3,320,305.24
1/3/2000	US T-Notes	5.875%	6/30/2000	2,670,000.00	100.55704120	2,684,873.00	430.94	2,685,303.94
7/3/2000	US T-Notes	5.500%	12/31/2000	2,028,000.00	100.37459852	2,035,596.86	303.10	2,035,899.96
1/2/2001	US T-Notes	6.625%	6/30/2001	1,359,000.00	100.92057786	1,371,510.65	248.72	1,371,759.37
7/2/2001	US T-Notes	6.125%	12/31/2001	689,000.00	100.67878998	693,676.86	114.68	693,791.54

EXHIBIT B

[LETTERHEAD OF COUNSEL OF ISSUER]

June 17, 1999

First Union National Bank
One First Union Center
301 South College Street
Charlotte, North Carolina 28288-0661

West Virginia Municipal Bond Commission
812 Quarrier Street, Suite 300
Charleston, WV 25301

Re: City of Fairmont, West Virginia $9,600,000 Water Revenue Bonds, Series 1998.and $19,945,000 Water Revenue Bonds, Series 1999

Ladies and Gentlemen:

I have acted as counsel to City of Fairmont, West Virginia (the "Issuer") in connection with its execution and delivery of the Sinking Fund Forward Delivery Agreement, dated as of June 17, 1998, (the "Sinking Fund Forward Delivery Agreement"), by and among the West Virginia Municipal Bond Commission, First Union National Bank and the Issuer and its enactment and adoption of the Resolution (as defined in the Sinking Fund Forward Delivery Agreement.) Capitalized terms used herein and not defined herein have the respective meanings given to them in the Sinking Fund Forward Delivery Agreement.

In rendering this opinion, we have examined, among other things, copies of the Sinking Fund Forward Delivery Agreement and the Resolution.

In connection with the foregoing, we have also examined originals or copies satisfactory to us of all such corporate records, agreements, certificates and other documents as we have deemed relevant and necessary as a basis for the opinions hereinafter expressed. In such examination we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, and the conformity with the original documents of all documents submitted to us as copies.

In giving the opinions expressed below we do not purport to be experts in or generally familiar with or qualified to express legal opinions based on the laws of any jurisdiction other than the laws of the West Virginia (the "State").

Based upon the foregoing examination and review, we are of the opinion that:

(i)The Issuer has full legal right, power and authority to enter into the Sinking Fund Forward Delivery Agreement and to make purchases of the Qualified Securities in accordance with the terms therein.

(ii) The Sinking Fund Forward Delivery Agreement and the have been duly authorized, executed and delivered by the Issuer.

(iii) Assuming for purposes of the opinion expressed in this paragraph (iv) that State law and New York law are the same, the Sinking Fund Forward Delivery Agreement is a legal, valid and binding obligation of the Issuer, enforceable against it in accordance with the terms thereof, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(iv)The Issuer's execution and delivery of the Sinking Fund Forward Delivery Agreement and the performance of its obligations thereunder do not and will not conflict with or constitute or result in a default under, a breach or violation of, or the creation of any lien or encumbrance on any of its property under the Resolution, or any other agreement, instrument, judgment, injunction, law or regulations (including any applicable local laws or regulations) or order applicable to it or any of its property.

(v) The Resolution is a legal, valid and binding obligation of the Issuer, enforceable against it in accordance with the terms thereof, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(vi) The Issuer is not entitled to claim immunity on the grounds of sovereignty or other similar grounds with respect to itself or its revenues or assets (irrespective of their use or intended use) from (i) suit, (ii) jurisdiction of any court, (iii) relief by way of injunction, order for specific performance or for recovery of property, (iv) attachment of its assets (whether before or after judgment) or (v) execution or enforcement of any judgment to which it or its revenues or assets might otherwise be made subject to in any suit, action or proceedings relating to this Agreement in the courts of any jurisdiction and no such immunity (whether or not claimed) may be attributed to such party or its revenues or assets.

(vii)All consents, authorizations and approvals requisite for the Issuer's execution, delivery and performance of the Sinking Fund Forward Delivery Agreement have been obtained and remain in full force and effect and all conditions thereof have been duly complied with, and no other action by, and no notice to or filing with, any governmental authority, regulatory body or any other entity is required for such execution, delivery or performance.

(viii)The Sinking Fund Forward Delivery Agreement is a Qualified Investment as defined in the Resolution.

We are furnishing this opinion to you solely for your benefit and no other person is entitled to rely hereon. This opinion is not to be used, circulated, quoted or otherwise referred to for any other purpose.

Very truly yours,

EXHIBIT C

[LETTERHEAD OF COUNSEL TO THE PROVIDER]

June 17, 1999

City of Fairmont, West Virginia
PO Box 1428
200 Jackson Street
Fairmont, West Virginia 26555

West Virginia Municipal Bond Commission
812 Quarrier Street, Suite 300
Charleston, WV 25301

Re: City of Fairmont, West Virginia $9,600,000 Water Revenue Bonds, Series 1998 and $19,945,000 Water Revenue Bonds, Series 1999

Ladies and Gentlemen:

We have acted as counsel to First Union National Bank (the "Provider"), in connection with its execution and delivery of the Sinking Fund Forward Delivery Agreement (the "Sinking Fund Forward Delivery Agreement") dated as of June 17, 1999 by and among the Provider, the West Virginia Municipal Bond Commission and the City of Fairmont, West Virginia (the "Issuer"). Capitalized terms used herein and not defined herein have the respective meanings given to them in the Sinking Fund Forward Delivery Agreement.

In rendering this opinion, we have examined, among other things, a copy of the Sinking Fund Forward Delivery Agreement.

In connection with the foregoing, we have also examined originals or copies satisfactory to us of all such corporate records, agreements, certificates and other documents as we have deemed relevant and necessary as a basis for the opinions hereinafter expressed. In such examination we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, and the conformity with the authentic original documents of all documents submitted to us as copies.

In giving the opinions expressed below we do not purport to be expert in or generally familiar with or qualified to express legal opinions based on the laws of any jurisdiction other than the laws of the State of New York and the General Corporation Law of the State of Delaware and the opinions expressed herein are limited to the laws of the State of New York and the General Corporation Law of the State of Delaware.

Based upon the foregoing examination and review, we are of the opinion that:

i. The Provider has full corporate power and authority to enter into the Sinking Fund Forward Delivery Agreement.

ii. The Sinking Fund Forward Delivery Agreement has been duly authorized, executed and delivered and constitutes a legally valid and binding obligation, enforceable against the Provider in accordance with the terms (subject to applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law)).

We are furnishing this opinion to you solely for your benefit and no other person is entitled to rely hereon. This opinion is not to be used, circulated, quoted or otherwise referred to for any other purpose.

Very truly yours,

EXHIBIT D

[LETTERHEAD OF COUNSEL TO COMMISSION]

June 17, 1999

First Union National Bank
One First Union Center
301 South College Street
Charlotte, North Carolina 28288-0661

City of Fairmont, West Virginia
PO Box 1428
200 Jackson Street
Fairmont, WV 26555-1428

Re: City of Fairmont, West Virginia $9,600,000 Water Revenue Bonds, Series 1998.and $19,945,000 Water Revenue Bonds, Series 1999

Ladies and Gentlemen:

We have acted as counsel to the West Virginia Municipal Bond Commission (the "Commission") in connection with the execution and delivery by the Commission of the Sinking Fund Forward Delivery Agreement, dated as of June 17, 1999 (the "Agreement"), by and among the Commission, the City of Fairmont, West Virginia (the "Issuer") and First Union National Bank (the "Provider"). Capitalized terms used herein and not defined herein have the respective meanings given to them in the Agreement.

In rendering this opinion, we have examined, among other things, copies of the Agreement and the Resolution.

In connection with the foregoing, we have also examined originals or copies satisfactory to us of all such corporate records, agreements, certificates and other documents as we have deemed relevant and necessary as a basis for the opinions hereinafter expressed. In such examination we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, and the conformity with the original documents of all documents submitted to us as copies.

In giving the opinions expressed below we do not purport to be experts in or generally familiar with or qualified to express legal opinions based on the laws of any jurisdiction other than the federal laws of the United States of America and the laws of the State of West Virginia (the "State").

Based upon the foregoing examination and review, we are of the opinion that:

(i)The Commission has full legal right, power and authority to enter into the Agreement.

(ii) The Agreement has been duly authorized, executed and delivered by the Commission.

(iii) The Agreement is a legal, valid and binding obligation of the Commission, enforceable against it in accordance with the terms thereof, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(iv) The execution and delivery by the Commission of the Debt Service Reserve Forward Delivery Agreement and the performance of its obligations thereunder do not and will not constitute or result in a default under, a breach or violation of, or the creation of any lien or encumbrance on any of its property under, its charter or by-laws, or the Resolution, or any other agreement, instrument, judgment, injunction or order applicable to it or any of its property.

We are furnishing this opinion to you solely for your benefit and no other person is entitled to rely hereon. This opinion is not to be used, circulated, quoted or otherwise referred to for any other purpose.

Very truly yours,

EXHIBIT E

SINKING FUND FORWARD DELIVERY AGREEMENT
NOTICE OF DELIVERY

[Date of Notice]

[Qualified Dealer or the Provider]

Security will be delivered by Qualified Dealer to:

[account information as provided in Section 8.1 of Sinking Fund Forward Delivery Agreement]

Date of Delivery:

Security	Interest	Maturity Date	CUSIP	Am't Due at Maturity ("Maturity Amount")	(if any)

Purchase Price (same as Maturity Amount):

Market Value = $[ ]
Differential = $[ ]

Payment Instructions:

Maturity Amount to be paid as follows:

[Market Value to be paid to Qualified Dealer in its individual capacity; and the Differential to be paid to Qualified Dealer in its capacity as agent for the Provider at the following account]:

[or]

[Market Value to be paid to Qualified Dealer Differential to be the Provider at the following accounts]:

[Account Information]

MBIA Inc.

