CITY OF MARTINSBURG
COMBINED WATERWORKS AND
SEWERAGE SYSTEM REFUNDING REVENUE BONDS
SERIES 2011 A

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CITY OF MARTINSBURG

COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS,

SERIES 2011

BOND ORDINANCE

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CITY OF MARTINSBURG
COMBINED WATERWORKS AND SEWERAGE SYSTEM
REFUNDING REVENUE BONDS, SERIES 2011

BOND ORDINANCE

ORDINANCE AUTHORIZING THE REFUNDING OF ALL OR PART OF THE CITY OF MARTINSBURG COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2001 AND THE ISSUANCE BY THE CITY OF MARTINSBURG OF NOT MORE THAN NINE MILLION FIVE HUNDRED THOUSAND DOLLARS ($9,500,000.00) IN AGGREGATE PRINCIPAL AMOUNT OF CITY OF MARTINSBURG COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS, SERIES 2011, IN ONE OR MORE SERIES, THE PROCEEDS OF WHICH, TOGETHER WITH OTHER FUNDS OF THE CITY AVAILABLE FOR SAID PURPOSE, SHALL BE EXPENDED FOR SUCH REFUNDING AND TO PAY COSTS IN CONNECTION THEREWITH; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDERS OF SUCH COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS; AUTHORIZING A PRELIMINARY OFFICIAL STATEMENT, OFFICIAL STATEMENT, BOND PURCHASE AGREEMENT, CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS RELATING TO THE OFFERING AND SALE OF SUCH COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS; AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT ENACTED AND ORDAINED BY THE COMMON COUNCIL OF THE CITY OF MARTINSBURG:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01. Authority for this Ordinance. This Ordinance (together with any order, ordinance or resolution supplemental hereto or amendatory hereof, the "Bond Legislation") is enacted pursuant to the provisions of Chapter 8, Article 20 and Chapter 13, Article 2E of the Code of West Virginia, 1931, as amended (collectively, the "Act") and other applicable provisions of law.

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

A. City of Martinsburg (the "Issuer") is a municipal corporation and political subdivision of the State of West Virginia in Berkeley County of said State.

B. The Issuer owns and operates a municipal combined waterworks and sewerage system (collectively, the "System").

C. The acquisition and construction of the System were financed and refinanced by issuance of several series of bonds or refunding bonds, of which there are presently Outstanding the Issuer's Combined Waterworks and Sewerage System Revenue Bonds, Series 2000A (West Virginia DWTRF Program), dated September 27, 2000, originally issued in the aggregate principal amount of $7,564,000 (the "Series 2000A Bonds"), the Issuer's Combined Waterworks and Sewerage System Revenue Bonds, Series 2000B (West Virginia Infrastructure Fund), dated September 27, 2000, originally issued in the aggregate principal amount of $3,000,000 (the "Series 2000B Bonds"), and the Issuer's Combined Waterworks and Sewerage System Revenue Bonds, Series 2000C (West Virginia Water Development Authority), dated September 27, 2000, originally issued in the aggregate principal amount of $1,976,352 (the "Series 2000C Bonds" and, together with the Series 2000A Bonds and the Series 2000B Bonds, the "Series 2000 Bonds"), and the Issuer's Combined Waterworks and Sewerage System Revenue Bonds, Series 2001, dated September 1, 2001, originally issued in the aggregate principal amount of $10,750,000 (the "Series 2001 Bonds" and, together with the Series 2000 Bonds, the "Prior Bonds"), which Series 2000 Bonds were issued pursuant to an ordinance enacted by the Issuer on September 14, 2000, and put into effect following a public hearing held on September 25, 2000 (the "Series 2000 Bonds Ordinance") and which Series 2001 Bonds were issued pursuant to an ordinance enacted by the Issuer on July 19, 2001, and put into effect following a public hearing held on July 30, 2001 (the "Series 2001 Bonds Ordinance" and, together with the Series 2000 Bonds Ordinance, the "Prior Ordinances").

D. The Issuer derives revenues from the System, and, except for the pledges thereof to secure and pay the Prior Bonds, said revenues are not currently pledged or encumbered in any manner.

E. The Issuer has determined that debt service savings can be realized by the refunding of all or part of the Series 2001 Bonds with the proceeds of the Issuer's Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011 (the "Series 2011 Bonds") to be issued in one or more series, one or more of which series may be taxable, in an aggregate principal amount not to exceed $9,500,000, and other funds of the Issuer available for such purpose.

F. The Issuer has met all of the requirements set forth in the Series 2000 Bonds Ordinance for the issuance of the Series 2011 Bonds on a parity with the Series 2000 Bonds with respect to lien, pledge and sources of and security for payment, and the Issuer has determined that, upon issuance the Series 2011 Bonds shall be on a parity with the Series 2000 Bonds.

G. The estimated revenues to be derived from the operation of the System will be sufficient to pay all the costs of the operation and maintenance of said System, the principal of and interest on the Series 2011 Bonds and the Series 2000 Bonds, and all sinking funds, reserve accounts and other payments provided for herein and in the Series 2000 Bonds Ordinance.

H. It is further deemed necessary for the Issuer to issue the Series 2011 Bonds, in the total aggregate principal amount of not more than $9,500,000, in one or more series, one or more series of which may be taxable, the proceeds of which, together with other available funds of the Issuer, will be used to refund all or part of the Series 2001 Bonds, including without limitation the payment of the principal of and redemption premium and interest to the date of redemption on the Series 2001 Bonds and costs relating to the issuance of the Series 2011 Bonds (specifically including, but not limited to, the cost of a municipal bond insurance policy, if such a policy is determined to be advantageous to the Issuer) and the refunding of all or part of the Series 2001 Bonds and the funding of the Series 2011 Bonds Reserve Account through either a deposit of cash or the purchase by the Issuer of a Reserve Account Insurance Policy.

I. It is in the best interest of the Issuer that its Series 2011 Bonds be issued and sold to Crews & Associates, Inc. (the "Original Purchaser") pursuant to the terms and provisions of a bond purchase agreement by and between the Issuer and the Original Purchaser (the "Bond Purchase Agreement"), the execution and delivery of which are approved herein and the form of which may be approved by a Supplemental Resolution.

J. There are no outstanding obligations of the Issuer other than the Series 2000 Bonds which will rank either senior and prior to or on parity with the Series 2011 Bonds as to liens and sources of and security for payment.

K. The Series 2011 Bonds shall be issued with a lien on the Gross Revenues, as hereinafter defined, on a parity with the lien held by the Holders of the Series 2000 Bonds.

Prior to the issuance of the Series 2011 Bonds, the Issuer will obtain (i) a certificate of an Independent Certified Public Accountant stating that the parity tests of the Series 2000 Bonds is met to the extent required by the Series 2000 Bonds Ordinance and (ii) the written consent of the Holder of the Series 2000 Bonds to the issuance of the Series 2001 Bonds on parity with the Series 2000 Bonds.

L. The Issuer has complied with all requirements of West Virginia law and the Bond Purchase Agreement relating to the refunding of all or part of the Series 2001 Bonds and the issuance of the Series 2011 Bonds or will have so complied prior to issuance of any thereof.

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

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

"Act" means collectively Chapter 8, Article 20 and Chapter 13, Article 2E of the Code of West Virginia, 1931, as amended and in effect on the date of enactment hereof.

"Authorized Officer" means the Mayor or City Manager of the Issuer or any other officer of the Issuer specifically designated by resolution of the Council of the Issuer duly appointed as such by the Governing Body.

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

"Bond 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 Bowles Rice McDavid Graff & Love LLP.

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

"Bond Purchase Agreement" means the Bond Purchase Agreement between the Issuer and the Original Purchaser relating to the sale and purchase of the Series 2011 Bonds.

"Bond Register" means the books of the Issuer maintained by the Registrar for the registration and transfer of Series 2011 Bonds.

"Bonds" means, collectively, the Series 2000 Bonds, the Series 2011 Bonds and, where appropriate, any Bonds on a parity therewith authorized to be issued hereunder or by another ordinance of the Issuer.

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

"Business Day" means any day other than a Saturday, Sunday or a day on which the Paying Agent is authorized by law to remain closed.

"BPH" means the West Virginia Bureau for Public Health, a division of the West Virginia Department of Health and Human Resources, or any successor thereto.

"Certificate of Authentication and Registration" means the certificate of authentication and registration on the Series 2011 Bonds in substantially the form set forth in the bond form attached hereto as Exhibit A.

"City Manager" means the City Manager of the Issuer.

"Closing Date" means the date upon which there is an exchange of the Series 2011 Bonds for an advance of more than a de minimis amount of the principal of the Series 2011 Bonds by the Original Purchaser.

"Code" shall mean the Internal Revenue Code of 1986, as amended and supplemented from time to time, and Regulations thereunder.

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

"Council" means the West Virginia Infrastructure and Jobs Development Council or any successor thereto.

"Debt Service," with reference to a specified period, means the amount of principal, including any sinking fund payments, and interest payable with respect to the Series 2011 Bonds during such period.

"Depository Bank" means the bank designated as such in the Supplemental Resolution, and its successors and assigns, which shall be a member of the FDIC.

"Depreciation Fund" means the Depreciation Fund established or continued by the Prior Ordinances and continued by Section 5.01 hereof.

"DTC" means The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York, or any successor thereto or assign thereof, as securities depository for the Series 2011 Bonds.

"DTC-eligible" means, with respect to the Series 2011 Bonds, meeting the qualifications prescribed by The Depository Trust Company, New York, New York.

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

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

A. The excess of

(i) The aggregate amount earned from the Closing Date on all Nonpurpose Investments in which Gross Proceeds of the Series 2011 Bonds are invested [other than amounts attributable to an excess described in this clause (A) of this definition of Excess Investment Earnings], over

(ii) The amount that would have been earned if the Yield on such Nonpurpose Investments other than amounts attributable to an excess described in this clause (A) of this definition of Excess Investment Earnings] had been equal to the Yield on the Series 2011 Bond, plus

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

"Escrow Agent" means the escrow agent under the Escrow Agreement, which shall be appointed pursuant to the Supplemental Resolution.

"Escrow Agreement" means the agreement to be entered into between the Issuer and the Escrow Agent, providing for the defeasance and ultimate payment of the Series 2001 Bonds, the deposit therein of proceeds of the Series 2011 Bonds, the disposition of moneys in the various funds and accounts of the Series 2001 Bonds under the Series 2001 Bonds Ordinance and other matters in connection therewith, the form of which shall be approved by the Supplemental Resolution.

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

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

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

"Government Obligations" means direct and general obligations of the United States of America, of obligations that are unconditionally guaranteed as to principal and interest by the United States of America, including (in the case of direct and general obligations of the United States of America) evidences of ownership of proportionate interests in future interest and principal payments of such obligations; provided that, investments in such proportionate interests shall be limited to circumstances wherein (a) a bank or trust company acts as custodian and holds the underlying United States obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States obligations; and (c) the underlying United States obligations are held in a special account separate from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated.

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

(i) Original proceeds, namely, net amounts received by or for the Issuer as a result of the sale of the Series 2011 Bonds, excluding original proceeds which become transferred proceeds (determined in accordance with applicable Regulations) of obligations issued to refund in whole or in part the Series 2011 Bonds;

(ii) Investment proceeds, namely, amounts received at any time by or for the Issuer, such as interest and dividends, resulting from the investment of any original proceeds (as referenced in clause (i) above) or investment proceeds (as referenced in this clause (ii)) in Nonpurpose Investments, increased by any profits and decreased (if necessary, below zero) by any losses on any such investments, excluding investment proceeds which become transferred proceeds (determined in accordance with applicable Regulations) of obligations issued to refund in whole or in part the Series 2011 Bonds;

(iii) Transferred proceeds, namely, original proceeds of any prior obligations, and interest earnings and profits less losses resulting from investment of such original proceeds in Nonpurpose Investments, which are deemed to become proceeds of the Series 2011 Bonds ratably as original proceeds of the Series 2011 Bonds and interest earnings and profits resulting from investment of such original proceeds in Nonpurpose Investments discharge the outstanding principal of any such prior obligations, all on the date of such ratable discharge;

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

(v) Amounts in the Series 2011 Bonds Reserve Account and in any other fund established as a reasonably required reserve or replacement fund;

(vi) Investment Property pledged as security for payment of Debt Service on the Series 2011 Bonds by the Issuer;

(vii) Amounts, other than as specified in this definition, used to pay Debt Service on the Series 2011 Bonds; and

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

"Gross Revenues" means the aggregate gross operating and non-operating revenues of the System determined in accordance with generally accepted accounting principles, after deduction of prompt payment discounts, if any, and reasonable provision for uncollectible accounts, and include any gains from the sale or other disposition of, capital assets, but does not include any increase in the value of, capital assets (including Qualified Investments).

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

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

"Investment Property" means any security (as said term is defined in Section 165(g)(2) (A) or (B) of the Code), obligation, annuity contract, investment-type property or in the case of a bond other than a private activity bond, any residential rental property for family units which is not located within the jurisdiction of the Issuer and which is not acquired to implement a court ordered or approved housing desegregation plan. Except as provided in the following sentence, the term "Investment Property" does not include any tax-exempt bond. With respect to an issue other than an issue a part of which is a specified private activity bond (as defined in Section 57(a)(5)(C) of the Code), the term "Investment Property" includes a specified private activity bond (as so defined).

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

"Mayor" means the Mayor of the Issuer.

"Net Proceeds" means the face amount of the Series 2011 Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds deposited in the Series 2011 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 2011 Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

"Net Revenues" means Gross Revenues less Operating Expenses.

"Nonpurpose Investment" means any Investment Property as defined in Section 148(b) of the Code, that is not a purpose investment.

"Operating Expenses" means the current expenses, paid or accrued, of repair, operation and maintenance of the System, and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses (other than those capitalized as part of the costs of any project relating to the acquisition or construction of additions, betterments or improvements of the System), supplies, labor, wages, the cost of materials and supplies used for current operations, fees and expenses of fiscal agents and of the Depository Bank, Registrar and Paying Agent or Paying Agents, payments to pensions 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 sale or other disposition of or any decrease in the value of capital assets, amortization of debt discount or such miscellaneous deductions are reapplicable to prior accounting periods.

"Operation and Maintenance Fund" means the Operation and Maintenance Fund established or continued by the Prior Ordinances and continued by Section 5.01 hereof.

"Original Purchaser" means Crews & Associates, Inc., which is expected to be the original purchaser of the Series 2011 Bonds.

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

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

"Participant" means the person or entity registered as such with DTC.

"Paying Agent" means the West Virginia Municipal Bond Commission, or such entity or authority as may be designated by the Issuer.

"Prior Bonds" means the Series 2000 Bonds and the Series 2001 Bonds.

"Prior Ordinances" means the Series 2000 Bonds Ordinance and the Series 2001 Bonds Ordinance.

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

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

(1) Government Obligations.

(2) Obligations issued or guaranteed by the following instrumentalities or agencies of the United States of America:

(a) Federal Home Loan Bank System,

(b) Export-Import Bank of the United States.

(c) Federal Financing Bank,

(d) Government National Mortgage Association,

(e) Farmers Home Administration,

(f) Federal Home Loan Mortgage Company,

(g) Federal Housing Administration, and

(h) Federal National Mortgage Association.

(3) Direct and general long-term obligations of any state to the payment of which the full faith and credit of the state is pledged and which are rated in either of the two highest rating categories by either Moody's Investors Service, Inc. (hereinafter referred as "Moody's") or Standard and Poor's Corporation (hereinafter referred to as "S&P") or, in the event each of such rating agencies rate such obligations, by each of them.

(4) Direct and general short term obligations of any state described in (3) above which are rated in the highest rating category by either Moody's or S&P or, in the event each of such rating agencies rate such obligations, by each of them.

(5) Interest-bearing demand or time deposits or interests in money-market portfolios issued by state banks or trust companies or any national banking associations which are members of the Federal Deposit Insurance Corporation ("FDIC") or savings and loan associations which are members of the Federal Savings and Loan Insurance Corporation ("FSLIC"). These deposits or interests shall be (a) continuously and fully secured by the FDIC and FSLIC and with banks that are rated at least P-1 or Aa by Moody's or at least A-1 or AA by S&P, or (b) fully secured by Government Obligations. Such Government Obligations must have a market value at all times at least equal to the principal amounts of the deposits or interests. The Government Obligations must be held by the Depository Bank (who shall not be the provider of the collateral) or by any Federal Reserve Bank or depository, as custodian for the institution issuing the deposits or interests. The Depository Bank shall have a perfected first lien in the Government Obligations serving as collateral and such collateral shall be free from all third party liens.

(6) Repurchase agreements, the maturity of which are 30 days or less, entered into with financial institutions such as banks or trust companies organized under state law or national banking associations, insurance companies, or government bond dealers reporting to, trading with, and recognized as primary dealers by the Federal Reserve Bank of New York or banks rated "A" or above by

S&P and Moody's. Such repurchase agreements shall be secured by Government Obligations. The Government Obligations must have a fair market value, exclusive of accrued interest, at least equal to the amount invested in the repurchase agreements. The Depository Bank (who shall not be the provider of the collateral) must have a perfected first lien in, and retain possession of, the collateral and the collateral must be free from all third party claims. The collateral must be valued weekly, marked-to-market at current market price, plus accrued interest and the value thereof must be equal at least 102% of the amount of cash transferred by the Issuer to the dealer bank or securities firm under such repurchase agreement, plus accrued interest. If the value of the collateral falls below 102% of the value of such cash transferred by the Issuer, additional cash and/or acceptable securities shall be transferred.

(7) Public housing bonds issued by public agencies. Such bonds must be fully secured by a pledge of annual contributions under a contract with the United States government; temporary notes, preliminary loan notes or project notes secured by a requisition or payment agreement with the United States; or state or public agency or municipality obligations rated in the highest rating category by a nationally recognized bond rating agency.

(8) Shares of a diversified open-end management investment company (as defined in the Investment Company Act of 1940) or shares in a regulated investment company (as defined in Section 851(a) of the Internal Revenue Code of 1986, as amended) that is (a) a money market fund that has been rated in the highest rating category by Moody's or S&P or (b) money market accounts of the Depository Bank or any state or federal bank that is rated at least P-1 or Aa by Moody's or at least A-1 or AA by S&P or whose one bank holding company parent is rated at least A-1 or AA By S&P or at least P-1 or Aa by Moody's or that has a combined capital and surplus of not less than $50,000,000.

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

"Record Date" means the day of the month which shall be so stated in the Series 2011 Bonds, regardless of whether such day is a Saturday, Sunday or legal holiday.

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

"Redemption Price" means the price at which the Series 2011 Bond may be called for redemption and includes the principal amount of the Series 2011 Bonds to be redeemed, plus the premium, if any, required to be paid to effect such redemption.

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

"Registrar" means the Bond Registrar.

"Regulations" means temporary and permanent regulations promulgated under the Code, and includes applicable regulations promulgated under the Internal Revenue Code of 1954, as amended.

"Representation Letter" means the Letter Agreement between the Issuer and DTC.

"Reserve Accounts" means, collectively, the Series 2000 Bonds Reserve Accounts and the Series 2011 Bonds Reserve Account.

"Reserve Account Insurance Policy" means any surety bond, letter of credit or other instrument which may be applied by the Issuer to satisfy all or any portion of the Reserve Requirement for the Series 2011 Bonds or any subsequent series of Bonds.

"Reserve Requirement" means, collectively, the respective amount required to be on deposit in the Reserve Accounts for the Series 2011 Bonds and Series 2000 Bonds.

"Revenue Fund" means the Revenue Fund established or continued by the Prior Ordinances and continued by Section 5.01 hereof.

"Series 2000 Bonds Ordinance" means the Bond Ordinance enacted on September 14, 2000, and put into effect following a public hearing held on September 25, 2000, authorizing among other things, the issuance of the Series 2000 Bonds, as supplemented and amended.

"Series 2000 Bonds" means collectively the Series 2000A Bonds, the Series 2000B Bonds and the Series 2000C Bonds.

"Series 2000 Bonds Reserve Accounts" means collectively the Series 2000A Bonds Reserve Account, the Series 2000B Bonds Reserve Account and the Series 2000C Bonds Reserve Account.

"Series 2000 Bonds Sinking Funds" means collectively the Series 2000A Bonds Sinking Fund, the Series 2000B Bonds Sinking Fund and the Series 2000C Bonds Sinking Fund.

"Series 2000A Bonds" means the Combined Waterworks and Sewerage System Revenue Bonds, Series 2000A (West Virginia DWTRF Program) of the Issuer, dated September 27, 2000, originally issued in the aggregate principal amount of $7,564,000, authorized by the Series 2000 Bonds Ordinance.

"Series 2000A Bonds Reserve Account" means the Series 2000A Bonds Reserve Account established in the Series 2000A Bonds Sinking Fund pursuant to Section 5.02 of the Series 2000 Bonds Ordinance and continued by Section 5.02 hereof.

"Series 2000A Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 2000A Bonds in the then concurrent or any succeeding year.

"Series 2000A Bonds Sinking Fund" means the Series 2000A Bonds Sinking Fund established by Section 5.02 of the Series 2000 Bonds Ordinance and continued by Section 5.02 hereof.

"Series 2000B Bonds" means the Combined Waterworks and Sewerage System Revenue Bonds, Series 2000B (West Virginia Infrastructure Fund) of the Issuer, dated September 27, 2000, originally issued in the aggregate principal amount of $3,000,000, authorized by the Series 2000 Bonds Ordinance.

"Series 2000B Bonds Reserve Account" means the Series 2000B Bonds Reserve Account established in the Series 2000B Bonds Sinking Fund pursuant to Section 5.02 of the Series 2000 Bonds Ordinance and continued by Section 5.02 hereof.

"Series 2000B Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 2000B Bonds in the then concurrent or any succeeding year.

"Series 2000B Bonds Sinking Fund" means the Series 2000B Bonds Sinking Fund established by Section 5.02 of the Series 2000 Bonds Ordinance and continued by Section 5.02 hereof.

"Series 2000C Bonds" means the Combined Waterworks and Sewerage System Revenue Bonds, Series 2000C (West Virginia Water Development Authority) of the Issuer, dated September 27, 2000, originally issued in the aggregate principal amount of $1,976,352, authorized by the Series 2000 Bonds Ordinance.

"Series 2000C Bonds Reserve Account" means the Series 2000C Bonds Reserve Account established in the Series 2000C Bonds Sinking Fund pursuant to Section 5.02 of the Series 2000 Bonds Ordinance and continued by Section 5.02 hereof.

"Series 2000C Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 2000C Bonds in the then concurrent or any succeeding year.

"Series 2000C Bonds Sinking Fund" means the Series 2000C Bonds Sinking Fund established by Section 5.02 of the Series 2000 Bonds Ordinance and continued by Section 5.02 hereof.

"Series 2011 Bonds" means the not more than $9,500,000 in aggregate principal amount of Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011, authorized by this Ordinance, which may be issued in one or more series and which series may be taxable or tax-exempt, as determined by a Supplemental Resolution of the Issuer.

"Series 2011 Bonds Costs of Issuance Fund" means the Series 2011 Bonds Costs of Issuance Fund established by Section 5.01 hereof.

"Series 2001 Bonds Ordinance" means the Bond Ordinance enacted on July 19, 2001, and put into effect following a public hearing held on July 30, 2001, authorizing among other things, the issuance of the Series 2001 Bonds, as supplemented and amended

"Series 2011 Bonds Redemption Account" means the Series 2011 Bonds Redemption Account for the Series 2011 Bonds established by Section 5.02 hereof.

"Series 2011 Bonds Reserve Account" means the Series 2011 Bonds Reserve Account established in the Series 2011 Bonds Sinking Fund pursuant to Section 5.02 hereof.

"Series 2011 Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 2011 Bonds in the then concurrent or any succeeding year, assuming that the principal of any Term Bonds is deemed due on the earlier of their stated maturity date or the date on which they are required to be redeemed pursuant to mandatory redemption.

"Series 2011 Bonds Sinking Fund" means the Series 2011 Bonds Sinking Fund established by Section 5.02 hereof.

"Sinking Funds" means, collectively, the Series 2000 Bonds Sinking Funds and the Series 2011 Bonds Sinking Fund.

"State" means the State of West Virginia.

"Supplemental Resolution" means any resolution, ordinance or order of the Issuer supplementing or amending this Ordinance and, when preceded by the article "the," refers specifically to the Supplemental Resolution authorizing the sale of the Series 2011 Bonds; provided, that any matter intended by this Ordinance to be included in the Supplemental Resolution with respect to the Series 2011 Bonds and not so included may be included in another Supplemental Resolution.

"Surety Bond" means any surety bond which may be issued by a provider of a Reserve Account Insurance Policy in connection with the Series 2011 Bonds or a subsequent series of Bonds.

"Surplus Revenues" means the Net Revenues not required by the Bond Legislation to be set aside and held for the payment of or security for the Series 2011 Bonds, the Series 2000 Bonds or any other obligations of the Issuer, as further defined in Section 5.03(A)(7) hereof.

"System" means, collectively, the complete existing municipal combined waterworks and sewerage system of the Issuer, consisting of a water filtration and treatment plant, reservoirs, water tanks, distribution lines and booster stations and a sewage treatment plant, collection and transportation lines and lift stations now owned by the Issuer or any integral part thereof, and all other facilities necessary, appropriate, useful, convenient or incidental in connection with or to a waterworks or sewage treatment and collection system, and any additions, betterments and improvements thereto hereafter acquired or constructed for said waterworks or sewage treatment and collection system from any sources whatsoever, both within and without the Issuer.

"Term Bonds" means Series 2011 Bonds subject to mandatory sinking fund redemption, as described by Section 3.07 hereof.

"Yield" means that yield which, when used in computing the present worth of all payments of principal and interest (or other payments in the case of Nonpurpose Investments which require payments in a form not characterized as principal and interest) on a Nonpurpose Investment or on the Series 2011 Bonds produces an amount equal to the purchase price of such Nonpurpose Investment or the Series 2011 Bonds, all computed as prescribed in applicable Regulations.

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.

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

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.

ARTICLE II

AUTHORIZATION OF REFUNDING OF ALL OR PART OF SERIES 2001 BONDS

Section 2.01. Authorization of Refunding of All or Part of Series 2001 Bonds. There is hereby authorized the refunding of all or part of the Series 2001 Bonds with the proceeds of the Series 2011 Bonds and other funds available for said purpose. In connection with the refunding of all or part of the Series 2001 Bonds, proceeds of the Series 2011 Bonds, together with other available funds of the Issuer, shall be applied to (i) the outstanding principal of and redemption premium and interest on the Series 2001 Bonds to their redemption date, (ii) to the costs relating to the issuance of the Series 2011 Bonds (specifically including, but not limited to, the cost of a municipal bond insurance policy, if such a policy is determined to be advantageous to the Issuer), and (iii) to the funding of the Series 2011 Bonds Reserve Account through either a deposit of cash or the purchase by the Issuer of a Reserve Account Insurance Policy. The determination of whether to refund all or part of the Series 2001 Bonds and, if it is determined to refund only part of the Series 2001 Bonds, the determination of which of the Series 2001 Bonds are to be refunded shall be set forth in the Supplemental Resolution.