FLEXIBLE DRAW
INVESTMENT AGREEMENT

This **INVESTMENT AGREEMENT** dated as of January 14, 1999 among MBIA Inc., a Connecticut corporation ("INC"), One Valley Bank, Inc., as depository bank (the "Depository Bank") under an ordinance enacted by the Council of the Issuer on November 10, 1998 (the "Ordinance"), as supplemented by a supplemental resolution adopted by the Council (as defined in the Ordinance) of the City of Fairmont, West Virginia (the "Issuer") on December 17, 1998 (the "Supplemental Resolution" and collectively with the Ordinance, hereinafter the "Ordinance") providing for the issuance of the City of Fairmont, West Virginia $9,600,000 Water Revenue Bonds, Series 1998 and the $19,945,000 Water Revenue Bonds, Series 1999 (the "Bonds") and the Issuer.

WHEREAS, the Depository Bank is authorized upon the instruction of the Issuer and pursuant to the Ordinance to invest certain monies with INC;

WHEREAS, INC is prepared to accept such investment from the Depository Bank, subject to the terms and conditions set forth in this Agreement, and

WHEREAS, Ambac Assurance Corporation (in its capacity as insurer of the Bonds, (the "Bond Insurer") has agreed to issue its financial guaranty insurance policy (the "Bond Insurance Policy") guaranteeing the payment of principal and interest on the Bonds as the same becomes due.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants contained herein, the parties hereto agree as follows:

Article 1. <u>Definitions.</u>

As used herein, the following terms have the meanings indicated;

"Agreement" means this Investment Agreement among INC, the Depository Bank and the Issuer.

"Agreement Termination Date" means (a) in the case of the Series 1998 Account of the Construction Fund, the earlier of (i) October 1, 2000, (ii) the date on which all of the Bonds have been redeemed, refunded or otherwise defeased or (iii) the date on which all of the Available Amounts Invested have been withdrawn, (b) in the case of the Series 1999 Account of the Construction Fund, the earlier of (i) August 1, 2001, (ii) the date on which all of the Bonds have been redeemed, refunded or otherwise defeased or (iii) the date on which all of the Available Amounts Invested have been withdrawn.

"Amounts Invested" means the initial principal invested, which is (i) in the case of the Series 1998 Account of the Construction Fund, $7,266,920.00, and (ii) in the case of the Series 1999 Account of the Construction Fund, $15,074,677.61.

"Available Amounts Invested" means, as of any date, the Amounts Invested plus any Earnings less any Withdrawals made.

"Business Day" means any day which is not a Saturday or Sunday or a day on which commercial banks in the State of New York or the Depository Bank are authorized or required by law to be closed.

"Cash" means such coin or currency of the United States of America as at the time shall be legal tender for payment of public and private debts.

"Collateral" means the cash and Securities delivered to the Depository Bank pursuant to Article 4 hereof.

"Collateral Requirement" means (i) if the Collateral consists of Securities defined in clause (i) of the definition of Securities herein, an amount equal to 104% of all Available Amounts Invested, determined at the date of delivery of the Collateral or (ii) if the Collateral consists of Securities defined in clause (ii) or (iii) of the definition of Securities herein, an amount equal to 105% of all Available Amounts Invested, determined at the date of delivery of the Collateral, or (iii) if cash, 100% of all Available Amounts Invested, determined at the time of delivery of the Collateral.

"Construction Fund" means the fund as defined in the Ordinance.

"Earnings" means, with respect to each Fund, the interest which will accrue daily at the Interest Rate on the Amounts Invested less any principal withdrawn on the close of each Business Day.

"Fund" or "Funds" means the Series 1998 Account of the Construction Fund, and/or the Series 1999 Account of the Construction Fund as such Accounts are defined herein.

"Insurer" means MBIA Insurance Corporation, a New York stock insurance company, in its capacity as guarantor of INC's obligations under this Agreement.

"Insurer Downgrade" means (i) the reduction of the claims-paying ability rating of the Insurer below "AA-" or "Aa3" by Standard & Poor's Ratings Service or Moody's Investors Service, Inc., respectively or (ii) the reduction of the claims-paying ability rating of the Insurer below "A" or "A2" by Standard & Poor's Ratings Service or Moody's Investors Service, Inc., respectively.

"Interest Payment Date" means each January 1 and July 1, beginning July 1, 1999.

"Interest Rate" means for each Fund, 5.02%, calculated on the basis of a 30-day month and a 360-day year.

"Investment Date" means January 14, 1999.

"Market Value" means, with respect to the Collateral, the amount determined in the manner set forth below:

(i) with respect to Securities constituting Collateral other than Cash, the closing bid price for such Securities as quoted by Interactive Data Systems, Inc. or another nationally recognized pricing service, plus accrued interest, and (ii) with respect to Cash and cash proceeds of Collateral, the amount thereof; provided that, if the requisite quotes are not available as aforementioned or if either party reasonably disputes such quotes, the other party will attempt to agree with any revisions. If, however, an agreement cannot be reached, each party may submit a list of closing bid prices as of the date of such valuation quoted by a nationally recognized dealer (not affiliated with either party) in such Securities, in which case the Market Value shall be the arithmetic mean of the closing bid prices submitted by the parties.

"Policy" means the financial guaranty insurance policy issued by the Insurer, a copy of which is attached hereto as Exhibit A.

"Securities" means (i) securities issued or guaranteed by the United States Government or the Government National Mortgage Association, (ii) securities, including mortgage participation certificates and mortgage pass-through certificates, issued by the Federal National Mortgage Association or the Federal Mortgage Home Loan Mortgage Corporation, and (iii) such other securities as INC and the Depository Bank may agree to in writing, with the consent of the Bond Insurer.

"Series 1998 Account of the Construction Fund" means that portion of the Construction Fund equal to the Amounts Invested for such Account to be used for the 1998 project.

"Series 1999 Account of the Construction Fund" means that portion of the Construction Fund equal to the Amounts Invested for such Account to be used for the 1999 project.

"Withdrawal" means (i) the withdrawal pursuant to Section 2.2, of all or any portion of the Amounts Invested and/or any Earnings, on a Withdrawal Date or the Agreement Termination Date; or (ii) the payment of Earnings on the Funds pursuant to Section 2.4.

"Withdrawal Date" means, with respect to each Fund, (i) the dates set forth in a notice from the Depository Bank given in accordance with Section 2.2, (ii) the dates specified for the payment of interest under Section 2.4 or (iii) any date on which monies are withdrawn under Section 5.2.

Article 2. Investment.

2.1 Delivery of Amounts Invested

(a) On the Investment Date, the Depository Bank shall deliver the Amounts Invested in immediately available funds for the credit of INC's account as specified in Section 8.10(b) and INC shall accept the Amounts Invested from the Depository Bank. It is understood that INC will not segregate or separately account for the Amounts Invested held hereunder. The Depository Bank is required to maintain accurate records with respect to the principal of the Amounts Invested in the Funds.

(b) With respect to the Funds, the Issuer and the Depository Bank certify that no other monies are currently available to pay project costs outside of the Amounts Invested, and that if other monies outside of the Amounts Invested herein are available to pay project costs, the Amounts Invested herein are being used prior to such monies.

2.2 Withdrawal.

(a) Withdrawals may only be made on a Withdrawal Date, only on a pro rata basis with other investments, if any, in the Fund, and only for those purposes identified in the Ordinance as permitted uses of the Fund from which the money is withdrawn. In the case of the Series 1999 Account of the Construction Fund, no Withdrawals are permitted until October 1, 1999 except for $900,000.00 which can be drawn prior to October 1, 1999. Under no circumstances may Withdrawals be made for the purpose of reinvestment or to replace the Amounts Invested in the Fund with an alternative credit facility, including but not limited to a surety bond or a letter of credit.

(b) Notwithstanding the foregoing, Withdrawals may be made in such amounts and at such times as are necessary, in the opinion of nationally recognized bond counsel, to preserve the tax-exempt status of the Bonds.

(d) In order to make a Withdrawal, the Depository Bank shall deliver written notice to INC by 11:00 a.m. New York Time at least 2 Business Days prior to the date on which the Withdrawal is to be made. The Depository Bank shall use its best efforts to advise INC at least 5 Business Days ahead of an anticipated Withdrawal Date of the amount to be withdrawn. Notices of Withdrawals in the form attached as Exhibit C shall certify that such Withdrawal is being made in accordance with the permitted use of such Funds pursuant to the Ordinance and Section 2.1(b).

2.3 Transfers of Monies.

Amounts Invested shall be transferred to INC on or before 11:00 a.m. New York Time on the Investment Date. Withdrawals shall be transferred to the Depository Bank by 3:00 p.m. New York Time on a Withdrawal Date. Such transfer shall be made to the accounts specified in Section 8.10(b) unless either party has designated another account in writing at least 5 Business Days prior to the date of the transfer. Any expenses incurred in connection with such transfers shall be borne by the transferor.

2.4 Interest on Amounts Invested.

The Earnings, from and including the Investment Date, to but excluding the Agreement Termination Date, shall be paid by INC by wire transfer to the Depository Bank in immediately available funds on each Interest Payment Date, or if such date is not a Business Day, on the next preceding Business Day.

2.5 Monthly Reports by INC.

INC shall provide to the Depository Bank, the Issuer and the Bond Insurer at the end of each month, reports setting forth the Available Amounts Invested, Withdrawal activity during the month and interest accrued and paid during the month for each Fund.

2.6 Notices to INC.

The Issuer or the Depository Bank shall notify INC in writing at least 30 Business Days prior to any date on which any of the Bonds are to be redeemed, refunded or otherwise defeased.

The Issuer or the Depository Bank will provide INC with monthly reports on construction progress which include any revisions to the Projected Draw Schedule attached hereto as Exhibit B.

The Issuer or the Depository Bank will provide INC with two (2) copies of the final official statement and Ordinance with respect to the Bonds.

2.7 Termination.

This Agreement shall terminate on the Agreement Termination Date or if such date is not a Business Day, on the next succeeding Business Day. Upon such termination, INC shall transfer to the Depository Bank any amounts not previously withdrawn hereunder, and any Collateral delivered pursuant to Article 4 hereof shall be returned to INC.