ARTICLE III

THE SERIES 2011 BONDS

Section 3.01. Form and Payment of Bonds. No Series 2011 Bond shall be issued pursuant to this Ordinance except as provided in this Article III. All Series 2011 Bonds issued pursuant to this Ordinance shall be issued as fully registered Bonds without coupons, in the denomination of $5,000 or any integral multiple thereof for any year of maturity. The Series 2011 Bonds shall be dated as of the date provided in such Supplemental Resolution and shall bear interest from the interest payment date next preceding the date of authentication or, if authenticated after the Record Date but prior to the applicable interest payment date or on such interest payment date, from such interest payment date or, if no interest on such Series 2011 Bonds has been paid, from the date thereof; provided however, that, if, as shown by the records of the Registrar, interest on such Series 2011 Bonds shall be in default, Series 2011 Bonds issued in exchange for Series 2011 Bonds surrendered for transfer or exchange shall bear interest from the date to which interest has been paid in full on the initial Series 2011 Bonds surrendered.

The principal of and the premium, if any, on the Series 2011 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. The interest on the Series 2011 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 Series 2011 Bonds, by wire transfer to a domestic bank account specified in writing to the Paying Agent at least 5 days prior to such interest payment date by such Registered Owner.

In the event any Bond is redeemed in part, such Bond shall be surrendered to and cancelled 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 2011 Bonds shall be executed in the name of the Issuer by the Mayor and the 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 Recorder by his or her manual or facsimile signature; provided, that, all such signatures and the seal may be by facsimile. In case any one or more of the officers who shall have signed or sealed any of the Series 2011 Bonds shall cease to be such officer of the Issuer before the Series 2011 Bonds so signed and sealed have been actually sold and delivered, such Series 2011 Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Series 2011 Bonds had not ceased to hold such office. Any Series 2011 Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Series 2011 Bonds shall hold the proper office in the Issuer, although at

the date of such Series 2011 Bonds such person may not have held such office or may not have been so authorized.

Section 3.03. Authentication and Registration. No Series 2011 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 attached hereto and incorporated herein by reference with respect to the Series 2011 Bonds, shall have been duly manually executed by the Registrar. Any such manually executed Certificate of Authentication and Registration upon any 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 Series 2011 Bonds issued hereunder.

Section 3.04. Book-Entry Bonds.

A. Except as provided in subparagraph (C) of this Section 3.04, the Registered Owner of all of the Series 2011 Bonds shall be DTC, and the Series 2011 Bonds shall be registered in the name of Cede & Co. Payment of principal and interest for any Series 2011 Bond registered as of each Record Date in the name of Cede & Co. shall be made by wire transfer of New York clearing house or equivalent next-day funds to the account of Cede & Co. on the interest payment date for the Series 2011 Bonds at the address indicated on the Record Date for Cede & Co. in the Bond Register.

B. The Issuer and the Bond Registrar may treat DTC (or its nominee) as the sole and exclusive owner of the Series 2011 Bonds registered in its name for the purposes of payment of the principal or redemption price of or interest on the Series 2011 Bonds, selecting the Series 2011 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 2011 Bonds, obtaining any consent or other action to be taken by Bondholders and for all other purposes whatsoever, and neither the Issuer nor the Bond Registrar shall be affected by any notice to the contrary. Neither the Issuer nor the Bond Register shall have any responsibility or obligation to any Participant, any person claiming a beneficial ownership interest in the Series 2011 Bonds under or through DTC or any Participant, or any Participant of any amount in respect of the principal or redemption price of or interest on the Series 2011 Bonds; any notice which is permitted or required to be given to Bondholders under this Ordinance; the selection by DTC or any Participant of any person to receive payment in the event of a partial redemption of the Series 2011 Bonds; or any consent given or other action taken by DTC as Bondholder. The Paying Agent shall pay all principal of and premium, if any, and interest on the Series 2011 Bonds only to or "upon the order of" (as that term is used in the Uniform Commercial Code as adopted in the State) and all such payments shall be valid and effective to fully satisfy and discharge the Issuer's obligations with respect to the principal or redemption price of and interest

on the Series 2011 Bonds to the extent of the sum or sums so paid. No person other than DTC shall receive an authenticated Series 2011 Bond for each separate stated maturity evidencing the obligation of the Issuer to make payments of principal or redemption price and interest pursuant to this Ordinance. Upon delivery by DTC to the Issuer of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions herein with respect to Record Dates, the word "Cede & Co." in this Ordinance shall refer to such new nominee of DTC.

C. In the event the Issuer determines that it is in the best interest of the Owners that they be able to obtain Bond certificates, the Issuer may notify DTC, whereupon DTC will notify the Participants, of the availability through DTC of Bond certificates. In such event, the Issuer shall issue and the Bond Registrar shall authenticate, transfer and exchange Bond certificates as requested by DTC and any other Bondholders in appropriate amounts. DTC may determine to discontinue providing its services with respect to the Series 2011 Bonds at any time by giving notice to the Issuer and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is no successor securities depository), the Issuer shall be obligated to deliver Bond certificates as described herein. In the event Bond certificates are issued, the provisions herein shall apply to, among other things, the transfer and exchange of such certificates and the method of payment of principal of and interest on such certificates. Whenever DTC requests the Issuer to do so, the Issuer will assist DTC in taking appropriate action after reasonable notice (a) to make available one or more separate certificates evidencing the Series 2011 Bonds to any Participant having the Series 2011 Bonds credited to its DTC account or (b) to arrange for another securities depository to maintain custody of certificates evidencing the Series 2011 Bonds.

D. Notwithstanding any other provisions of this Ordinance to the contrary, so long as any Series 2011 Bond is registered in the name of Cede & Co., all payments with respect to the principal or redemption price of and interest on such Bond and all notices with respect to such Series 2011 Bond shall be made and given, respectively, to DTC as provided in the Representation Letter. When the Issuer gives notice to DTC or its nominee as Bondholder, it shall request that DTC forward (or cause to be forwarded) the notices to the Participants so that such Participants may forward (or cause to be forwarded) such notices to the Owners.

E. In connection with any notice or other communication to be provided to Bondholders pursuant to this Ordinance by the Issuer with respect to any consent or other action to be taken by Bondholders, the Issuer shall establish a record date for such consent or other action and give DTC notice of such record date not less than 15 calendar days in advance of such record date to the extent possible. Notice to DTC shall be given only when DTC is the sole Bondholder.

Section 3.05. Negotiability and Registration. Subject to the requirements for transfer set forth below, the Series 2011 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 Series 2011 Bonds, shall be conclusively deemed to have agreed that such Series 2011 Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State, and each successive Holder shall further be conclusively deemed to have agreed that said Series 2011 Bonds shall be incontestable in the hands of a bona fide holder for value.

So long as any of the Series 2011 Bonds remains Outstanding, the Registrar shall keep and maintain books for the registration and transfer of the Series 2011 Bonds. The Series 2011 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 in an 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.

The Series 2011 Bonds, 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, may at the option of the Holder thereof be exchanged for an equal aggregate principal amount of Series 2011 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, Series 2011 Bonds shall be delivered in accordance with the provisions of this Ordinance. All Series 2011 Bonds surrendered in any such transfer or exchange shall forthwith be cancelled by the Registrar. Transfers and exchanges of Series 2011 Bonds shall be made by the Registrar without charge to the Holder or the transferee thereof, except as provided below. For every such transfer or exchange of Series 2011 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 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 or during the period commencing on any Record Date and ending on the next interest payment date therefor.

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Series 2011 Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may execute, in its discretion, and the Registrar shall authenticate, register and deliver any new Bond of like series, maturity and principal amount as the Bond so mutilated, destroyed, stolen or lost, in exchange and upon surrender and cancellation of, such mutilated Bond or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing the Issuer and the Registrar proof of his ownership thereof and that said Bond has been destroyed, stolen or lost and

satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer or the Registrar may prescribe and paying such expenses as the Issuer or the Registrar may incur. The name of the Bondholder listed in the Bond Register shall constitute proof of ownership. All Series 2011 Bonds so surrendered shall be submitted to and cancelled 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 apply the same, upon being indemnified as aforesaid, and, if such Bond be lost, stolen or destroyed, without surrender therefor.

Any such duplicate Series 2011 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 Series 2011 Bonds, be at any time found by any one, and such duplicate Series 2011 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 Series 2011 Bonds issued hereunder.

Section 3.07. 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 2011 Bonds Redemption Account in accordance with Subsection 5.03(A)(2) shall include (after credit as provided below) on the first of each month, beginning on the first day of that month which is 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 Series 2011 Bonds shall be set forth in the Supplemental Resolution, provided, that in the event the period to elapse between the date of such initial deposit in the Series 2011 Bonds Sinking Fund and the next ensuing principal payment or mandatory redemption date is less than 12 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next ensuing principal payment date or mandatory redemption date, the required amount of principal coming due on such date.

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 to its mandatory redemption obligation for any such Term Bonds which prior to said date have been redeemed (otherwise than pursuant to this section) and cancelled 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 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 Commission may use the moneys in the Series 2011 Bonds Redemption Account to purchase Term Bonds at a price less than the par value thereof and accrued interest thereon. The 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 2011 Bonds Sinking Fund), as will exhaust as nearly as practicable such Series 2011 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.

Section 3.08. Notice of Redemption. Unless waived by any Holder of the Series 2011 Bonds to be redeemed, official notice of any such 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 and the registered owner of the Series 2011 Bond or Series 2011 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.

All official notices of redemption shall be dated and shall state:

(1) The redemption date,

(2) The redemption price,

(3) If less than all Outstanding series 2011 Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts and CUSIP numbers, if any, assigned to the Series 2011 Bonds) of the Series 2011 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 Series 2011 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 or as may be required by the Issuer.

Prior to any redemption date, the Issuer shall deposit with the Paying Agent an amount of money sufficient to pay the redemption price of all the Series 2011 Bonds or portions of bonds which are to be redeemed on that date.

Official notice of redemption having been given as aforesaid, the Series 2011 Bonds or portions of Series 2011 Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the Issuer shall default in the payment of the redemption price) such Series 2011 Bonds or portions of Series 2011 Bonds shall cease to bear interest. Upon surrender of such Series 2011 Bonds for redemption in accordance with said notice, such Series 2011 Bonds shall be paid by the Paying Agent 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 Series 2011 Bond, there shall be prepared for the registered owner a new Series 2011 Bond or Series 2011 Bonds of the same maturity in the amount of the unpaid principal. All Series 2011 Bonds which have been redeemed shall be cancelled 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 Series 2011 Bonds, and failure to mail such notice shall not affect the validity of proceedings for the redemption of any portion of Series 2011 Bonds for which there was no such failure.

Section 3.09. 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 3.10. Temporary Bonds. Until Series 2011 Bonds 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 Series 2011 Bonds in temporary form, substantially in the form of the definitive Series 2011 Bonds, with appropriate omissions, variations and insertions, and in authorized denominations. Until exchanged for Series 2011 Bonds in definitive form, such Series 2011 Bonds in temporary form shall be entitled to the lien and benefit created under this Ordinance. Upon the presentation and surrender of any Series 2011 Bond or Series 2011 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 Series 2011 Bond or Series 2011 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 3.11. Bonds not to be Indebtedness of the Issuer. The Series 2011 Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Gross Revenues derived from the operation of the System as herein provided, unexpended proceeds thereof in the Series 2011 Bonds Costs of Issuance Fund and amounts, if any, in the Series 2011 Bonds Reserve Account. No holder or holders of any of the Series 2011 Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Series 2011 Bonds or the interest thereon.

Section 3.12. Bonds Secured by Pledge of Gross Revenues. The payment of the debt service of all the Series 2011 Bonds shall be secured forthwith equally and ratably with each other, by a lien on and pledge of the Gross Revenues, on a parity with the lien on Gross Revenues in favor of the Holders of the Series 2000 Bonds. Such Gross Revenues in an amount sufficient to pay the principal of and interest on and other payments for the Series 2011 Bonds and the Series 2000 Bonds and to make the payments into the Sinking Funds and the Reserve Accounts therein are hereby irrevocably pledged to the payment of the principal of and interest on the Series 2011 Bonds and the Series 2000 Bonds as the same become due.

Section 3.13. Issuance of Series 2011 Bonds. For the purposes of refunding all or part of the Series 2001 Bonds, funding a debt service reserve account for the Series 2011 Bonds through either a deposit of cash or the purchase by the Issuer of a Reserve Account Insurance Policy, and paying costs in connection with the issuance of such Series 2011 Bonds (specifically including, but not limited to, the cost of a municipal bond insurance policy, if such a policy is determined to be advantageous to the Issuer), or any of the above purposes, there shall be issued the Series 2011 Bonds of the Issuer, in an aggregate principal amount of not more than $9,500,000. The Series 2011 Bonds shall be designated "Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011" and shall be issued in one or more series, one or more of which series may be taxable, 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 2011 Bonds maturing in the year of maturity for which the denomination is to be specified. The Series 2011 Bonds shall be numbered from R-1 consecutively upward. The Series 2011 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 redemption provisions; and shall have such other terms, all as the Issuer shall prescribe herein and in the Supplemental Resolution.

Section 3.14. Delivery of Series 2011 Bonds. The Issuer shall execute and deliver the Series 2011 Bonds to the Registrar, and the Registrar shall authenticate, register and deliver the Series 2011 Bonds to the Original Purchaser upon receipt of the documents set forth below:

A. A list of the names in which the Series 2011 Bonds are to be registered upon original issuance, together with such taxpayer identification and other information as the Register 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 2011 Bonds to the Original Purchaser; and

C. The unqualified approving opinion upon the Series 2011 Bonds by Bond Counsel.

Section 3.15. Form of Series 2011 Bonds. The Series 2011 Bonds shall be substantially in the form set forth in Exhibit A, attached hereto and incorporated herein by reference, with such appropriate variations, omissions and insertions as are permitted or required by this Ordinance or the Supplemental Resolution or as are deemed necessary by the Registrar and the Issuer, including any variations necessary to render the Series 2011 Bonds DTC-eligible. If additional series of the Series 2011 Bonds are authorized by the Supplemental Resolution, the form thereof shall be approved by the Supplemental Resolution.

Section 3.16. Sale of Series 2011 Bonds; Approval and Ratification of Execution of Bond Purchase Agreement with Original Purchaser. The Series 2011 Bonds shall be sold to the Original Purchaser pursuant to the terms and conditions of the Bond Purchase Agreement. If not so authorized by previous ordinance, the Mayor is specifically authorized and directed to execute the said Bond Purchase Agreement in such form as may be approved by the Supplemental Resolution, and the Recorder is directed to affix the seal of the Issuer, attest the same and deliver the said Bond Purchase Agreement to the Original Purchaser.

Section 3.17. Series 2011 Bonds are Issued as Parity Bonds With Respect to Series 2000 Bonds. The Series 2011 Bonds are issued as and shall constitute parity bonds with

respect to the Series 2000 Bonds. The Issuer has met the requirements of the Series 2000 Bond Ordinances for the issuance of the Series 2011 Bonds on a parity with the Series 2000 Bonds and has obtained the consent of the Holder of the Series 2000 Bonds to the issuance of the Series 2011 Bonds on a parity therewith.

ARTICLE IV

BOND INSURANCE

Section 4.01. Bond Insurance. The Issuer reserves the right to obtain bond insurance relating to the Series 2011 Bonds if it is found to be advantageous to the Issuer. If bond insurance is obtained for the Series 2011 Bonds, the Issuer reserves the right to supplement and amend this Bond Ordinance with respect to such bond insurance.

ARTICLE V

FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

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

A. Revenue Fund (created or continued by the Prior Ordinances);

B. Depreciation Fund (created or continued by the Prior Ordinances);

C. Operation and Maintenance Fund (created or continued by the Prior Ordinances);

D. Earnings Fund (created or continued by the Prior Ordinances);

E. Rebate Fund (created or continued by the Prior Ordinances); and

F. Series 2011 Bonds Costs of Issuance Fund.

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

A. Series 2000A Bonds Sinking Fund (established by the Series 2000 Bonds Ordinance);

B. Within the Series 2000A Bonds Sinking Fund, the Series 2000A Bonds Reserve Account (established by the Series 2000 Bonds Ordinance);

C. Series 2000B Bonds Sinking Fund (established by the Series 2000 Bonds Ordinance);

D. Within the Series 2000B Bonds Sinking Fund, the Series 2000B Bonds Reserve Account (established by the Series 2000 Bonds Ordinance);

E. Series 2000C Bonds Sinking Fund (established by the Series 2000 Bonds Ordinance);

F. Within the Series 2000C Bonds Sinking Fund, the Series 2000C Bonds Reserve Account (established by the Series 2000 Bonds Ordinance);

G. Series 2011 Bonds Sinking Fund;

H. Within the Series 2011 Bonds Sinking Fund, the Series 2011 Bonds Reserve Account; and

I. Series 2011 Bonds Redemption Account.

Section 5.03. System Revenues; Flow of Funds.

A. The entire Gross Revenues derived from the operation of the System shall be deposited upon receipt in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in this Bond Legislation and shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner herein provided. All Gross Revenues at any time remaining on deposit in the Revenue Fund shall be disposed of only in the following manner and order of priority.

1. The Issuer shall first, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Commission (i) for deposit in the Series 2000A Bonds Sinking Fund, a sum equal to 1/3rd of the amount of interest which will become due on the Series 2000A Bonds on the next ensuing quarterly interest payment date; (ii) for deposit in the Series 2000B Bonds Sinking Fund, a sum equal to 1/3rd of the amount of interest which will become due on the Series 2000B Bonds on the next ensuing quarterly interest payment date; (iii) for deposit in the Series 2000C Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on the Series 2000C Bonds on the next ensuing semiannual interest payment date; and (iv) beginning 6 months prior to the first interest payment date on the Series 2011 Bonds, for deposit in the Series 2011 Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on the Series 2011 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 2011 Bonds Sinking Fund and the next ensuing semiannual interest payment date is less than 6 months, then such monthly payments shall be 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, and provided further, that there shall be allowed as a credit against the respective payments any amounts on deposit in the respective Sinking Funds as accrued interest, capitalized interest or otherwise.

2. The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Commission (i) for deposit in the Series 2000A Bonds Sinking Fund, a sum equal to 1/3rd of the amount of principal which will mature and become due on the Series 2000A Bonds on the next ensuing quarterly principal payment date, (ii) for deposit in the Series 2000B Bonds Sinking Fund, a sum equal to 1/3rd of the amount

of principal which will mature and become due on the Series 2000B Bonds on the next ensuing quarterly principal payment date; (iii) for deposit in the Series 2000C Bonds Sinking Fund, a sum equal to 1/12th of the amount of principal which will mature and become due on the Series 2000C Bonds on the next ensuing annual principal payment date; and (iv) beginning 12 months prior to the first principal payment date of the Series 2011 Bonds, for deposit in the Series 2011 Bonds Sinking Fund, and in the Series 2011 Bonds Redemption Account therein in the case of Term Bonds, a sum equal to 1/12th of the amount of principal which will mature and become due on the Series 2011 Bonds on the next ensuing annual principal payment date, provided, that in the event the period to elapse between the date of such initial deposit in the Series 2011 Bonds Sinking Fund and the next ensuing annual principal payment date is less than 12 months, then such monthly payments shall be increased proportionately to provide, 1 month prior to the next ensuing annual principal payment date, the required amount of principal coming due on such date.

3. The Issuer shall next, from the moneys remaining in the Revenue Fund each month, transfer from the Revenue Fund and deposit in the Operation and Maintenance Fund an amount sufficient to pay current Operating Expenses of the System.

4. The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Commission (i) an amount equal to 1/120th of the Series 2000A Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2000A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2000A Bonds Reserve Requirement; (ii) for deposit in the Series 2000B Bonds Reserve Account, an amount equal to 1/120th of the Series 2000B Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2000B Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2000B Bonds Reserve Requirement; (iii) for deposit in the Series 2000C Bonds Reserve Account, an amount equal to 1/120th of the Series 2000C Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2000C Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2000C Bonds Reserve Requirement; and (iv) beginning 6 months prior to the first principal payment date of the Series 2011 Bonds, if not fully funded upon issuance of the Series 2011 Bonds, for deposit in the Series 2011 Bonds Reserve Account, an amount equal to 1/120th of the Series 2011 Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2011 Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2011 Bonds Reserve Requirement.

5. The Issuer shall next, from the moneys remaining in the Revenue Fund, on the first day of each month, transfer to the Depreciation Fund a sum equal to 2 1/2% of

the Gross Revenues each month, exclusive of any payments for the account of any Reserve Account in the respective Sinking Funds.

Withdrawals and disbursements may be made by the Issuer from the Depreciation Fund only for the following purposes and in the following order of priority:

(a) To make up any deficiency in any Reserve Account (so that the amount on deposit therein is at least equal to the Reserve Requirement);

(b) For the payment of the principal (including the principal amount to be paid under the mandatory redemption schedules) of or interest on the Bonds, but only in the event that at the time of such withdrawal there are not sufficient funds for such purpose in the respective Sinking Funds (including the respective Reserve Accounts);

(c) For the payment of the reasonable costs of land and depreciable renewals, repairs, extensions, improvements and additions to the System;

(d) For the payment of debt service on obligations not on a parity with the Bonds, the proceeds of which obligations were used to finance such land and depreciable renewals, repairs, extensions, improvements and additions to the System; or

(e) Moneys in the Depreciation Fund in excess of a sum which is sufficient for the purposes of capital replacements, additions or improvements for the System or any part thereof during the then present Fiscal Year and the next ensuing Fiscal Year may be transferred, upon resolution of the Issuer, to Series 2000 Bonds Sinking Funds or the Series 2011 Bonds Redemption Account and used for optional redemption or for purchase of Bonds. In the event of purchase of Bonds, the Issuer may direct the purchase of Bonds offered for sale at the lowest price below the redemption price of such Bonds.

6. The Issuer shall next, each month pay to any provider of a Reserve Account Insurance Policy any interest which may be owed on amounts advanced under any Surety Bond.

7. The Issuer may next, each month, after making the above required transfers of money from the Revenue Fund, accrue the surplus then remaining in the Revenue

Fund. Any such surplus in the Revenue Fund shall be deemed "Surplus Revenues" and may be used for any lawful purpose of the System, including payment of debt service on subordinate indebtedness of the System.

8. If on any monthly payment date the Revenues of the System are insufficient to make the required deposits in any of the funds as hereinabove provided, the deficiency shall be made up on the next ensuing payment dates by payments in addition to the payments which are otherwise required to be made into the funds on such ensuing payment dates, provided, however, that the priority of curing deficiencies in the funds and accounts herein shall be in the same order as payments are to be made pursuant to this Section 5.03, and the Gross Revenues shall be applied to such deficiencies before being applied to any other payments hereunder.

9. Principal and interest payments into the respective Sinking Funds, and any payments made for the purpose of funding a deficiency in any Reserve Account shall be made on a parity and pro rata with respect to the Series 2000 Bonds and the Series 2011 Bonds in accordance with the respective principal amounts then Outstanding.

B. Moneys in the Series 2011 Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest on the Series 2011 Bonds as the same shall become due. Moneys in the Series 2011 Bonds Reserve Account shall be used only for the purpose of paying principal of and interest on the Series 2011 Bonds as the same shall come due, when other moneys in the Series 2011 Bonds Sinking Fund are insufficient therefor, and for no other purpose.

All investment earnings on moneys in the Series 2011 Bonds Sinking Fund, the Series 2011 Bonds Reserve Account and the Series 2011 Bonds Redemption Account shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payment due on the Series 2011 Bonds, and then to the next ensuing principal payment due thereon.

Any withdrawals from the Series 2011 Bonds Reserve Account which result in a reduction in the balance therein to below the Series 2011 Bonds Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments have been made in full in the order set forth above.

As and when additional Bonds ranking on a parity with the Series 2011 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 of additional parity Bonds.

The Issuer shall not be required to make any further payments into the Series 2011 Bonds Sinking Fund or the Series 2011 Bonds Reserve Account when the aggregate amount of funds therein are at least equal to the respective aggregate principal amount of the Series 2011 Bonds issued pursuant to this Bond Legislation then Outstanding and all interest to accrue until the maturity thereof.

The Commission is hereby designated as the fiscal agent for the administration of the Series 2011 Bonds Sinking Fund, the Series 2011 Bonds Reserve Account and the Series 2011 Bonds Redemption Account created hereunder, and all amounts required for said accounts shall be remitted to the Commission from the Revenue Fund by the Issuer at the time provided herein.

Moneys in the Series 2011 Bonds Sinking Fund, the Series 2011 Bonds Reserve Account and the Series 2011 Bonds Redemption Account shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The Series 2011 Bonds Sinking Fund, the Series 2011 Bonds Reserve Account and the Series 2011 Bonds Redemption Account shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 2011 Bonds, respectively, under the conditions and restrictions set forth herein.

C. The Issuer shall on the first day of each month (if the first day is not a business day, then the first business day of each month), deposit with the Commission the required interest, principal and reserve account payments with respect to the Series 2011 Bonds and all such payments shall be remitted to the Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Bond Legislation. All remittances made by the Issuer to the Commission shall clearly identify the fund or account into which each amount is to be deposited.

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

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

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

Section 5.04. Reserve Account Insurance Policy. In lieu of funding the Reserve Account for any series of Bonds with cash or Qualified Investments, the Reserve Requirement may be satisfied by the purchase by the Issuer of a Reserve Account Insurance Policy and/or the deposit into the Reserve Account of a reserve account letter of credit in an amount at least equal to the Reserve Requirement.

ARTICLE VI

BOND PROCEEDS

Section 6.01. Application of Bond Proceeds; Pledge of Unexpended Bond Proceeds. From the moneys received from time to time from the sale of any or all of the Series 2011 Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Series 2011 Bonds, there shall first be deposited with the Commission in the Series 2011 Bonds Sinking Fund, the amount, if any, specified in the Supplemental Resolution as capitalized interest.

B. From the proceeds of the Series 2011 Bonds, there shall be deposited with the Commission in the Series 2011 Bonds Sinking Fund, the amount, if any, constituting accrued interest on the Series 2011 Bonds.