Article 3. Delivery of Policy.

On or before the Investment Date, INC shall deliver or cause to be delivered to the Depository Bank the Policy, a copy of which is attached hereto as Exhibit A.

Article 4. Collateralization Upon Insurer Downgrade.

If an Insurer Downgrade as described in (i) of the definition of Insurer Downgrade occurs, INC shall notify the Issuer and the Bond Insurer within 5 Business Days of the receipt by it of notice of such downgrade. At the option of the Issuer or the Bond Insurer, INC shall within 10 Business Days of the receipt by it of a notice of such downgrade either (a) return all of the Available Amounts Invested to the Issuer or (b) deliver, and grant to the Issuer, as custodian, a first and prior security interest in and to the Collateral, in an amount which shall be equal to the

Collateral Requirement. The Depository Bank, as custodian, shall determine weekly the Market Value of any Collateral delivered and notify INC of such valuation. If the Market Value of the Collateral is less than the Collateral Requirement, then INC, within 2 Business Days of receipt of notice of the valuation, shall deliver additional Collateral in an amount necessary to satisfy the Collateral Requirement. If the Market Value of the Collateral is in excess of the Collateral Requirement, the Depository Bank as custodian, shall, pursuant to INC's instructions, deliver to INC within 2 Business Days of receipt of such instructions Collateral having a Market Value equal to such excess.

If an Insurer Downgrade as described in (ii) of the definition of Insurer Downgrade occurs, INC shall notify the Issuer within 5 Business Days of the receipt by it of notice of such downgrade. At the option of the Issuer or the Bond Insurer, INC shall within 10 Business Days of the receipt by it of notice of such downgrade, return all of the Available Amounts Invested to the Issuer.

If, as a result of an Insurer Downgrade, INC returns all of the Available Amounts Invested to the Trustee, this Agreement shall be terminated on the date of such return as if it were an Agreement Termination Date.

Article 5. Default.

5.1 Events of Default.

The following events shall constitute events of default under this Agreement (each an "Event of Default"):

(a) INC and the Insurer on behalf of INC shall fail to make any payment when due pursuant to Article 2 of this Agreement and such failure shall have continued for 1 Business Day after the receipt by INC and the Insurer of written notice thereof from the Depository Bank.

(b) INC shall fail to perform or observe any of its other material obligations under this Agreement and such failure shall have continued for more than 10 Business Days after receipt by INC of written notice from the Depository Bank.

(c) INC or the Insurer shall (i) voluntarily commence any proceeding or file any petition seeking relief under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law, (ii) consent to the institution of, or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for such party or for a substantial part of its property, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, (vi) become unable, admit in writing its inability or fail generally to pay its debts as they become due or (vii) take action for the purpose of effecting any of the foregoing.

(d) An involuntary proceeding shall be commenced or any involuntary petition shall be filed in a court of competent jurisdiction seeking (i) relief in respect of INC or the Insurer, or of a substantial part of either of their properties, under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law or (ii) the appointment of a receiver, trustee, custodian, sequestrator or similar official for INC or the Insurer, or for a substantial part of either of their properties; and such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall continue unstayed and in effect for 30 days.

(e) The termination (other than pursuant to its terms) or repudiation of the Policy or the taking of any other action by the Insurer which challenges the validity of the Policy.

5.2 Rights and Obligations Upon an Event of Default.

(a) Upon the occurrence of an Event of Default specified in Section 5.1(c) or (d) hereof, all Available Amounts Invested shall immediately become due and payable. Upon the occurrence and continuance of any other Event of Default specified in Section 5.1 hereof, the Depository Bank may, at the direction of the Bond Insurer, declare all Available Amounts Invested to be immediately due and payable. If, as a result of an Event of Default, all Available Amounts Invested shall be, or be declared to be, immediately due and payable, then, with respect to any Collateral delivered pursuant to Article 4, the Depository Bank shall have the right to exercise its rights as a secured party under the Uniform Commercial Code, including the right, upon 2 Business Days notice to INC, to sell the whole or any part of the Collateral at such price or prices as the Depository Bank may deem reasonable, but for not less than the market value of such Collateral. The proceeds of the sale of all or any part of the Collateral shall be applied against amounts owed hereunder by INC, with the surplus, if any, remaining after satisfaction of INC's obligations hereunder to be returned to INC.

(b) If, as a result of the occurrence of an Event of Default, all Available Amounts Invested are withdrawn by the Depository Bank, this Agreement shall be terminated on the date of such withdrawal as if such date were an Agreement Termination Date.

Article 6. Representations and Warranties.

6.1 Representations and Warranties of the Depository Bank.

The Depository Bank represents and warrants to INC that:

(i) it has reviewed, understands, and agrees to be bound by the declaration set forth in Section 8.11 hereof;

(ii) it is duly authorized to enter into this Agreement and to perform all of its obligations contemplated hereunder;

(iii) this Agreement constitutes the legal, valid and binding obligation of the Depository Bank enforceable in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, receivership or other similar laws relating to or limiting the enforceability of creditors' rights generally, or general equitable principles regardless of whether such enforceability is considered in a proceeding at law or in equity;

(iv) the execution, delivery and performance of this Agreement by the Depository Bank does not and will not result in a breach or violation of, or cause a default under its charter or bylaws or any provision of any law, regulation, order, indenture, contract or agreement binding upon the Depository Bank; and

(v) it is authorized by the Ordinance to make the investments contemplated by this Agreement on the terms hereunder.

6.2 Representations and Warranties of the Issuer.

The Issuer represents and warrants to INC that:

(i) it has reviewed, understands, and agrees to be bound by the declaration set forth in Section 8.11 hereof;

(ii) it understands that neither INC nor any person representing INC has made any representation to it with respect to INC or the offering or sale of this Agreement or the Policy other than as set forth herein;

(iii) it has had access to such financial and other information concerning INC and the Insurer as it has deemed necessary in connection with its decision to invest the Amounts Invested hereunder;

(iv) it is not investing in this Agreement or the Policy with a view to any distribution thereof in violation of the Securities Act of 1933;

(v) it is duly authorized to enter into this Agreement and to perform all of its obligations hereunder;

(vi) this Agreement constitutes the legal, valid and binding obligation of the Issuer enforceable in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization moratorium, receivership or other similar laws relating to or limiting the enforceability of creditors' rights generally or general equitable principles, regardless of whether such enforcement is considered in a proceeding at law or in equity; and

(vii) the execution, delivery and performance of this Agreement by the Issuer does not and will not result in a breach or violation of, or cause a default under, its charter or by-laws or any provision of any law, regulation, order, contract or agreement binding upon the Issuer or its assets.

6.3 Representations and Warranties of INC.

INC represents and warrants to the Depository Bank and the Issuer that:

(i) it is duly authorized to enter into this Agreement and the transactions contemplated hereby;

(ii) this Agreement constitutes the legal, valid and binding obligation of INC enforceable in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, receivership or other similar laws relating to or limiting the enforceability of creditors' rights generally, or general equitable principles, in a proceeding at law or in equity; and

(iii) the execution, delivery and performance of this Agreement by INC does not and will not result in a breach or violation of or cause a default under, its charter or by-laws or any provision of any agreement, instrument, judgment, injunction or order applicable to or binding upon INC.

Notwithstanding any provision of this Agreement to the contrary, INC makes no representation regarding the consequences, if any, on the exclusion from gross income of interest on the Bonds for federal income tax purposes which may result from the transactions contemplated by this Agreement.

Article 7. Obligations of INC.

7.1 Limitation on INC's Liability.

In no event shall the performance of its obligations under this Agreement impose upon INC, or upon any director, officer, employee, agent or representative thereof, any liability or responsibility with respect to (i) the validity or enforceability of the Bonds or the Ordinance, or any payments with respect to such Bonds or Ordinance or (ii) any acts or omissions of the Depository Bank, including those with respect to (a) the Bonds or the Ordinance, (b) the use or application of any monies payable to the Depository Bank under this Agreement or (c) the performance of any obligations imposed upon the Depository Bank pursuant to this Agreement, the Ordinance or any other agreement or instrument entered into with respect to the Bonds. In furtherance and not in limitation of this Section 7.1 and irrespective of any review of the Ordinance or its familiarity with similar such documents, INC shall neither have any duty (i) to enforce or comply with the terms of the Ordinance, nor (ii) to investigate, supervise or insure the Depository Bank's compliance with such terms or the terms of this Agreement. The Depository Bank hereby acknowledges that INC and the Insurer may have business relationships with the Issuer and other persons with respect to the Bonds in addition to those created pursuant to this Agreement.

7.2 Unconditional Obligation.

The obligations of INC under this Agreement are unconditional and INC hereby waives any right of setoff or counterclaim with respect to the Available Amounts Invested.

Article 8. Miscellaneous.

8.1 Disclosure Concerning INC and the Insurer.

The parties hereto hereby agree that they will not, or permit any other person to, include in any official statement, offering circular, information memorandum or other disclosure document prepared with respect to the Bonds the name of INC or the Insurer or any other information relating to INC, the Insurer, the Agreement or the Policy without INC's prior written consent.

8.2 Waiver and Amendment.

No failure or delay on the part of INC or the Depository Bank in exercising any right, power or remedy hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any such right or remedy preclude any other right or remedy. The rights and remedies of INC or the Depository Bank hereunder are cumulative and are not exclusive of any rights or remedies provided by law or equity or in any other contract between the Depository Bank and INC or the Insurer. No provision of this Agreement may be amended, waived, modified or terminated, except in a writing duly signed by INC, the Issuer, the Insurer and the Depository Bank, and consented to by the Bond Insurer.

8.3 Survival.

All warranties, representations and obligations contained herein or in any of the instruments or documents delivered pursuant to this Agreement shall survive the delivery of any such instruments or documents.