C. Next, from the proceeds of the Series 2011 Bonds, there shall be deposited with the Commission in the Series 2011 Bonds Reserve Account, the amount, if any, set forth in the Supplemental Resolution for funding of the Series 2011 Bonds Reserve Account.

D. Next, from the proceeds of the Series 2011 Bonds, there shall be deposited in the Escrow Fund an amount sufficient to pay on the redemption date for the Series 2001 Bonds all outstanding principal of and interest and redemption premium on the Series 2001 Bonds.

E. The remaining monies from the sale of the Series 2011 Bonds shall be deposited with the Depository Bank in the Series 2011 Bonds Costs of Issuance Fund. The monies in the Series 2011 Bonds Costs of Issuance Fund shall be applied solely to payment of the costs of issuing the Series 2011 Bonds in the manner set forth in Section 6.02.

F. Upon the earlier to occur of (i) the payment of all costs of issuing the Series 2011 Bonds, or (ii) the date which is 90 days after the Closing Date, any remaining proceeds of the Series 2011 Bonds in the Series 2011 Bonds Costs of Issuance Fund shall be deposited in the Series 2011 Bonds Sinking Fund.

G. The Depository Bank shall act as a trustee and fiduciary for the Holders of the Series 2011 Bonds with respect to the Series 2011 Bonds Costs of Issuance Fund and shall comply with all requirements with respect to the disposition of such funds set forth in the Bond Legislation. Moneys in the Series 2011 Bonds Costs of Issuance Fund shall be used solely to pay costs of issuing the Series 2011 Bonds and until so transferred or expended, are hereby pledged as additional security for the respective Series 2011 Bonds.

Section 6.02. Disbursements From the Series 2011 Bonds Costs of Issuance Fund. Except as provided in Section 6.01 hereof, disbursements from the Series 2011 Bonds Costs of Issuance Fund shall be made after submission to the Depository Bank, of a certificate, signed by an Authorized Officer, stating that:

1. None of the items for which the payment is proposed to be made has formed the basis for any disbursement theretofore made;

2. Each item for which the payment is proposed to be made is or was necessary in connection with the issuance of the Series 2011 Bonds;

3. Each of such costs has been otherwise properly incurred; and

4. Payment for each of the items proposed is then due and owing.

Pending such application, moneys in the Series 2011 Bonds Costs of Issuance Fund shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

Upon the earlier to occur of (i) the payment of all costs of issuing the Series 2011 Bonds, or (ii) the date which is 90 days after the Closing Date, any remaining proceeds of the Series 2011 Bonds shall be deposited in the Series 2011 Bonds Sinking Fund.

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01. General Covenants of the Issuer. All the covenants, agreements and provisions of this Bond Legislation shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Series 2011 Bonds. In addition to the other covenants, agreements and provisions of this Bond Legislation, the Issuer hereby covenants and agrees with the Holders of the Series 2011 Bonds as hereinafter provided in this Article VII. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of the Series 2011 Bonds or the interest thereon is Outstanding and unpaid.

Section 7.02. Bonds not to be Indebtedness of the Issuer. The Series 2011 Bonds shall not be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory limitation of indebtedness, but shall be payable solely from the funds pledged for such payment by this Bond Legislation. No Holder or Holders of any of the Series 2011 Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Series 2011 Bonds or the interest thereon.

Section 7.03. Bonds Secured by Pledge of Gross Revenues; Lien Positions With Respect to Series 2000 Bonds. The payment of the debt service of the Series 2011 Bonds issued hereunder shall be secured forthwith equally and ratably by a first lien on the Gross Revenues derived from the operation of the System on a parity with the lien on such Gross Revenues in favor of the Holders of the Series 2000 Bonds. Gross Revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Series 2000 Bonds and the Series 2011 Bonds and to make the payments into all funds and accounts, and all other payments provided for in the Bond Legislation and the Series 2000 Bonds Ordinance are hereby irrevocably pledged, in the manner provided herein, to such payments as the same become due, and for the other purposes provided in the Bond Legislation.

Section 7.04. Initial Schedule of Rates and Charges. The Issuer has obtained any and all approvals of rates and charges required by State law and has taken any other action required to establish and impose such rates and charges, with all requisite appeal periods having expired without successful appeal. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth and approved and described in the Ordinance enacted by the Issuer on January 26, 2006.

So long as the Series 2011 Bonds are outstanding, the Issuer covenants and agrees to fix and collect rates, fees and other charges for the use of the System and to take all such actions necessary to provide funds sufficient to produce the required sums set forth in the Bond Legislation. In the event the schedule of rates and charges initially established for the System in connection with the Series 2011 Bonds shall prove to be insufficient to produce the required

sums set forth in this Bond Legislation, the Issuer hereby covenants and agrees that it will, to the extent and in the manner authorized by law, immediately adjust and increase such schedule of rates and charges and take all such actions necessary to provide funds sufficient to produce the required sums set forth in this Bond Legislation.

Section 7.05. Sale of the System. So long as the Series 2000 Bonds are Outstanding, the Issuer shall not sell, mortgage, lease or otherwise dispose of the System, or any part thereof, except as provided in the Series 2000 Bonds Ordinance. Additionally, so long as the Series 2011 Bonds are Outstanding and except as otherwise required by law, the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Series 2011 Bonds and Series 2000 Bonds Outstanding, or to effectively defease this Bond Legislation in accordance with Article X hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall immediately be remitted to the Commission for deposit in the Series 2000A Bonds Sinking Fund, the Series 2000B Bonds Sinking Fund, the Series 2000C Bonds Sinking Fund and the Series 2011 Bonds Sinking Fund, respectively, pro rata, with respect to the principal amount of each of the Series 2011 Bonds and Series 2000 Bonds then Outstanding, and, Issuer shall direct the Commission to apply such proceeds to the payment of principal of and interest on the Series 2011 Bonds and Series 2000 Bonds in such manner. Any balance remaining after the payment of all the Series 2011 Bonds and Series 2000 Bonds and interest thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, is not in excess of $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 may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Revenue Fund. If the amount to be received from such sale, lease or other disposition of said property, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, shall be in excess of $50,000 but not in excess of $200,000, the Issuer shall first, in writing, determine upon consultation with the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then, if it be so advised, by resolution duly adopted, authorize such sale, lease or other disposition of such property in accordance with the laws of the State. The proceeds derived from any such sale, lease or other disposition of such property shall be deposited in the Depreciation Fund. Such 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

Bond Legislation. No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, shall be in excess of $200,000 and insufficient to pay the Series 2011 Bonds and Series 2000 Bonds then Outstanding without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of the Series 2011 Bonds and Series 2000 Bonds then outstanding. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Series 2011 Bonds and Series 2000 Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 7.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. Except as provided in this Section 7.06 and in Section 7.07, so long as any of the Series 2011 Bonds are Outstanding, the Issuer shall not issue any other obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Series 2011 Bonds. All obligations issued by the Issuer after the issuance of the Series 2011 Bonds and payable from the revenues of the System, except such additional parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on and source of and security for payment from such revenues and in all other respects, to the Series 2011 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 at the time of the issuance of such subordinate obligations have been made and are current. Except as provided above, the Issuer shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or being on a parity with the lien of the Series 2011 Bonds, and the interest thereon, if any, upon any of the income and revenues of the System pledged for payment of the Series 2011 Bonds and the interest thereon, if any, in this Bond Legislation, or upon the System or any part thereof.

Section 7.07. Parity Bonds. So long as any of the Series 2000 Bonds are Outstanding, the limitations on the issuance of parity obligations set forth in the Series 2000 Bonds Ordinance shall be applicable. In addition, no Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of the Series 2011 Bonds pursuant to this Bond Legislation, except under the conditions and in the manner herein provided.

No such Parity Bonds shall be issued except for the purpose of financing the costs of the construction or acquisition of additions, extensions, improvements or betterments to the System or refunding one or more series of the Series 2000 Bonds and/or the Series 2011 Bonds, or both such purposes.

No Parity Bonds shall be issued at any time, however, unless and until there has been procured and filed with the Recorder a written statement by the Independent Certified Public Accountants reciting the conclusion that the Net Revenues actually derived, subject to the

adjustments hereinafter provided for, from the System during any 12 consecutive months, within the 18 months immediately preceding the date of the actual issuance of such Parity Bonds, plus the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the completion of the improvements to be financed by such Parity Bonds, if any, shall not be less than 115% of the largest aggregate amount that will mature and become due in any succeeding Fiscal Year for principal of and interest on the following:

(1) The Series 2000 Bonds and Series 2011 Bonds then Outstanding;

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

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

The "estimated average increased annual Net Revenues to be received in each of the 3 succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from (a) the improvements to be financed by such Parity Bonds and (b) any increase in rates enacted by the Issuer, the period for appeal of which has expired (without successful appeal) prior to the date of delivery of such Parity Bonds, and shall not exceed the amount to be stated in a certificate of the Independent Certified Public Accountants, which shall be filed in the office of the Recorder prior to the issuance of such Parity Bonds.

The Net Revenues actually derived from the System during the 12-consecutive-month period hereinabove referred to may be adjusted by adding to such Net Revenues such additional Net Revenues which would have been received, in the opinion of the said Independent Certified Public Accountants on account of increased rates, rentals, fees and charges for the System enacted by the Issuer, the period for appeal of which has expired (without successful appeal) prior to issuance of such Parity Bonds.

All covenants and other provisions of this Bond Legislation (except as to details of such Parity Bonds inconsistent herewith) shall be for the equal benefit, protection and security of the Holders of the Series 2011 Bonds and the Holders of any Parity Bonds subsequently issued from time to time within the limitations of and in compliance with this section. Bonds issued on a parity, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the revenues of the System and their source of and security for payment from said revenues, without preference of any Bond of one series over any other Bond of the same series. The Issuer shall comply fully with all the increased payments into the various funds and accounts created in this Bond Legislation required for and on account of such Parity Bonds, in addition to the payments required for Bonds theretofore issued pursuant to this Bond Legislation.

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on the revenues of the System is subject to the prior and superior lien of the Series 2011 Bonds on such revenues. The Issuer shall not issue any obligations whatsoever payable from the revenues of the System, or any part thereof, which rank prior to or, except in the manner and under the conditions provided in this section, equally, as to lien on and source of and security for payment from such revenues, with the Series 2011 Bonds.

No Parity Bonds shall be issued any time, however, unless all the payments into the respective funds and accounts provided for in this Bond Legislation and the Series 2000 Bond Ordinance with respect to the Series 2011 Bonds and Series 2000 Bonds then Outstanding, and any other payments provided for in this Bond Legislation, shall have been made in full as required to the date of delivery of such Parity Bonds, and the Issuer shall then be in full compliance with all the covenants, agreements and terms of this Bond Legislation.

Section 7.08. Books, Records and Audit. The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and any Holder of a Series 2000 Bond or Series 2011 Bond shall have the right at all reasonable times to inspect the System, and all parts thereof, and all records, accounts and data of the 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 for the System shall be maintained by the Issuer. Subsidiary records as may be required shall be kept in the manner, on the forms, in the books and along with other bookkeeping records as prescribed by the Issuer.

The Issuer shall file with the Original Purchaser, 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 Certified Public Accountants (or, if required by State law, by the West Virginia State Tax Department), shall mail upon request, and make available generally, the report of said Independent Accountants (or State Tax Department),

or a summary thereof, to any Holder or Holders of Series 2011 Bonds issued pursuant to this Ordinance and shall file said report with the Original Purchaser.

Section 7.09. Rates. Prior to the issuance of the Series 2011 Bonds, equitable rates or charges for the use of and service rendered by the System have been established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Recorder, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from said System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the Series 2011 Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2011 Bonds, including the Series 2000 Bonds; provided that, in the event that amounts equal to or in excess of the reserve requirements are on deposit, respectively, in the Series 2011 Bonds Reserve Account and reserve accounts for obligations on a parity with the Series 2011 Bonds, including the Series 2000 Bonds, such balance each year need only equal at least 110% of the maximum amount required in any year for payment of principal of and interest on the Series 2011 Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2011 Bonds, including the Series 2000 Bonds.

Section 7.10. 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 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 until the Issuer shall have approved such increased expenditures by a resolution duly adopted. The Issuer shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Original Purchaser and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to the Original Purchaser and to any Bondholder or anyone acting for and in behalf of such Bondholder who requests the same.

Section 7.11. Report of Consulting Engineers. The Issuer shall, at least once every 2 years, retain recognized qualified independent Consulting Engineers to review the operation, maintenance and repair of the System and to report to the Issuer in writing their

recommendations and comments pertaining to the System. Such biennial report of the Consulting Engineers, or a summary thereof, shall be made available, upon request, to the Original Purchaser and any Bondholder.

Section 7.12. No Competing Franchise. To the extent legally allowable, the Issuer will not grant or cause, consent to or allow the granting of, any franchise or permit to any person, firm, corporation, body, agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the System.

Section 7.13. Enforcement of Collections. The Issuer will diligently enforce and collect all fees, rentals or other charges for the services and facilities of the System, and take all steps, actions and proceedings for the enforcement and collection of such fees, rentals or other charges which shall become delinquent to the full extent permitted or authorized by the Act, the rules and regulations of the Public Service Commission of West Virginia and other laws of the State of West Virginia.