8.4 Successors and Assigns.

This Agreement shall bind and the benefits hereof shall inure to the parties hereto and their respective successors and assigns. Notwithstanding the foregoing, this Agreement, and the obligations and rights arising out of this Agreement or any part hereof, shall not be sold, pledged or assigned or otherwise transferred by INC or the Depository Bank without the prior written consent of the other parties hereto and the Bond Insurer; provided however that INC may transfer this Agreement or any of its interests or obligations hereunder to any subsidiary of INC or the Insurer, if from and after such transfer the obligations of the transferee hereunder shall be guaranteed by the Insurer under terms at least as favorable as the terms of the Policy. In addition, this Agreement may not be transferred in whole or in part to any other series of bonds, including but not limited to any bonds refunding the Bonds, without the prior written consent of INC.

8.5 Governing Law.

This Agreement and the rights and obligations of the parties hereunder shall to the extent permissible under the Constitution and laws of the State of West Virginia, be governed by and construed and interpreted in accordance with the laws of the State of New York.

8.6 Severability.

In the event any provision of this Agreement is declared invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provisions hereof.

8.7 Counterparts.

This Agreement may be executed in any number of copies and by the different parties hereto on the same or separate counterparts, each of which shall be deemed to be an original instrument.

8.8 Integration of Terms.

This Agreement contains the entire agreement between the parties relating to the subject matter hereof and supersedes all oral statements and prior writings with respect thereto.

8.9 Descriptive Headings.

The descriptive headings of the various articles and sections of this Agreement are inserted for convenience of reference only and shall not be deemed to affect the meaning or construction of any of the provisions hereof.

8.10 Notices and Wire Transfer Directions.

(a) All written notices, requests, demands and other communications hereunder shall be deemed to have been duly given or made when actually received. All such communications shall be addressed to the attention of the person listed below, or to such other address or to the attention of such other person as such party shall have designated in writing to the other parties hereto.

If to INC:

MBIA Inc.
c/o MBIA Investment Management Corp.
113 King Street
Armonk, New York 10504
Attention: Marc D. Morris
Telephone: 914-765-3686
Telecopy: 888-765-3307

If to the Depository Bank:

One Valley Bank, Inc.
120 Fairmont Avenue
Fairmont, West Virginia 26554
Attention: David Kelly
Telephone: 304-368-3207
Telecopy: 304-368-3244

If to the Issuer:

City of Fairmont, West Virginia
200 Jackson Street
Fairmont, West Virginia 26555-1428
Attention: City Manager
Telephone: 304-366-6211
Telecopy: 304-366-0228

If to the Bond Insurer:

Ambac Assurance Corporation
One State Street Plaza, 18th floor
New York, New York 10004
Attention: Phylis Santry,
Health Care Underwriting
Telephone: 212-208-3432
Telecopy: 212-480-3682

(b) Unless otherwise designated in writing by any party to the other parties hereto, wire transfers and instructions shall be made as follows:

If to INC:

For Cash:

The Chase Manhattan Bank, N.A.
ABA#: 021000021
A\C = 900-9-002206
BBK = Chase Manhattan Bank, N.A.
A/C: #89922280
BNF: MBIA Inc.

For Securities:

Chase NYC/TRUST
ABA #: 021000021
Reference #: 89922280
MBIA Inc.

If to the Depository Bank:

One Valley Bank, Inc./Morgantown, WV
ABA # 051-503-268
Re: Fairmont Water Bonds
Credit to: City of Fairmont Water Utility
Systems Construction Account
Acct. # 2001001783

8.11 Securities Act of 1933.

NEITHER THIS AGREEMENT NOR THE ATTACHED POLICY HAS BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR UNDER ANY STATE SECURITIES OR BLUE SKY LAWS AND NO SUCH REGISTRATION WILL BE UNDERTAKEN. CONSEQUENTLY, THIS AGREEMENT AND THE POLICY MAY NOT BE RESOLD, TRANSFERRED OR ASSIGNED, EXCEPT AS PERMITTED HEREUNDER AND THEN ONLY IF REGISTERED PURSUANT TO SUCH SECURITIES ACT AND BLUE SKY LAWS OR IF AN EXEMPTION FROM REGISTRATION IS AVAILABLE, UNLESS SUCH RESALE, TRANSFER OR ASSIGNMENT IS UNDERTAKEN IN CONNECTION WITH THE TRANSFER HEREOF TO A SUCCESSOR TRUSTEE UNDER THE INDENTURE OR AN ASSIGNMENT HEREOF TO THE INSURER UPON A PAYMENT BY THE INSURER UNDER THE POLICY. THE TRUSTEE ON BEHALF OF THE ISSUER AFFIRMS THAT THIS AGREEMENT AND THE POLICY ARE BEING ACQUIRED FOR INVESTMENT AND NOT WITH AN INTENT TO MAKE A PUBLIC DISTRIBUTION THEREOF.

IN WITNESS WHEREOF, each of the parties hereto have caused this Agreement to be duly executed and delivered as of the date first above written.

MBIA INC.

By: _____

Title: Vice President

CITY OF FAIRMONT, WEST VIRGINIA

By: _____

Title: City Manager

ONE VALLEY BANK, INC., as Depository Bank

By: _____

Title: Regional President

IA3INC (ifd)

MBIA

EXHIBIT A
INVESTMENT AGREEMENT
FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation
Armonk, New York 10504

Policy No. INC-0336

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this Policy, hereby unconditionally and irrevocably guarantees to One Valley Bank (the "Depository Bank"), or its successor, the full and complete payment required to be made by MBIA Inc. (the "Obligor") of an amount equal to (i) amounts due under the Investment Agreement dated January 14, 1999 among the Obligor, the Depository Bank and City of Fairmont, West Virginia (the "Issuer") (the "Agreement") as such payments shall become due but shall not be so paid; and (ii) the reimbursement of any such payment which is subsequently recovered from the Depository Bank pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to the Depository Bank within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts."

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Depository Bank that the payment of an Insured Amount for which is then due, has not been made, the Insurer on the due date of such payment or within one Business Day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment of any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due under the Agreement as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for the Depository Bank in any legal proceeding related to payment of Insured Amounts under the Agreement, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to the Depository Bank payment of the Insured Amounts due under the Agreement.

Subject to the terms of the Agreement, the Insurer shall be subrogated to the rights of the Depository Bank to receive payment under the Agreement to the extent of any payment by the Insurer hereunder.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

MBIA

This policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

This policy is non-cancelable for any reason. The premium on this policy is not refundable for any reason.

"Business Day" means any day which is not a Saturday or Sunday or a day on which commercial banks in the State of New York or the Depository Bank are authorized or required by law to be closed.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this 14th day of January, 1999.

MBIA Insurance Corporation

Richard Weill

President

Attest:

Assistant Secretary

INC-1

EXHIBIT B

PROJECTED DRAW SCHEDULE

Date	Series 1998 Account of the Construction Fund Withdrawal Amounts	Series 1999 Account of the Construction Fund Withdrawal Amounts
02/01/99	384,006	
03/01/99	356,539	
04/01/99		357,850
05/01/99		359,164
06/01/99	177,498	182,986
07/01/99	361,809	
08/01/99	363,138	
09/01/99	364,472	
10/01/99	365,812	
11/01/99	367,156	
12/01/99	368,505	
01/01/00	369,859	
02/01/00	1,311,218	
03/01/00	1,316,036	
04/01/00	1,124,410	
05/01/00	36,462	1,169,815
06/01/00		1,210,709
07/01/00		1,282,005
08/01/00		852,211
09/01/00		855,342
10/01/00		858,485
11/01/00		861,639
12/01/00		864,805
01/01/01		867,983
02/01/01		871,172
03/01/01		874,373
04/01/01		877,586
05/01/01		880,811
06/01/01		884,047
07/01/01		963,692
Total	7,266,920	15,074,678

EXHIBIT C

FORM OF WITHDRAWAL NOTIFICATION

MBIA Inc.
c/o MBIA Investment Management Corp.
113 King Street
Armonk, NY 10504
Attention: IA Administrator
Re: City of Fairmont, Series 1998&1999/INC 335

Reference is made to the **Investment Agreement** (the "Agreement") dated as of January 14, 1999 among MBIA Inc. ("INC"), One Valley Bank, Inc. (the "Depository Bank") and the City of Fairmont, West Virginia (the "Issuer"). Any capitalized term used herein and not defined shall have its respective meaning as set forth in the Agreement.

The undersigned, a duly authorized officer of the Depository Bank, hereby requests a Withdrawal from the [Series 1998 Account of the Construction Fund] [Series 1999 Account of the Construction Fund], as follows:

Request Date: _____ (by 11:00 a.m. New York Time)
Withdrawal Date: _____ (at least two (2) Business Days after request date)

Withdrawal Amount Requested: $_____

In making this Withdrawal request, the Depository Bank certifies the following:

(1) The Withdrawal is being made in accordance with a permitted use of such Fund pursuant to the Ordinance, and the Withdrawal is *not* being made for the purpose of reinvestment or to replace the Amounts Invested in the Fund with an alternative credit facility, including but not limited to a surety bond or a letter of credit.

(2) If the amount being requested above is greater than the Available Amounts Invested, INC is authorized to amend the amount requested to be equal to the Available Amounts Invested as of the Withdrawal Date above.

(3) If other monies outside of the Amounts Invested herein are available to pay project costs, the Amounts Invested herein are being used prior to such monies.

(4) The Withdrawal Date above [is] [is not] the Agreement Termination Date.

IN WITNESS WHEREOF, the Depository Bank has executed and delivered this notice as of the request date written above.