Whenever any fees, rates, rentals or other charges for the services and facilities of the System shall remain unpaid for a period of 20 days after the same shall become due and payable, the property and the owner thereof, as well as the user of the services and facilities, shall be delinquent until such time as all such rates and charges are fully paid. To the extent authorized by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, rates, rentals and other charges, if not paid, when due, shall become a lien on the premises served by the System. The Issuer further covenants and agrees that, it will, to the full extent permitted by law and the rules and regulations promulgated by the Public Service Commission of West Virginia, discontinue and shut off the services of the System and any services and facilities of the water system, if so owned by the Issuer, to all users of the services of the System delinquent in payment of charges for the services of the System and will not restore such services of either system until all delinquent charges for the services of the System, plus reasonable interest and penalty charges for the restoration of service, have been fully paid and shall take all further actions to enforce collections to the maximum extent permitted by law. If the water facilities are not owned by the Issuer, the Issuer shall enter into a termination agreement with the water provider, subject to any required approval of such agreement by the Public Service Commission of West Virginia and all rules, regulations and orders of the Public Service Commission of West Virginia.

Section 7.14. No Free Services. The Issuer will not render or cause to be rendered any free services of any nature by the System, nor will any preferential rates be established for users of the same class; and in the event the Issuer, or any department, agency, instrumentality, officer or employee of the Issuer shall avail itself or themselves of the facilities or services provided by the System, or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer and any such department, agency, instrumentality, officer or employee. The revenues so received shall be deemed to be revenues derived from the operation of the System, and shall be deposited

and accounted for in the same manner as other revenues derived from such operation of the System.

Section 7.15. Insurance. The Issuer will carry such insurance and in such amounts as is customarily carried with respect to works and properties similar to the System, with a reputable insurance carrier or carriers, against loss or damage by fire, explosion, hurricane, earthquake, cyclone, occupancy or other hazards and risks. In time of war, the Issuer shall also carry in said amount such insurance as may be available against loss or damage by the risks and hazards of war. The proceeds of all such insurance policies shall be placed in the Depreciation Fund and used only for the repair and restoration of the damaged or destroyed properties or for the other purposes provided herein for the Depreciation Fund. The Issuer will also carry liability insurance for damage or injury to persons or property in amounts adequate for such purposes and customarily carried with respect to works and properties similar to the System. The Issuer shall carry such other insurance as is deemed necessary by the Issuer, including but not limited to flood insurance and business interruption insurance, to the extent available at reasonable cost to the Issuer.

Section 7.16. Mandatory Connections. The mandatory use of the System is essential and necessary for the protection and preservation of the public health, comfort, safety, convenience and welfare of the inhabitants and residents of, and the economy of, the Issuer and in order to assure the rendering harmless of sewage and water-borne waste matter produced or arising within the territory served by the System. Accordingly, every owner, tenant or occupant of any house, dwelling or building located near the System, where sewage will flow by gravity or be transported by such other methods approved by the State Division of Health from such house, dwelling or building into the System, to the extent permitted by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, shall connect with and use the System and shall cease the use of all other means for the collection, treatment and disposal of sewage and waste matters from such house, dwelling or building where there is such gravity flow or transportation by such other method approved by the State Division of Health and such house, dwelling or building can be adequately served by the System, and every such owner, tenant or occupant shall, after a 30-day notice of the availability of the System, pay the rates and charges established therefor.

Any such house, dwelling or building from which emanates sewage or water-borne waste matter and which is not so connected with the System is hereby declared and found to be a hazard to the health, safety, comfort and welfare of the inhabitants of the Issuer and a public nuisance which shall be abated to the extent permitted by law and as promptly as possible by proceedings in a court of competent jurisdiction.

Section 7.17. Permits and Orders. The Issuer has obtained all permits required by state and federal laws for and all orders and approvals from the Public Service Commission of West Virginia, the BPH and the Council necessary for the operation of the System and all

approvals for issuance of the Series 2011 Bonds required by state law, with all requisite appeal periods having expired without successful appeal or been waived.

Section 7.18. Compliance With Law. The Issuer shall perform, satisfy and comply with all terms and conditions of the Act. The Issuer also agrees to comply with the Act and all applicable laws, rules and regulations issued by the Authority, the Council and the BPH or other state, federal or local bodies in regard to the operation, maintenance and use of the System.

Section 7.19. Tax Covenants. The Issuer hereby further covenants and agrees as follows:

A. PRIVATE BUSINESS USE LIMITATION. The Issuer shall assure that (i) not in excess of 10% of the Net Proceeds of the Series 2011 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 2011 Bonds during the term thereof is, under the terms of the Series 2011 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 to any property used or to be used for a Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for a Private Business Use; and (ii) that, in the event that both (A) in excess of 5% of the Net Proceeds of the Series 2011 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 2011 Bonds during the term thereof is, under the terms of the Series 2011 Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for said Private Business Use or in payments in respect of property used or to be used for said Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for said Private Business Use, then said excess over said 5% of Net Proceeds of the Series 2011 Bonds used for a Private Business Use shall be used for a Private Business Use related to the governmental use of the Project, or if the Series 2011 Bonds are for the purpose of financing more than one project, a portion of the Project, and shall not exceed the proceeds used for the governmental use of that portion of the Project to which such Private Business Use is related, all of the foregoing to be determined in accordance with the Code.

B. PRIVATE LOAN LIMITATION. The Issuer shall assure that not in excess of the lesser of 5% of the Net Proceeds of the Series 2011 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 2011 Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

D. INFORMATION RETURN. The Issuer will file all statements, instruments and returns necessary to assure that tax-exempt status of the Series 2011 Bonds and the interest thereon, including, without limitation, the information return required under Section 149(e) of the Code.

E. FURTHER ACTIONS. The Issuer will take any and all actions that may be required of it so that the interest on the Series 2011 Bonds will be and remain excludable from gross income for federal income tax purposes, and will not take any actions, or fail to take any actions, the result of which would adversely affect such exclusion.

F. TAXABLE SERIES OF SERIES 2011 BONDS EXCLUDED. Any taxable series of the Series 2011 Bonds shall be excluded from the foregoing provisions of this Section 7.19.

Section 7.20. Statutory Mortgage Lien. For the further protection of the Holders of the Series 2011 Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, shall take effect immediately upon delivery of the Series 2011 Bonds and shall be for the equal benefit of all Holders of Series 2011 Bonds; provided, however, that the statutory mortgage lien in favor of the Holders of the Series 2011 Bonds shall be on a parity with the statutory mortgage lien in favor of the Holders of the Series 2000 Bonds.

Section 7.21. Continuing Disclosures. In order to provide the written undertaking for the benefit of the owners of the Series 2011 Bonds required by the Securities and Exchange Commission Rule 15c2-12, the Issuer shall enter into a Continuing Disclosure Agreement in such form as may be approved by the Supplemental Resolution, and the Mayor is authorized and directed to execute and deliver such Continuing Disclosure Agreement on behalf of the Issuer, with such changes as the Mayor shall approve, such approval to be conclusively evidenced by the execution of such Certificate by the Mayor.

Section 7.22. Preliminary Official Statement; Official Statement. The distribution of the Preliminary Official Statement with respect to the Series 2011 Bonds shall be and the same is hereby approved. The form of the Preliminary Official Statement shall be in such form as may be approved by the Supplemental Resolution. The Mayor is hereby authorized and directed to execute and deliver a final official statement on behalf of the Issuer, which shall be in substantially the form of the Preliminary Official Statement with such changes, insertions and omissions as may be required to reflect the terms of the sale of the Series 2011 Bonds and as the Mayor may approve (the "Official Statement"). The execution of the Official Statement by the Mayor shall be conclusive evidence of such approval. Copies of the Official Statement are hereby authorized to be prepared and furnished to the Original Purchaser for distribution.

ARTICLE VIII

INVESTMENT OF FUNDS; NON ARBITRAGE

Section 8.01. Investments. So long as any of the Series 2000 Bonds remain Outstanding, the Series 2000 Bonds Ordinance shall govern the investment of moneys held as part of the funds and accounts created or continued by the Series 2000 Bonds Ordinance. Any moneys held as a part of the funds and accounts created or continued by this Bond Legislation shall be invested and reinvested by the Commission, the Depository Bank, or such other bank or national banking association holding such fund or account, as the case may be, at the written direction of the Issuer in any Qualified Investments to the fullest extent possible under applicable laws, this Bond Legislation, the need for such moneys for the purposes set forth herein, and the specific restrictions and provisions set forth in this Section 8.01.

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

The Depository Bank shall keep complete and accurate records of all funds, accounts and investments, and shall distribute to the Issuer, at least once each year (or more often if reasonably requested by the Issuer), a summary of such funds, accounts, and investment earnings. The Issuer shall retain all such records and any additional records with respect to such funds, accounts and investment earnings so long as any of the Series 2011 Bonds are Outstanding and so long thereafter as necessary to comply with the Code and assure the exclusion of interest on the Series 2011 Bonds (excluding however any taxable series of the Series 2011 Bonds) from gross income for federal income tax purposes.

Section 8.02. Certificate as to Arbitrage. The Issuer shall deliver a certificate as to 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 (or the exemption therefrom) and other tax matters as a condition to issuance of the Series 2011 Bonds as may be necessary in order to fully comply with Section 148(f) of the Code, and other provisions of the Code

pertaining to the exclusion of interest on the Series 2011 Bonds (excluding however any taxable series of the Series 2011 Bonds) from the gross income of the recipients thereof for purposes of federal income taxation and the Issuer covenants to take such actions, and refrain from taking such actions, as may be necessary to fully comply with such Section 148(f) of the Code and such Regulations, regardless of whether such actions may be contrary to any of the provisions of this Bond Legislation.

Section 8.03. Arbitrage. The Issuer covenants that (i) it shall not take, or permit or suffer to be taken, any action with respect to the proceeds of the Series 2011 Bonds (excluding however any taxable series of the Series 2011 Bonds) which would cause such Bonds to be "arbitrage bonds" under Section 148 of the Code and Regulations prescribed thereunder, and (ii) it will take all actions that may be required of it (including, without implied limitation, the timely filing of a federal information return with respect to such Bonds) so that the interest on such Bonds (excluding however any taxable series of the Series 2011 Bonds) will be and remain excluded from gross income for federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 8.04. Rebate of Excess Investment Earnings to the United States. In order to comply with Section 148(f) of the Code, the Issuer shall take the following actions:

A. EARNINGS FUND AND REBATE FUND. All interest earnings and profits on amounts in all funds and accounts established under this Ordinance, other than (i) interest earnings and profits on any funds referenced in Subsection C(5) of this Section if such earnings in any Bond Year are less than $100,000, provided that, if none of the Series 2011 Bonds are private activity bonds (including any "qualified 501(c)(3) bond" as defined under Section 145 of the Code), if the average maturity of the Series 2011 Bonds (determined in accordance with Section 174(b)(2)(A) of the Code) is at least 5 years and if the rate of interest on the Series 2011 Bonds does not vary during the term of the issue, then this clause (i) of this Section 8.04 shall be applied without regard to such dollar limitation, which interest earnings and profits shall be retained in the fund or account from which such earnings or profits arose to the extent not otherwise provided herein, (ii) interest earnings and profits on amounts in funds and accounts which do not constitute Gross Proceeds, and (iii) interest earnings and profits on the Rebate Fund shall, upon receipt by the Depository Bank, be deposited in the Earnings Fund. In addition, all interest earnings and profits on Gross Proceeds in funds held by the Issuer shall, upon receipt, be paid to the Depository Bank for deposit in the Earnings Fund. Annually, on or before the 30th day following the end of each Bond Year or on the preceding business day in the event that such day is not a business day, the Issuer shall transfer from the Earnings Fund to the Rebate Fund for purposes of ultimate payment to the United States an amount equal to Excess Investment Earnings, all as more particularly described in this Section. Following the transfer referenced in the preceding sentence, the Issuer shall transfer all amounts remaining in the Earnings Fund to be used for the payment of Debt Service on the next interest payment date and for such purpose, Debt Service due from the Issuer on such date shall be credited by an amount

equal to the amount so transferred. Notwithstanding the foregoing, the Issuer shall withdraw moneys from the Earnings Fund, if needed for the purpose of paying Debt Service or principal of or interest on the Series 2011 Bonds. In the event of withdrawal of any moneys from the Earnings Fund the Issuer shall restore such withdrawal from the first Gross Revenues available therefor, after payment of Debt Service or principal of or interest on the Series 2011 Bonds.

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

C. CALCULATION OF EXCESS INVESTMENT EARNINGS. Within 30 days following the last day of the first Bond Year, the Issuer shall calculate the Excess Investment Earnings. Thereafter, within 30 days following the last day of each Bond Year and within 30 days following the maturity date of the Series 2011 Bonds, the Issuer shall calculate the amount of Excess Investment Earnings. Said calculations shall be made or caused to be made by the Issuer in accordance with the following:

(1) Except as provided in (2), in determining the amount described in clause A(i) of the definition of Excess Investment Earnings, the aggregate amount earned on Nonpurpose Investments shall include (i) all income realized under federal income tax accounting principles (whether or not the person earning such income is subject to federal income tax) with respect to such Nonpurpose Investments and with respect to the reinvestment of investment receipts from such Nonpurpose Investments (without regard to the transaction costs incurred in acquiring, carrying, selling or redeeming such Nonpurpose Investments), including, but not limited to, gain or loss realized on the disposition of such Nonpurpose Investments (without regard to when such gains are taken into account under Section 453 of the Code relating to taxable year of inclusion of gross income), and income under Section 1272 of the Code (relating to original issue discount) and (ii) any unrealized gain or loss as of the date of retirement of the series 2011 Bonds in the event that any Nonpurpose Investment is retained after such date.

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

(3) In determining the amount described in clause (A)(ii) of the definition of Excess Investment Earnings, the Yield on the Series 2011 Bonds shall be determined based on the actual Yield of the Series 2011 Bonds during the period between the Closing Date of the Series 2011 Bonds and the date the computation is made (with adjustments for original issue discount or premium).

(4) In determining the amount described in clause (B) of the definition of Excess Investment Earnings, all income attributable to the excess described in clause (A) of said definition must be taken into account, whether or not that income exceeds the Yield of the Series 2011 Bonds, and no amount may be treated as "negative arbitrage."

(5) In determining the amount of Excess Investment Earnings, there shall be excluded any amount earned on any fund or account which is used primarily to achieve a proper matching of revenues and Debt Service within each Bond Year and which is depleted at least once a year except for a reasonable carryover amount not in excess of the greater of 1 year's earnings on such fund or account or 1/12th of annual Debt Service (which may include a portion of a fund or account, although not a separate and distinct fund or account) as well as amounts earned on said earnings if the gross earnings on such fund or account for the Bond Year is less than $100,000, provided that, if none of the Series 2011 Bonds are private activity bonds (including any "qualified 501(c)(3) bond" as defined under Section 145 of the Code), if the average maturity of the issue of the Series 2011 Bonds (determined in accordance with Section 147(b)(2)(A) of the Code) is at least 5 years and if the rate of interest on the issue of the Series 2011 Bonds does not vary during the term of the issue, then all amounts earned on such fund or account as well as amounts earned on said earnings shall be excluded in determining the amount of Excess Investment Earnings.

D. PAYMENT TO THE UNITED STATES. The Issuer shall pay from the Rebate Fund an amount equal to excess Investment Earnings to the United States in installments with the first payment to be made not later than 30 days after the end of the 5th Bond Year and with subsequent payments to be made not later than 5 years after the preceding payment was due. The Issuer shall assure that each such installment is in an amount equal to at least 90% of the Excess Investment Earnings with respect to the Gross Proceeds as of the close of the computation period. Not later than 60 days after the retirement of the Series 2011 Bonds, the Issuer shall pay from the Rebate Fund to the United States 100% of the theretofore unpaid Excess Investment Earnings in the Rebate Fund. In the event that there are any amounts remaining in the Rebate Fund following the payment required by the preceding sentence, the Issuer may use such amounts remaining for any lawful purpose of the System. The Issuer shall remit payments to the United States at the address prescribed by the Regulations as the same may be in time to time in effect with such reports and statements as may be prescribed by such Regulations. In the event that, for any reason, amounts in the Rebate Fund are insufficient to make the payments to the United States which are required by this Subsection D, the Issuer shall assure that such payments are made by the Issuer to the United States, on a timely basis, from any funds lawfully available therefor.

E. FURTHER OBLIGATIONS OF ISSUER. The Issuer shall assure that Excess Investment Earnings are not paid or disbursed except as required in this Section. To that end the Issuer shall assure that investment transactions are on an arm's length basis and that Nonpurpose Investments are acquired at their fair market value. In the event that Nonpurpose

Investments consist of certificates of deposit or investment contracts, investment in such Nonpurpose Investments shall be made in accordance with the procedures described in applicable Regulations as from time to time in effect. The Issuer shall keep the moneys in the Earnings Fund and Rebate Fund invested and reinvested to the fullest extent practicable in Government Obligations with maturities consonant with the required use thereof and investment profits and earnings shall be credited to the account of such fund on which earned.

F. MAINTENANCE OF RECORDS. The Issuer shall keep, and retain for a period of 6 years following the retirement of the Series 2011 Bonds, records of the determinations made pursuant to this Section 8.04.

G. INDEPENDENT CONSULTANTS. In order to provide for the administration of this Section 8.04, the Issuer and the Depository Bank (at the expense of the Issuer) may provide for the employment of independent attorneys, accountants or consultants compensated on such reasonable basis as the Issuer or the Depository Bank may deem appropriate.

H. FURTHER AGREEMENT. Notwithstanding the foregoing, the Issuer further covenants to comply with all Regulations from time to time in effect and applicable to the Series 2011 Bonds as may be necessary in order to fully comply with Section 148(f) of the Code, and to the extent necessary to comply with such Regulations, to take such actions, or refrain from taking such actions as may be necessary, regardless of whether such actions may be contrary to any of the provisions of this Section 8.04.

I. TAXABLE SERIES OF BONDS EXCLUDED. Any taxable series of the Series 2011 Bonds shall be excluded from the foregoing provisions of this Section 8.04.

ARTICLE IX

DEFAULT AND REMEDIES

Section 9.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Series 2011 Bonds:

A. If default occurs in the due and punctual payment of the principal of or interest on the Series 2011 Bonds; or

B. If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Series 2011 Bonds, set forth in this Bond Legislation, any supplemental resolution or in the Series 2011 Bonds, and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Commission, the Depository Bank, Registrar or any other Paying Agent or a Holder of a Series 2011 Bond; 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 Series 2000 Bonds or the Series 2000 Bonds Ordinance.

Section 9.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of a Bond may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his or her rights and, in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Holders of the Bonds, including the right to require the Issuer to perform its duties under the Act and the Bond Legislation relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Bonds, (iv) by action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Holders of the Bonds, and (v) by action or bill in equity enjoin any acts in violation of the Bond Legislation with respect to the Bonds, or the rights of such Registered Owners; provided that all rights and remedies of the Holders of the Series 2011 Bonds shall be on a parity with the Holders of the Series 2000 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 9.03. Appointment of Receiver. Any Holder of a Bond, may, by proper legal action, compel the performance of the duties of the Issuer under the Bond Legislation and the Act, including, after commencement of operation of the System, the making and collection of sufficient rates and charges for services rendered by the System and segregation of the revenues therefrom and the application thereof. If there be any Event of Default with respect to such Bonds, any Holder of a Bond, shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System on behalf of the Issuer with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of Operating Expenses of the System, the payment of the Bonds and interest and the deposits into the funds and accounts hereby established, and to apply such rates, rentals, fees, charges or other avenues in conformity with the provisions of this Bond Legislation and the Act.

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

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

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

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

Section 9.04. 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 X

DEFEASANCE; DISCHARGE OF PLEDGE OF ORDINANCE

Section 10.01. 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 2011 Bonds issued pursuant to this Ordinance 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 2011 Bonds made hereunder, shall thereupon cease, terminate and become void and be discharged and satisfied.

Series 2011 Bonds for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Paying Agent at the same or earlier time, shall be sufficient, to pay as and when due the respective principal of and interest on such Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Series 2011 Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited with the Commission or 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 Commission or said escrow trustee at the same or earlier time shall be sufficient, to pay when due the principal of, any redemption premium on and interest due and to become due on said Series 2011 Bonds on and prior to the maturity date thereof, or if the Issuer irrevocably determines to redeem any of said Series 2011 Bonds prior to the maturity thereof, on and prior to said redemption date. Neither securities nor moneys deposited with the Commission or an escrow trustee pursuant to this section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and interest on said Series 2011 Bonds; provided, that any cash received from such principal, redemption premium, if any, and interest payments on such securities deposited with the 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 Series 2011 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 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 U. S. Treasury Certificates, Notes or Bonds (including U. S. Treasury Certificates, State and Local Government Series--"SLGS"), direct obligations of the U.S. Treasury which have been stripped by the Treasury itself, CATS,

TIGRS and similar securities and 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
Direct obligations or fully guaranteed certificates of beneficial ownership

B. Farmers Home Administration, or its successors
Certificates of beneficial ownership

C. Federal Financing Bank

D. Federal Housing Administration Debentures

E. General Services Administration
Participation certificates

F. U. S. Maritime Administration
Guaranteed Title XI financing

G. New Communities Debenture
U. S. Government guaranteed debentures

H. U. S. Public Housing Notes and Bonds
U. S. Government guaranteed public housing notes and bonds

I. U. S. Department of Housing and Urban Development
Project Notes
Local Authority Bonds

ARTICLE XI

REGISTRAR; PAYING AGENT

Section 11.01. Appointment of Registrar. The Registrar for the Series 2011 Bonds shall be appointed pursuant to Supplemental Resolution pertaining to such series. The Mayor and the City Manager of the Issuer are each hereby authorized and directed to enter into an agreement with the Registrar, the form of which agreement is to be approved by such Supplemental Resolution.

Section 11.02. Responsibilities of Registrar. The recitals of fact in the Series 2011 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 2011 Bonds by the Issuer. Notwithstanding the foregoing, the Registrar shall be responsible for any representation in its Certificate of Authentication on the Series 2011 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 11.01.

The Registrar shall not incur any liability on account of the validity of the execution of any Series 2011 Bonds by the Issuer. Notwithstanding the foregoing, the Registrar shall be responsible for any representation in its Certificate of Authentication on the Series 2011 Bonds. The Registrar and any successor thereto shall agree to perform all the duties and responsibilities incident thereto, all as provided by said agreement described in Section 11.01.

Section 11.03. Evidence on Which Registrar May Act. Except as otherwise provided by Section 12.02, 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 11.04. Compensation and Expenses. The Issuer shall pay to the Registrar from time to time reasonable compensation for all services, including the transfer of registration of Series 2011 Bonds, the first exchange of Series 2011 Bonds and the exchange of Series 2011 Bonds in the event of partial redemption, incurred in the performance of its duties hereunder.

Section 11.05. Certain Permitted Acts. The Registrar may become the owner of or may deal in Series 2011 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 also serve in the capacity as

Depository Bank, 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 2011 Bonds or this Ordinance, whether or not any such committee shall represent the Holders of a majority in principal amount of the Series 2011 Bonds Outstanding.

Section 11.06. 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 mailing such notice to each Bondholder, specifying the date when such resignation shall take effect. Such resignation shall take effect upon the day specified in such notice unless a successor shall have been previously appointed by the Issuer or Bondholders, in which event such resignation shall take effect immediately.

Section 11.07. Removal. The Registrar may be removed at any time by the Issuer or by the Holders of a majority in principal amount of the Series 2011 Bonds then Outstanding by an instrument or concurrent instruments in writing signed and duly acknowledged by the Issuer or by such Bondholders or their attorneys duly authorized in writing and delivered to the Issuer, as the case may be. Copies of each such instrument shall be delivered by the Issuer to the Registrar.

Section 11.08. 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 2011 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 mail to each Bondholder notice of any such appointment within 20 days after the effective date of such appointment. 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 11.09. Transfer of Rights and Property to Successor. Any predecessor Registrar or Paying Agent shall pay over, assign and delivery any moneys, books and records held by it to its successor.

Section 11.10. 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 11.08.

Section 11.11. Adoption of Authentication. In case any of the Series 2011 Bonds shall have been authenticated but not delivered, any successor Registrar may adopt a Certificate of Authentication and Registration executed by any predecessor Registrar and deliver such Series 2011 Bonds so authenticated, and, in case any Series 2011 Bonds shall have been prepared but not authenticated, any successor Registrar may authenticate such Series 2011 Bonds in the name of the predecessor Registrar or in its own name.

Section 11.12. Paying Agent. The Paying Agent for the Series 2011 Bonds shall be the Commission or any other Paying Agent appointed by the Issuer pursuant to a Supplemental Resolution pertaining to such series. Any alternate Paying Agent must be a bank, trust company, national banking association or other entity authorized to perform the duties imposed upon it by this Ordinance. Such alternate Paying Agent shall signify its acceptance of the duties and obligations imposed upon it pursuant hereto by executing and delivering to the Issuer a written acceptance thereof. Any successor Paying Agent shall take such actions as may be necessary to ensure that the Series 2011 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, national banking association or other authorized entity to fill such vacancy; provided, however, that, if the Issuer shall fail to appoint such Paying Agent within said period, the Commission, a court of competent jurisdiction or a majority of the Bondholders may make such appointment.

The Paying Agent shall enjoy the same protective provisions in the performance of their duties hereunder as are specified in this Article XI 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 11.08 hereof with respect to the appointment of a successor Registrar.

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

ARTICLE XII

MISCELLANEOUS

Section 12.01. Amendment of Ordinance. Prior to the issuance of the Series 2011 Bonds, this Ordinance may be amended or supplemented in any way by the Supplemental Resolution. Following issuance of the Series 2011 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 2011 Bonds (excluding however any taxable series of the Series 2011 Bonds). Otherwise, no materially adverse amendment or modification to this Ordinance, or of any Supplemental Resolution, may be made without the written consent of the Holders of 60% in aggregate principal amount of the Series 2011 Bonds then Outstanding and affected thereby, which must be filed with the Recorder before any such modification or amendment may be made. No such modification or amendment shall extend the maturity of or reduce the interest rate on, or otherwise alter the terms of payment of the principal of or interest on, any Series 2011 Bond without the express written consent of the Holder of such Bond, nor reduce the percentage of Series 2011 Bonds required for consent to any such modification or amendment.

Section 12.02. Evidence of Signatures of Bondholders and Ownership of Bonds. Any request, consent, revocation of consent or other instrument which this Ordinance may require or permit to be signed and executed by Bondholders may be in one or more instruments of similar tenor, and shall be signed or executed by such Bondholders in person or by their attorneys duly authorized in writing. Proof of the execution of any such instrument, or of an instrument appointing or authorizing any such attorney, shall be sufficient for any purpose of this Ordinance if made in the following manner, or in any other manner satisfactory to the Issuer or the Registrar, as the case may be, which may nevertheless in its discretion require further or other proof in cases where it deems the same desirable.

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

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

treasurer of such corporation with a corporate seal affixed, and is attested by a person purporting to be its secretary or assistant secretary.