One Valley Bank, Inc., as Depository Bank

By:_____

Title:_____

Results of Bid

CITY OF FAIRMONT, WEST VIRGINIA
Water Revenue Bonds, Series 1998
Water Revenue Bonds, Series 1999

Capitalized Interest Fund and Debt Service Reserve Fund	Credit Rating (Moody's/S&P)	Interest Rate	Comments
Bear Stearns & Co., Inc.	A2/A	pass	
First Union National Bank	Aa3/A+	4.701%	winner
Lehman Government Securities	A3/A	4.498%	
Morgan Guaranty Trust Company	Aa1/AA+	4.62%	
National Westminster Bank, Plc.	Aa2/AA	pass	
NationsBank, N.A.	Aa2/AA-	4.50%	

68A

CITY OF FAIRMONT, WEST VIRGINIA
Water Revenue Bonds, Series 1998
Water Revenue Bonds, Series 1999

Letter of Acceptance

We hereby submit our competitive bid and agree to enter into a Forward Purchase Contract at a Fair Market Price, subject to all the terms and conditions stated in the foregoing Request for Bids on Forward Purchase Contract. We have read and understand all of the terms and conditions stated in the foregoing Request for Investment Agreement and, unless otherwise stated in writing below, agree to all of such terms in their entirety if we are awarded the investment.

Guaranteed Yield: 4.701 %

Firm: First Union

By: _____
Authorized Representative

Dated: 1/5/99

CITY OF FAIRMONT, WEST VIRGINIA
Water Revenue Bonds, Series 1998
Water Revenue Bonds, Series 1999

Letter of Acceptance

We hereby submit our competitive bid and agree to enter into a Forward Purchase Contract at a Fair Market Price, subject to all the terms and conditions stated in the foregoing Request for Bids on Forward Purchase Contract. We have read and understand all of the terms and conditions stated in the foregoing Request for Investment Agreement and, unless otherwise stated in writing below, agree to all of such terms in their entirety if we are awarded the investment.

Guaranteed Yield: 4.62 %

Firm: M GT

Dated: 1/5/99

By: [signature]
Authorized Representative
Ajay Nagpal
Vice President

1. Agreement subject to New York law and venue
2. DSRF replenishment within 6 mo. of draw

310-813-7101

CITY OF FAIRMONT, WEST VIRGINIA
Water Revenue Bonds, Series 1998
Water Revenue Bonds, Series 1999

Letter of Acceptance

We hereby submit our competitive bid and agree to enter into a Forward Purchase Contract at a Fair Market Price, subject to all the terms and conditions stated in the foregoing Request for Bids on Forward Purchase Contract. We have read and understand all of the terms and conditions stated in the foregoing Request for Investment Agreement and, unless otherwise stated in writing below, agree to all of such terms in their entirety if we are awarded the investment.

Guaranteed Yield: 4.50 %

Firm: NationsBank

Dated: 1/5/98

By: Doug Campbell
Authorized Representative

CITY OF FAIRMONT, WEST VIRGINIA
Water Revenue Bonds, Series 1998
Water Revenue Bonds, Series 1999

Letter of Acceptance

We hereby submit our competitive bid and agree to enter into a Forward Purchase Contract at a Fair Market Price, subject to all the terms and conditions stated in the foregoing Request for Bids on Forward Purchase Contract. We have read and understand all of the terms and conditions stated in the foregoing Request for Investment Agreement and, unless otherwise stated in writing below, agree to all of such terms in their entirety if we are awarded the investment.

Guaranteed Yield: 4.498 %

Firm: Lehman

By: _____
Authorized Representative

Dated: 1/5/99

Results of Bid

CITY OF FAIRMONT, WEST VIRGINIA
Water Revenue Bonds, Series 1998
Water Revenue Bonds, Series 1999

Construction Fund	Credit Rating (Moody's/S&P)	Interest Rate	Comments
AIG Financial Products	Aaa/AAA	4.88%	
Ambac Capital Funding	Aaa/AAA	4.98%	
Bayerische Landesbank	Aaa/AAA	4.81%	
CDC Funding Corp.	Aaa/AAA	4.93%	
FGIC Capital Markets Services	Aaa/AAA	5.00%	
MBIA Investment Management Inc.	Aaa/AAA	5.02%	winner
NationsBank, N.A.	Aa2/AA-	4.64%	
Societe Generale	Aa3/AA-	pass	

68 B

CITY OF FAIRMONT, WEST VIRGINIA
Water Revenue Bonds, Series 1998
Water Revenue Bonds, Series 1998

Letter of Acceptance

We hereby submit our competitive bid and to provide one Investment Agreement at a Fair Market Price, subject to all the terms and conditions stated in the foregoing Request for Investment Agreement. We have read and understand all of the terms and conditions stated in the foregoing Request for Investment Agreement and, unless otherwise stated in writing below, agree to all of such terms in their entirety if we are awarded the investment.

Interest Rate: 5.02 % (Net)

Firm: MBIA Inc.

By: Andrew Christ
Authorized Representative

Dated: 1/5/98

Conditions

1. Series 1998 CF: maturity 10/1/2000; allow 6 month tail
2. Series 1999 CF: No draws prior to 10/1/99 or such reasonable period negotiated until project is underway.

3. All or None

FROM MBIA IMC (MON) 1. 5'98 14:28/ST. 14:28/NO. 4861137072 P 1

CITY OF FAIRMONT, WEST VIRGINIA
Water Revenue Bonds, Series 1998
Water Revenue Bonds, Series 1998

Letter of Acceptance

We hereby submit our competitive bid and to provide one Investment Agreement at a Fair Market Price, subject to all the terms and conditions stated in the foregoing Request for Investment Agreement. We have read and understand all of the terms and conditions stated in the foregoing Request for Investment Agreement and, unless otherwise stated in writing below, agree to all of such terms in their entirety if we are awarded the investment.

Interest Rate: 5.00 % NET

Firm: TRINITY FUNDING By: MARK BENATHAN
Authorized Representative

Dated: 1.5.99

- INTEREST IS COMPOUNDED SEMI-ANNUALLY
- ASSUMES TRINITY FUNDING AA/AAA IS A QUALIFIED PROVIDER.
- TRINITY FUNDING RETAINS OPTION TO COLLATERALIZE OR PAY-OUT UPON DOWNGRADE.
- TRINITY FUNDING BID ASSUMES THAT PARAGRAPH "C" OF SECTION XV (EVENTS OF DEFAULT) IS NOT AN EVENT OF DEFAULT.
- TRINITY FUNDING BID ASSUMES THAT TRINITY FUNDING WILL NOT INCUR BEAR ANY BREAKAGE COSTS AT ANY TIME.

CITY OF FAIRMONT, WEST VIRGINIA
Water Revenue Bonds, Series 1998
Water Revenue Bonds, Series 1998

Letter of Acceptance

We hereby submit our ~~competitive~~ bid and to provide one Investment Agreement at a Fair Market Price, subject to all the terms and conditions stated in the foregoing Request for Investment Agreement. We have read and understand all of the terms and conditions stated in the foregoing Request for Investment Agreement and, unless otherwise stated in writing below, agree to all of such terms in their entirety if we are awarded the investment.

Interest Rate: 4.88 %

Firm: AIG-MF

By: Heather Singer
Authorized Representative

Dated: 1-5-99

*subject to final legal review

CITY OF FAIRMONT, WEST VIRGINIA
Water Revenue Bonds, Series 1998
Water Revenue Bonds, Series 1998

Letter of Acceptance

We hereby submit our competitive bid and to provide one Investment Agreement at a Fair Market Price, subject to all the terms and conditions stated in the foregoing Request for Investment Agreement. We have read and understand all of the terms and conditions stated in the foregoing Request for Investment Agreement and, unless otherwise stated in writing below, agree to all of such terms in their entirety if we are awarded the investment.

Interest Rate: 4.81 %

Firm: Bayerische Landesbank

By: David Smith
Authorized Representative

Dated: 1/5/99

Reg D (7)
DRAW Notice

1 DAY CURE

310 273 7767

CITY OF FAIRMONT, WEST VIRGINIA
Water Revenue Bonds, Series 1998
Water Revenue Bonds, Series 1998

Letter of Acceptance

We hereby submit our competitive bid and to provide one Investment Agreement at a Fair Market Price, subject to all the terms and conditions stated in the foregoing Request for Investment Agreement. We have read and understand all of the terms and conditions stated in the foregoing Request for Investment Agreement and, unless otherwise stated in writing below, agree to all of such terms in their entirety if we are awarded the investment.

Interest Rate: 4.98 %

Firm: Ambac Capital Funding Inc. By: [signature]
Authorized Representative

Dated: 1/5/99

CITY OF FAIRMONT, WEST VIRGINIA
Water Revenue Bonds, Series 1998
Water Revenue Bonds, Series 1998

Letter of Acceptance

We hereby submit our competitive bid and to provide one Investment Agreement at a Fair Market Price, subject to all the terms and conditions stated in the foregoing Request for Investment Agreement. We have read and understand all of the terms and conditions stated in the foregoing Request for Investment Agreement and, unless otherwise stated in writing below, agree to all of such terms in their entirety if we are awarded the investment.

Interest Rate: 4.93 %

Firm: CDC Funding Corp By: [signature]
Authorized Representative

Dated: Jan. 5, 1998

CITY OF FAIRMONT, WEST VIRGINIA
Water Revenue Bonds, Series 1998
Water Revenue Bonds, Series 1998

Letter of Acceptance

We hereby submit our competitive bid and to provide one Investment Agreement at a Fair Market Price, subject to all the terms and conditions stated in the foregoing Request for Investment Agreement. We have read and understand all of the terms and conditions stated in the foregoing Request for Investment Agreement and, unless otherwise stated in writing below, agree to all of such terms in their entirety if we are awarded the investment.

Interest Rate: 4.64 %

Firm: NationsBank

By: _____
Authorized Representative

Dated: 1-5-99

SANSALONE & SANSALONE
ATTORNEYS AT LAW
221 MONROE STREET
FAIRMONT, WEST VIRGINIA 26554

FRANK V. SANSALONE
(1931-1993)

KEVIN V. SANSALONE
MARY B. SANSALONE

TELEPHONE (304) 366-3230
FAX NO. (304) 366-5038

June 18, 1999

First Union National Bank
One First Union Center
301 South College Street
Charlotte, NC 28288-0661

West Virginia Municipal Bond Commission
812 Quarrier Street, Suite 300
Charleston, WV 25301

RE: City of Fairmont, West Virginia $9,600,000.00 Water Revenue Bonds, Series 1998 and $19,945,000.00 Water Revenue Bonds, Series 1999

Ladies and Gentleman:

I have acted as counsel to City of Fairmont, West Virginia (the "Issuer") in connection with its execution and delivery of the Debt Service Reserve Forward Delivery Agreement, dated as of June 17, 1999, (the Agreement"), by and among the Issuer, the West Virginia Municipal Bond Commission, First Union National Bank (the "Provider") and its enactment and adoption of the Resolution (as defined in the Agreement.) Capitalized terms used herein and not defined herein have the respective meanings given to them in the Agreement.

In rendering this opinion, we have examined, among other things, copies of the Agreement and the Resolution.

In connection with the foregoing, we have also examined originals or copies satisfactory to us all such corporate records, agreements, certificates and other documents as we have deemed relevant and necessary as a basis for the opinions hereinafter expressed. In such examination we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, and the conformity with the original documents of all documents submitted to us as copies.

In giving the opinions expressed below we do not purport to be experts in or generally familiar with or qualified to express legal opinions based on the laws of any jurisdiction other than the laws of the State of West Virginia (the "State").

Based upon the foregoing examination and review, we are of the opinion that:

(i) The Issuer has full legal right, power and authority to enter into the Agreement and to enact and adopt the Resolution and to make purchases of the Qualified Securities in accordance with the terms therein.

(ii) The Agreement, the Resolution and the Financing Documents to which it is a party have been duly authorized, enacted, adopted, executed and delivered by the Issuer.

(iii) Assuming for purposes of the opinion expressed in this paragraph (iii) that the Agreement and Resolution were governed by and construed in accordance with the laws of the State, each of the Agreement and the Resolution is a legal, valid and binding obligation of the Issuer, enforceable against it in accordance with the terms thereof, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principals of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(iv) The Issuer's execution and delivery of the Agreement and the performance of its obligations thereunder do not and will not conflict with or constitute or result in a default under, a breach or violation of, or the creation of any lien or encumbrance on any of its property under the Resolution, or any other agreement, instrument, judgment, injunction, or order applicable to it or any of its property.

(v) The Resolution is a legal, valid and binding obligation of the Issuer, enforceable against it in accordance with the terms thereof, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(vi) The Issuer is not entitled to claim immunity of the grounds of sovereignty or other similar grounds with respect to itself or its revenues or assets (irrespective of their use or intended use) from (i) suit, (ii) jurisdiction of any court, (iii) relief by way of injunction, order for specific performance or for recovery of property, (iv) attachments of its assets (whether before or after judgment) or (v) execution or enforcement of any judgment to which it or its revenues or assets might otherwise be made subject to in any suit, action or proceedings relating to this Agreement brought validly ex contractu in the courts of any jurisdiction and no such immunity (whether or not claimed) may be attributed to such party or its revenues or assets.

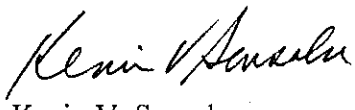
(vii) All consents, authorizations and approvals requisite for its execution, delivery and performance of this Agreement have been obtained and remain in full force and effect and all conditions thereof have been duly complied with, and no other action by, and no notice to or filing with, any governmental authority, regulatory body or any other entity is required for such execution, delivery or performance.

(viii) The Agreement is a Permitted Investment as defined in the Resolution.

(ix) The obligation of the Issuer to replenish the Reserve Account pursuant to Section 4.03 of the Resolution constitutes its revenue obligation.

I am furnishing this opinion to you solely for your benefit and no other person is entitled to rely hereon. This opinion is not to be used, circulated, quoted or otherwise referred to for any other purpose.

Very truly yours,



Kevin V. Sansalone

KVS:sf
enclosure

SANSALONE & SANSALONE
ATTORNEYS AT LAW
221 MONROE STREET
FAIRMONT, WEST VIRGINIA 26554

FRANK V. SANSALONE
(1931-1993)

KEVIN V. SANSALONE
MARY B. SANSALONE

TELEPHONE (304) 366-3230
FAX NO. (304) 366-5038

June 18, 1999

First Union National Bank
One First Union Center
301 South College Street
Charlotte, NC 28288-0661

West Virginia Municipal Bond Commission
812 Quarrier Street, Suite 300
Charleston, WV 25301

RE: City of Fairmont, West Virginia $9,600,000.00 Water Revenue Bonds, Series 1998 and $19,945,000.00 Water Revenue Bonds, Series 1999

Ladies and Gentleman:

I have acted as counsel to City of Fairmont, West Virginia (the "Issuer") in connection with its execution and delivery of the Sinking Fund Forward Delivery Agreement, dated as of June 17, 1999, (the Sinking Fund Forward Delivery Agreement"), by and among the West Virginia Municipal Bond Commission, First Union National Bank and the Issuer and its enactment and adoption of the Resolution (as defined in the Sinking Fund Forward Delivery Agreement.) Capitalized terms used herein and not defined herein have the respective meanings given to them in the Sinking Fund Forward Delivery Agreement.

In regarding this opinion, we have examined, among other things, copies of the Sinking Fund Forward Delivery Agreement and the Resolution.

In connection with the foregoing, we have also examined originals or copies satisfactory to us all such corporate records, agreements, certificates and other documents as we have deemed relevant and necessary as a basis for the opinions hereinafter expressed. In such examination we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, and the conformity with the original documents of all documents submitted to us as copies.

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In giving the opinions expressed below we do not purport to be experts in or generally familiar with or qualified to express legal opinions based on the laws of any jurisdiction other than the laws of West Virginia (the "State").

Based upon the foregoing examination and review, we are of the opinion that:

(i) The Issuer has full legal right, power and authority to enter into the Sinking Fund Forward Delivery Agreement and to make purchases of the Qualified Securities in accordance with the terms therein.

(ii) The Sinking Fund Forward Delivery Agreement and the Resolution have been duly authorized, executed and delivered by the Issuer.

(iii) Assuming for purposes of the opinion expressed in this paragraph (iii) that State law and New York are the same, the Sinking Fund Forward Delivery Agreement is a legal, valid and binding obligation of the Issuer, enforceable against it in accordance with the terms thereof, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principals of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(iv) The Issuer's execution and delivery of the Sinking Fund Forward Delivery Agreement and the performance of its obligations thereunder do not and will not conflict with or constitute or result in a default under, a breach or violation of, or the creation of any lien or encumbrance on any of its property under the Resolution, or any other agreement, instrument, judgment, injunction, law or regulations (including any applicable local laws or regulations) or order applicable to it or any of its property.

(v) The Resolution is a legal, valid and binding obligation of the Issuer, enforceable against it in accordance with the terms thereof, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in proceeding in equity or at law).

(vi) The Issuer is not entitled to claim immunity of the grounds of sovereignty or other similar grounds with respect to itself or its revenues or assets (irrespective of their use or intended use) from (i) suit, (ii) jurisdiction of any court, (iii) relief by way of injunction, order for specific performance or for recovery of property, (iv) attachments of its assets (whether before or after judgment) or (v) execution or enforcement of any judgment to which it or its revenues or assets might otherwise be made subject to in any suit, action or proceedings relating to this Agreement in the courts of any jurisdiction and no such immunity (whether or not claimed) may be attributed to such party or its revenues or assets.

(vii) All consents, authorizations and approvals requisite for the Issuer's execution, delivery and proformance of the Sinking Fund Forward Delivery Agreement have been obtained and remain in full force and effect and all conditions thereof have been duly complied with, and no other action by, and no notice to or filing with, any governmental authority, regulatory body or any other entity is required for such execution, delivery or performance.

(viii) Sinking Fund Forward Delivery Agreement is a Qualified Investment as defined in the Resolution.

We are furnishing this opinion to you solely for your benefit and no other person is entitled to rely hereon. This opinion is not to be used, circulated, quoted or otherwise referred to for any other purpose.

Very truly yours,

Kevin V. Sansalone

KVS:sf
enclosure

Rogers & Wells

ROGERS & WELLS LLP
200 PARK AVENUE NEW YORK, NY 10166-0153
TELEPHONE 212 878-8000 FACSIMILE 212 878-8375

June 17, 1999

City of Fairmont, West Virginia
PO Box 1428
200 Jackson Street
Fairmont, WV 26555-1428

West Virginia Municipal Bond Commission
812 Quarrier Street, Suite 300
Charleston, WV 25301

Re: City of Fairmont, West Virginia $9,600,000 Water Revenue Bonds, Series 1998 and $19,945,000 Water Revenue Bonds, Series 1999

Ladies and Gentlemen:

We have acted as counsel to First Union National Bank (the "Provider") in connection with its execution and delivery of the Debt Service Reserve Forward Delivery Agreement, dated as of June 17, 1999 (the "Agreement"), by and among the City of Fairmont, West Virginia, the West Virginia Municipal Bond Commission and the Provider. Capitalized terms used herein and not defined herein have the respective meanings given to them in the Agreement.

In rendering this opinion, we have examined among other things, a copy of the Agreement.

In connection with the foregoing, we have also examined, originals or copies satisfactory to us of all such corporate records, agreements, certificates and other documents as we have deemed relevant and necessary as a basis for the opinions hereinafter expressed. In such examination we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, and the conformity with the authentic original documents of all documents submitted to us as copies.

In giving the opinions expressed below we do not purport to be expert in or generally familiar with or qualified to express legal opinions based on the laws of any jurisdiction other than the laws of the State of New York and the opinions expressed herein are limited to the laws of the State of New York.

69C

June 17, 1999

Based upon the foregoing examination and review, we are of the opinion that:

i. The Provider has full corporate power and authority to enter into the Sinking Fund Forward Delivery Agreement.

ii. The Sinking Fund Forward Delivery Agreement has been duly authorized, executed and delivered and constitutes a legally valid and binding obligation, enforceable against the Provider in accordance with the terms (subject to applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law)).

We are furnishing this opinion to you solely for your benefit and no other person is entitled to rely hereon. This opinion is not to be used, circulated, quoted or otherwise referred to for any other purpose.

Very truly yours,

Rogers & Wells LLP

Rogers & Wells

ROGERS & WELLS LLP
200 PARK AVENUE NEW YORK, NY 10166-0153
TELEPHONE 212 878-8000 FACSIMILE 212 878-8375

June 17, 1999

City of Fairmont, West Virginia
PO Box 1428
200 Jackson Street
Fairmont, West Virginia 26555

West Virginia Municipal Bond Commission
812 Quarrier Street, Suite 300
Charleston, West Virginia 25301

Re: City of Fairmont, West Virginia $9,600,000 Water Revenue Bonds, Series 1998 and $19,945,000 Water Revenue Bonds, Series 1999

Ladies and Gentlemen:

We have acted as counsel to First Union National Bank (the "Provider") in connection with its execution and delivery of the Sinking Fund Forward Delivery Agreement (the "Sinking Fund Forward Delivery Agreement"), dated as of June 17, 1999, by and among the Provider, the West Virginia Municipal Bond Commission and the City of Fairmont, West Virginia (the "Issuer"). Capitalized terms used herein and not defined herein have the respective meanings given to them in the Sinking Fund Forward Delivery Agreement.

In rendering this opinion, we have examined, among other things, a copy of the Sinking Fund Forward Delivery Agreement.

In connection with the foregoing, we have also examined originals or copies satisfactory to us of all such corporate records, agreements, certificates and other documents as we have deemed relevant and necessary as a basis for the opinions hereinafter expressed. In such examination we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, and the conformity with the authentic original documents of all documents submitted to us as copies.

In giving the opinions expressed below we do not purport to be expert in or generally familiar with or qualified to express legal opinions based on the laws of any jurisdiction other than the laws of the State of New York and the opinions expressed herein are limited to the laws of the State of New York.

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June 17, 1999

Based upon the foregoing examination and review, we are of the opinion that:

i. The Provider has full corporate power and authority to enter into the Sinking Fund Forward Delivery Agreement.

ii. The Sinking Fund Forward Delivery Agreement has been duly authorized, executed and delivered and constitutes a legally valid and binding obligation, enforceable against the Provider in accordance with the terms (subject to applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law)).

We are furnishing this opinion to you solely for your benefit and no other person is entitled to rely hereon. This opinion is not to be used, circulated, quoted or otherwise referred to for any other purpose.

Very truly yours,

Rogers & Wells LLP

JACKSON & KELLY PLLC
ATTORNEYS AT LAW
1600 LAIDLEY TOWER
P. O. BOX 553
CHARLESTON, WEST VIRGINIA 25322

TELEPHONE 304-340-1000 TELECOPIER 304-340-1130

http://www.jacksonkelly.com

300 FOXCROFT AVENUE
MARTINSBURG, WEST VIRGINIA 25401
TELEPHONE 304-263-8500

256 RUSSELL AVENUE
NEW MARTINSVILLE, WEST VIRGINIA 26155
TELEPHONE 304-455-1751

6000 HAMPTON CENTER
MORGANTOWN, WEST VIRGINIA 26505
TELEPHONE 304-599-3000

412 MARKET STREET
PARKERSBURG, WEST VIRGINIA 26101
TELEPHONE 304-424-3490

1000 TECHNOLOGY DRIVE
FAIRMONT, WEST VIRGINIA 26554
TELEPHONE 304-368-2000

1144 MARKET STREET
WHEELING, WEST VIRGINIA 26003
TELEPHONE 304-233-4000

1660 LINCOLN STREET
DENVER, COLORADO 80264
TELEPHONE 303-390-0003

175 EAST MAIN STREET
LEXINGTON, KENTUCKY 40595
TELEPHONE 606-255-9500

2401 PENNSYLVANIA AVENUE N.W.
WASHINGTON, D.C. 20037
TELEPHONE 202-973-0200

MEMBER OF LEX MUNDI, THE WORLD'S LEADING ASSOCIATION OF INDEPENDENT LAW FIRMS.

June 17, 1999

West Virginia Municipal Bond Commission
Suite 300, L & S Building
812 Quarrier Street
Charleston, WV 25301

First Union National Bank
One First Union Center
301 South College Street
Charlotte, North Carolina 28288-0661

City of Fairmont, West Virginia
PO Box 1428
200 Jackson Street
Fairmont, West Virginia 26555-1428

Re: City of Fairmont, West Virginia $9,600,000 Water Revenue Bonds, Series 1998 and $19,945,000 Water Revenue Bonds, Series 1999

Dear Ladies and Gentlemen:

We have acted as counsel to the West Virginia Municipal Bond Commission (the "Commission") in connection with the execution and delivery by the Commission of the Sinking Fund Forward Delivery Agreement, dated as of June 17, 1999 (the "Agreement"), by and among the Commission, the City of Fairmont, West Virginia (the "Issuer") and First Union National Bank (the "Provider"). Capitalized terms used herein and not defined herein have the respective meanings given to them in the Agreement.

In rendering this opinion, we have examined, among other things, copies of the Agreement and the Indenture.

In connection with the foregoing, we have also examined originals or copies satisfactory to us of all such corporate records, agreements, certificates and other documents

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as we have deemed relevant and necessary as a basis for the opinions hereinafter expressed. In such examination we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, and the conformity with the original documents of all documents submitted to us as copies.

In giving the opinions expressed below we do not purport to be experts in or generally familiar with or qualified to express legal opinions based on the laws of any jurisdiction other than the federal laws of the United States of America and the laws of the State of West Virginia (the "State").

Based upon the foregoing examination and review, we are of the opinion that:

(i) The Commission has full legal right, power and authority to enter into the Agreement.

(ii) The Agreement is a legal, valid and binding obligation of the Commission, enforceable against it in accordance with the terms thereof, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(iii) The execution and delivery by the Commission of the Agreement and the performance of its obligations thereunder do not and will not constitute or result in a default under, or a breach or violation of, or any laws applicable to it.

We are furnishing this opinion to you solely for your benefit and no other person is entitled to rely hereon. This opinion is not to be used, circulated, quoted or otherwise referred to for any other purpose.

Very truly yours,

Jackson & Kelly PLLC

MBIA

MBIA Insurance Corporation
113 King Street
Armonk, NY 10504
914 273 4545

January 14, 1999

City of Fairmont, West Virginia
200 Jackson Street
Fairmont, West Virginia 26555-1428

One Valley Bank
120 Fairmont Avenue
Fairmont, West Virginia 26554

Re: Flexible Draw Investment Agreement dated January 14, 1999 among MBIA Inc., a Connecticut corporation ("INC"), One Valley Bank, as Depository Bank (the "Depository Bank") and City of Fairmont, West Virginia (the "Issuer")

Ladies and Gentlemen:

I am Assistant General Counsel of MBIA Insurance Corporation (the "Corporation") and have acted on behalf of the Corporation in connection with the issuance of Investment Agreement Financial Guaranty Insurance Policy No. INC-0336 (the "Policy") relating to the Flexible Draw Investment Agreement dated January 14, 1999 among MBIA Inc., a Connecticut corporation ("INC"), One Valley Bank, as Depository Bank (the "Depository Bank") and City of Fairmont, West Virginia (the "Issuer").

I am familiar with and have examined a copy of the Policy and such other relevant documents as I have deemed necessary.

Based upon the foregoing, I am of the following opinion:

1. The Corporation is a stock insurance corporation, duly incorporated and validly existing under the laws of the State of New York and is licensed and authorized to issue the Policy under the laws of the State of New York.

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MBIA

2. The Policy has been duly executed and is a valid and binding obligation of the Corporation enforceable in accordance with its terms except that the enforcement of the Policy may be limited by laws relating to bankruptcy, insolvency, reorganization, moratorium, receivership and other similar laws affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Very truly yours,

Frederick B. Hnat
Assistant General Counsel

MBIA

MBIA Insurance Corporation
113 King Street
Armonk, NY 10504
914 273 4545

January 14, 1999

City of Fairmont
200 Jackson Street
Fairmont, West Virginia 26555

One Valley Bank
120 Fairmont Avenue
Fairmont, West Virginia 26554

$9,600,000
City of Fairmont, West Virginia
Water Revenue Bonds, Series 1998

$19,945,000
City of Fairmont, West Virginia
Water Revenue Bonds, Series 1999

Ladies and Gentlemen:

I am General Counsel of the MBIA Inc., a Connecticut corporation (the "Corporation"), and have acted as counsel to the Corporation in connection with the execution and delivery of an Investment Agreement (as defined below) in connection with the $9,600,000 City of Fairmont, West Virginia, Water Revenue Bonds, Series 1998 and $19,945,000 City of Fairmont, West Virginia, Water Revenue Bonds, Series 1999.

In so acting, I have examined a copy of the Investment Agreement dated January 14, 1999 (the "Agreement"), among the Corporation and One Valley Bank, as Depository Bank and City of Fairmont, as Issuer, and such other relevant documents as I have deemed necessary.

Based upon the foregoing, I am of the following opinion:

1. The Corporation is duly incorporated and validly existing under the laws of the State of Connecticut.
2. The Corporation has the right, power and authority to execute and deliver the Agreement and to perform its obligations under the Agreement.

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3. The Agreement has been duly authorized, executed and delivered and, assuming due authorization, execution and delivery by the other parties thereto, constitutes the legal, valid and binding obligation of the Corporation, enforceable in accordance with its terms except that the enforcement of the Agreement may be limited by laws relating to bankruptcy, insolvency, reorganization, moratorium, receivership and other similar laws affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Very truly yours,

Louis G. Lenzi
General Counsel

CERTIFICATE OF INVESTMENT AGREEMENT BIDDING AGENT

This certificate is being made by Chambers, Dunhill, Rubin & Co. (the "Bidding Agent") in connection with the solicitation of bids for two investment agreements (the "Agreements") entered into by First Union National Bank, as provider (the "Provider"), the West Virginia Municipal Bond Commission, as depository agent (the "Depository Agent") and the City of Fairmont, West Virginia (the "City"). The Bidding Agent understands that the Depository Agent will be investing certain funds relating to the City's Water Revenue Bonds, Series 1998 and Water Revenue Bonds, Series 1999 (the "Bonds").

The undersigned officer of the Bidding Agent hereby certifies that:

1. Written solicitations for the Agreements were sent to potential providers

2. All material terms of the Agreement (i.e., terms which may directly or indirectly affect yield or cost) were contained in the written solicitation.

3. Terms of the solicitation were commercially reasonable (i.e., there was a legitimate business purpose for including each term in the bid solicitation other than to increase the price or decrease the yield on the Agreement).

4. The terms of the solicitation take into account the City's anticipated deposit and drawdown schedules.

5. All bidders were given an equal opportunity to bid. No "last look" by any bidder was permitted.

6. At least 3 "reasonably competitive providers" were solicited (i.e., providers with established industry reputations as competitive providers of similar investments),

7. At least 3 bids were received from bidders that do not have a material financial interest in the Bonds.

8. At least one bid from a reasonably competitive provider was received

9. The Bidding Agent did not bid on the Agreement

10. The bid of the Provider was selected as the winning bid, and was the highest yielding bona fide bid (determined net of any brokers fees).

11. For its services in soliciting the bids, the Bidding Agent received a fee from the Provider in the amount of $24,000.00; such fee is not more than the lesser of (a) a "reasonable amount under Treas. Regs. § 1.148-5(e)(2)(f) and (b) the present value of annual payments equal to .05% of the weighted average amount reasonably expected to be invested each year of the term of the Agreement, in accordance with Treas. Regs. § 1.148-5(e)(2)(iii)

12. Attached hereto is a copy of each bid submitted, showing the name of the person and entity bidding, the time and date of the bid and the amount of the bid.

Dated: June 7, 1999

By: _____

Title: President

CDR

CHAMBERS, DUNHILL, RUBIN & CO.

California New York Ohio Virginia

CITY OF FAIRMONT, WEST VIRGINIA
Water Revenue Bonds, Series 1998 and
Water Revenue Bonds, Series 1999
Construction Fund Investment Agreement

The undersigned David Rubin, President of Chambers, Dunhill, Rubin & Co. ("CDR"), for and on behalf of CDR in connection with the investment of the money in the Construction Fund for the above-captioned Bonds (the "Bonds") under an Investment Agreement (the "Agreement"), dated January 14, 1999, among the City of Fairmont (West Virginia) (the "Issuer") and MBIA, Inc. (the "Provider") hereby certifies that:

1. CDR has made a bona fide solicitation for the Agreement and has received at least 3 bona fide bids from providers that have no material financial interest in the Bonds, to the best knowledge of the undersigned;
2. The Agreement represents the highest yielding investment contract for which a qualifying bid was made (determined net of broker's fees);
3. The yield on the Agreement is at least equal to the interest rate that would be offered on similar obligations under similar investment agreements with which we are familiar.
4. Based on the undersigned's experience with similar investment agreements, the terms of the Agreement, including collateral security requirements are reasonable;
5. In connection with the Agreement, CDR will be paid a brokerage fee or commission in one payment of $21,400 and such fee is a reasonable and customary fee for the services provided;

Dated this 14th day of January 1999.

CHAMBERS, DUNHILL, RUBIN & CO.

By: _____
President

9777 Wilshire Boulevard, Suite 800, Beverly Hills, CA 90212 (310) 273-9384 Fax: (310) 273-7767

70B

CITY OF FAIRMONT
(WEST VIRGINIA)
$9,600,000 WATER REVENUE BONDS, SERIES 1998
AND
$19,945,000 WATER REVENUE BONDS, SERIES 1999

CERTIFICATE OF INVESTMENT AGREEMENT PROVIDER

This certificate is being made by FIRST UNION NATIONAL BANK (the "Provider") in connection with a Debt Service Reserve Fund Forward Delivery Agreement and a Sinking Fund Forward Delivery Agreement, both dated as of June 17, 1999 (the "Investment Agreements"), entered into by the Provider, the City of Fairmont, West Virginia (the "Issuer") and the West Virginia Municipal Bond Commission (the "Depository"). The Provider understands that the Depository will be investing a portion of the proceeds of the Issuer's $9,600,000 Water Revenue Bonds, Series 1998 and $19,945,000 Water Revenue Bonds, Series 1999 under the Investment Agreements, together with certain other funds of the Issuer.

The undersigned officer of the Provider hereby certifies that:

1. The Provider did not review other bids or consult with any other potential provider regarding its bids prior to the submission thereof.

2. The Provider's bids were determined without regard to any formal or informal agreement that the Provider has with the Issuer or any other person (whether or not in connection with the Bonds).

3. The Provider did not submit its bids solely as a courtesy to the Issuer or any other person for purposes of satisfying the "3-bid rule" of the applicable Treasury Regulations.

4. No brokerage commissions or other fees (excluding any applicable collateral agent's fees or legal fees relating to the provision of a security interest) were paid or are expected to be paid to any person by the Provider in connection with the Agreements except as listed below, which amounts shall be paid to each recipient on behalf of the Issuer:

Recipient	Amount
Chambers, Dunhill, Rubin & Co.	$24,000.00

Dated: June 17, 1999

FIRST UNION NATIONAL BANK

By _____

Its BRUCE M. YOUNG
SENIOR VICE PRESIDENT

08/24/99
268460/98001

CL553206.1

CITY OF FAIRMONT
(WEST VIRGINIA)
$9,600,000 WATER REVENUE BONDS, SERIES 1998
AND
$19,945,000 WATER REVENUE BONDS, SERIES 1999

CERTIFICATE OF INVESTMENT AGREEMENT PROVIDER

This certificate is being made by MBIA, INC. (the "Provider") in connection with a Flexible Draw Investment Agreement dated as of January 14, 1999 (the "Investment Agreement"), entered into by the Provider, the City of Fairmont, West Virginia (the "Issuer") and One Valley Bank (the "Depository"). The Provider understands that the Depository will be investing a portion of the proceeds of the Issuer's $9,600,000 Water Revenue Bonds, Series 1998 and $19,945,000 Water Revenue Bonds, Series 1999 under the Investment Agreements, together with certain other funds of the Issuer.

The undersigned officer of the Provider hereby certifies that:

1. The Provider did not review other bids or consult with any other potential provider regarding its bids prior to the submission thereof.

2. The Provider's bids were determined without regard to any formal or informal agreement that the Provider has with the Issuer or any other person (whether or not in connection with the Bonds).

3. The Provider did not submit its bids solely as a courtesy to the Issuer or any other person for purposes of satisfying the "3-bid rule" of the applicable Treasury Regulations.

4. No brokerage commissions or other fees (excluding any applicable collateral agent's fees or legal fees relating to the provision of a security interest) were paid or are expected to be paid to any person by the Provider in connection with the Agreement except as listed below, which amounts shall be paid to each recipient on behalf of the Issuer:

CL564145.2

71B

18-Jan-00 11:10A

Recipient	Amount
Chambers, Dunhill, Rulin & Co.	$21,400

Dated: January 14, 1999

MBIA, INC.

By _____
Name: Andrew Chintz
Title: Vice President

01/18/00
268460/98001

CL564145.2

RESOLUTION STATING THE REASONABLE EXPECTATION OF THE CITY COUNCIL OF THE CITY OF FAIRMONT TO REIMBURSE THE CITY FOR CAPITAL EXPENDITURES IN CONNECTION WITH THE ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING PUBLIC WATERWORKS SYSTEM OF THE CITY MADE PRIOR TO THE ISSUANCE OF TAX-EXEMPT REVENUE BONDS

WHEREAS, the City Council (the "Council") of the City of Fairmont (the "City") has heretofore determined that the acquisition and construction of certain additions, betterments and improvements to the existing public waterworks system of the City (collectively, the "Project") will be undertaken at an estimated aggregate cost not to exceed $31,000,000;

WHEREAS, the Council reasonably expects that the City will reimburse itself for a portion of the cost of the acquisition and construction of the Project, estimated not to exceed $200,000, from the proceeds of sale of tax-exempt revenue bonds (the "Bonds") to be issued by the City;

NOW, THEREFORE BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF FAIRMONT, AS FOLLOWS:

Section 1. The Council reasonably expects that the City will reimburse itself for certain capital expenditures made not more than 60 days prior to the date of adoption of this resolution (and after the date of such adoption, but prior to issuance of the Bonds), in connection with the acquisition and construction of the Project, such capital expenditures to be undertaken or incurred prior to the execution and delivery of the Bonds, from the proceeds of such Bonds, which are reasonably expected to be executed and delivered within 18 months from the later of (i) the expenditure for payment of said costs or (ii) the placing of the Project in service.

Section 2. This Resolution is intended to constitute a "declaration of official intent" pursuant to Section 1.150-2 of the Treasury Regulations promulgated under the Internal Revenue Code of 1986, as amended (the "Reimbursement Regulations").

Section 3. The source of payment for such capital expenditures will be the City's Water Construction Account, and upon issuance of the Bonds, proceeds thereof not to exceed the amount of such capital expenditures will be applied to reimbursement of such Water Construction Account.

Section 4. The maximum principal amount of Bonds to be issued for the Project (including costs of issuance of the Bonds and related costs) is $31,000,000, of which $200,000 will be used to reimburse the City for certain capital expenditures.

Section 5. The City shall provide written evidence of all reimbursement allocations within 30 days following issuance of the Bonds.

Section 6. The City does not intend to use the reimbursed funds to create a sinking fund or any other form of replacement proceeds.

Section 7. This Resolution shall become effective on the date of its adoption.

Adopted this 10th day of November, 1998.

CITY OF FAIRMONT

By _____
Its Mayor

CERTIFICATION

The undersigned, City Clerk of the City of Fairmont, hereby certifies that the foregoing is a true and accurate copy of a Resolution duly adopted by the City Council of the City of Fairmont at its regular meeting of November 10, 1998.

Dated this 10th day of November, 1998.

[SEAL]

Janet L. Keller

City Clerk

11/02/98
268460/98001