C. The amount of fully registered Series 2011 Bonds held by a person executing any instrument as a Bondholder, the date of his holding such Series 2011 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 Series 2011 Bond shall bind all future Holders and owners of such Series 2011 Bond in respect of anything done or suffered to be done hereunder by the Issuer or the Registrar in accordance therewith.

Section 12.03. 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 pledged created by this Ordinance shall be discharged as provided in Section 10.01.

Section 12.04. Cancellation of Bonds. All Series 2011 Bonds purchased or paid shall, if surrendered to the Issuer, be cancelled and delivered to the Registrar, or, if surrendered to the Registrar, be cancelled by it. No such Series 2011 Bonds shall be deemed Outstanding under this Ordinance and no Series 2011 Bonds shall be issued in lieu thereof. All such Bonds shall be cancelled and upon order of the Issuer shall be destroyed, and a certificate evidencing such destruction shall be delivered to the Issuer.

Section 12.05. Failure to Present Series 2011 Bonds. Anything in this Ordinance to the contrary notwithstanding, any moneys held by the Commission or a Paying Agent in trust for the payment and discharge of any of the Series 2011 Bonds which remain unclaimed for 1 year after the date on which such Series 2011 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 Commission or said Paying Agent to the Issuer as its absolute property and free from trust, and the Commission or said Paying Agent shall thereupon be released and discharged with respect thereto, and the Holders of such Series 2011 Bonds shall look only to the Issuer for the payment of such Series 2011 Bonds; provided, however, that, before making any such payment to the Issuer, the Registrar, if so advised by the 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.

Section 12.06. Demands and Requests. Unless otherwise expressly provided, all notices, demands and requests to be given or made hereunder to or by the Issuer, the Registrar, the Paying Agent, the Depository Bank, the Original Purchaser or the Bond Insurer shall be in writing and shall be properly made if sent by United States mail, postage prepaid, and addressed as follows or if hand-delivered to the individual to whom such notice, demand or request is required to be directed as indicated below:

ISSUER

City of Martinsburg
City Hall
232 North Queen Street
Martinsburg, West Virginia 25401

REGISTRAR

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

PAYING AGENT

West Virginia Municipal Bond Commission
1207 Quarrier Street, Suite 401
Charleston, West Virginia 25301

DEPOSITORY BANK

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

ORIGINAL PURCHASER

Crews & Associates, Inc.
First Security Center
521 President Clinton Avenue
Suite 800
Little Rock, Arkansas 72201

BOND INSURER

[Name(s) and address(s) to be set forth in
Supplemental Resolution, if applicable]

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 12.07. No Personal Liability. No member of the council or officer or employee of the Issuer shall be individually or personally liable for the payment of the principal of or the interest on any Series 2011 Bond, but nothing herein contained shall relieve any such member, official or employee for the performance of any official duty provided by law or this Ordinance.

Section 12.08. Law Applicable. The laws of the State shall govern the construction of this Ordinance and of all bonds issued hereunder.

Section 12.09. Parties Interested Herein. Nothing in this Ordinance expressed or implied is intended or shall be construed to confer upon, or give to, any person or corporation, other than the Issuer, the Registrar, the Paying Agent, the Holders of the Series 2011 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 Series 2011 Bonds and the Original Purchaser.

Section 12.10. 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 12.11. 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 12.12. Conflicting Provisions Repealed. Except for the Series 2000 Bonds Ordinance, all ordinances, orders, resolutions or parts thereof in conflict with the provisions of this Ordinance, are, to the extent of such conflict, hereby repealed. In the event of a conflict between this Ordinance and the Series 2000 Bonds Ordinance, the more restrictive shall control so long as the Series 2000 Bonds are Outstanding.

Section 12.13. 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, the City Manager, the Recorder and members of the Governing Body were at all times when any actions in connection with this Ordinance occurred and are duly in office and duly qualified for such office.

Section 12.14. Procedure on Enactment of Ordinance; Public Hearing. Upon adoption of this Ordinance, the Recorder is hereby authorized and directed to have an abstract of this Ordinance, substantially in the form attached hereto as Exhibit B, which abstract has been determined by the Council of the Issuer to contain sufficient information to give notice of the contents of such Ordinance, published once each week for 2 successive weeks, with not less than six full days between each publication, the first such publication to be not less than 10 days before the date stated below for the public hearing, in The Journal, a newspaper published and having a general circulation in the City of Martinsburg, together with a notice to all persons concerned, stating that this Ordinance has been adopted and that the Issuer contemplates the issuance of the Series 2011 Bonds described in this Ordinance and that any person interested may appear before the Council at the public hearing to be had at a public meeting of Council on the 10th day of November, 2011, at 6:30 p.m., in the meeting room of the Council in the City Hall of the City of Martinsburg and present protests, and that a certified copy of this Ordinance is on file in the office of the Recorder for review by interested parties during the office hours of the Recorder. At such hearing all protests and suggestions shall be heard by the Council and it shall then take such action as it shall deem proper in the premises.

This Ordinance shall become effective following public hearing hereon in accordance with the Act.

Passed on First and Second Reading October 13, 2011

Passed on Third Reading: October 20, 2011

Put into effect following
Public Hearing held on: November 10, 2011

[SEAL]

Mayor

City Manager

ATTEST:

Recorder

EXHIBIT A

FORM OF SERIES 2011 BOND

No. R-_____ $_____

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF MARTINSBURG
COMBINED WATERWORKS AND SEWERAGE SYSTEM
REFUNDING REVENUE BOND,
SERIES 2011

Interest Rate	Maturity Date	Bond Date	CUSIP No.

Registered Owner: _____

Principal Amount:_____

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF MARTINSBURG, 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 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, at the Interest Rate per annum specified above, semiannually on _____ and _____ of each year, beginning _____ 1, 201_, except as the provisions hereinafter set forth as to redemption may become applicable hereto. The principal of this Bond is payable in any coin or currency which, on the date of payment thereof, is legal tender for the payment of public and private debts under the laws of the United States of America upon surrender of this Bond at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia, as Paying Agent (the "Paying Agent"); and interest on this Bond is payable by check or draft, mailed to the Registered Owner at his address as it appears on the books of _____, _____, _____, (the "Registrar") on the _____ day of the month preceding said interest payment date (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 to the Registrar at least 5 days prior to such interest payment date by such Registered Owner.

This Bond is one of a series of bonds (the "Series 2011 Bonds"), in the aggregate principal amount of $9,500,000, of like tenor and effect, except as to number, denomination, date of maturity and interest rate, dated _____ __, 2011, the proceeds of which are to be used, together with other funds of the Issuer, (i) to refund all or part of the Issuer's Combined Waterworks and Sewerage System Revenue Bonds, Series 2001 (the "Series 2001 Bonds") previously issued on September 6, 2001, to finance the costs of acquisition and construction of certain additions, betterments and improvements to the Issuer's existing combined waterworks and sewerage system (the "System"); (ii) to fund a debt service reserve account for the Series 2011 Bonds; and (iii) to pay certain costs of issuance of the Series 2011 Bonds. The Series 2011 Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 8, Article 20 and Chapter 13, Article 2E of the Code of West Virginia, 1931, as amended (the "Act"), and an ordinance duly enacted by the City Council of the City on _____, 2011, and put into effect following a public hearing held on _____, 2011, as supplemented and amended by a Supplemental Resolution adopted on _____, 2011 (hereinafter collectively referred to as the "Ordinance"), and is subject to all the terms and conditions of said Ordinance. The Ordinance provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Series 2011 Bonds under the Ordinance.

THE SERIES 2011 BONDS ARE ISSUED ON PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCES OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE (1) THE ISSUER'S COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2000A (WEST VIRGINIA DWTRF PROGRAM), DATED SEPTEMBER 27, 2000, ORIGINALLY ISSUED IN THE AGGREGATE PRINCIPAL AMOUNT OF $7,564,000, (2) THE ISSUER'S COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2000B (WEST VIRGINIA INFRASTRUCTURE FUND), DATED SEPTEMBER 27, 2000, ORIGINALLY ISSUED IN THE AGGREGATE PRINCIPAL AMOUNT OF $3,000,000, AND (3) THE ISSUER'S COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2000C (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), DATED SEPTEMBER 27, 2000, ORIGINALLY ISSUED IN THE AGGREGATE PRINCIPAL AMOUNT OF $1,976,352 (COLLECTIVELY, THE "PRIOR BONDS").

OPTIONAL REDEMPTION OF BONDS.

The Series 2011 Bonds maturing on or after _____ 1, _____, shall be redeemable prior to their stated date of maturity at the option of the Issuer on or after _____ 1, 20___, in whole at any time or in part on any interest payment date, in such order of maturity as shall be designated to the Registrar by the Issuer and by lot within a

maturity, at the respective redemption prices (expressed as percentages of the principal amount to be redeemed) set forth below, plus interest accrued to the date fixed for redemption:

Redemption Periods (Both Dates Inclusive)	Redemption Prices

MANDATORY REDEMPTION OF BONDS.

The Bonds maturing on _____ 1, _____, are required to be redeemed prior to maturity in accordance with the sinking fund requirements of the Ordinance on _____ 1 in the years and in the principal amounts and at a price of 100% of the principal amount of the Bonds to be redeemed plus interest accrued to the redemption date, as follows:

Year	Amount

When such Bonds have been redeemed as set forth above, a balance of $_____ will mature on _____ 1, _____, unless previously retired.

The Bonds maturing on _____ 1, ____ are required to be redeemed prior to maturity in accordance with the sinking fund requirements of the Ordinance on ____ 1 in the years and in the principal amounts and at a price of 100% of the principal amount of the Bonds to be redeemed plus interest accrued to the redemption date, as follows:

Year	Amount

When such Bonds have been redeemed as set forth above, a balance of $_____ will mature on ____ 1, ____, unless previously retired.

The Bonds maturing on ____ 1, ____ are required to be redeemed prior to maturity in accordance with the sinking fund requirements of the Ordinance on ____ 1 in the years and in the principal amounts and at a price of 100% of the principal amount of the Bonds to be redeemed plus interest accrued to the redemption date, as follows:

Year	Amount

When such Bonds have been redeemed as set forth above, a balance of $_____will mature on ____ 1, ____, unless previously retired.

Notice of any redemption of the Series 2011 Bonds, unless waived, shall be given by the Registrar by mailing an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Series 2011 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 Series 2011 Bonds or portions of the Series 2011 Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the Issuer shall default in the payment of the redemption price) such Series 2011 Bonds or portions of Series 2011 Bonds shall cease to bear interest.

Failure to receive such notice or any defect therein or in the mailing thereof shall not affect the validity of proceedings for the redemption of this Series 2011 Bond.

The Series 2011 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 parity with the pledge of the Gross Revenues in favor of the holders of the Prior Bonds, all moneys in the Sinking Fund established under the Ordinance, and unexpended proceeds of the Series 2011 Bonds, and the Issuer hereby and in the Ordinance pledges such revenues and moneys to such payment. Said Gross Revenues shall be sufficient to pay the principal of and interest on all the Series 2011 Bonds, the Prior Bonds and all subsequent bonds which may be issued pursuant to the Ordinance and shall be set aside as a special fund hereby pledged for such purpose and to make the other payments required by the Ordinance. This Series 2011 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 2011 Bonds Sinking Fund and said unexpended Series 2011 Bond proceeds. Pursuant to the Ordinance, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest on the Series 2011 Bonds, and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2011 Bonds, including the Prior Bonds, provided however, that so long as there exists in the Series 2011 Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest which will become due on the Series 2011 Bonds in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with the Series 2011 Bonds, including the Prior Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. Such required payments on behalf of the principal of and interest on all such bonds shall constitute a charge upon the Gross Revenues of the System. The Issuer has entered into certain further covenants with the registered owners of the Series 2011 Bonds, for the terms of which

reference is made to the Ordinance. Remedies provided the registered owners of the Series 2011 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 Series 2011 Bonds except for accrued interest thereon, shall be applied solely refund all or part of the Series 2001 Bonds, to fund a debt service reserve fund for the Series 2011 Bonds, and to pay certain issuance and other costs in connection therewith, 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 Series 2011 Bonds.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond have existed, have happened and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of the Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia, and that a sufficient amount of the revenues of the System has been pledged to and will be set aside into said special fund by the Issuer for the prompt payment of the principal of and interest on the Series 2011 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 within-described Ordinance.

This Bond has been properly designated by the Issuer as a "qualified tax-exempt obligation" as defined in Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended.

This Bond is, under the Act, exempt from taxation by the State of West Virginia, except inheritance, estate and transfer taxes.

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 MARTINSBURG has caused this Bond to be signed by its Mayor and its City Manager, and its corporate seal to be imprinted hereon and attested by its Recorder, and has caused this Bond to be dated as of the Bond Date specified above.

_____ _____

Mayor City Manager

[SEAL]

ATTEST:

_____

Recorder

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the fully registered Series 2011 Bonds described in the within-mentioned Ordinance and has been duly registered in the name of the Registered Owner designated above on the date set forth below.

Dated: _____, _____.

_____
as Registrar

By:_____
Its: Authorized Officer

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto _____ the within Bond and does hereby irrevocably constitute and appoint _____ attorney to transfer the said Bond on the books kept for registration of the within Bond with full power of substitution in the premises.

Dated: _____, _____.

_____

SIGNATURE GUARANTEED:

_____

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.

The Registrar will not effect transfer of this Bond unless the information concerning the transferee requested below is provided. The transferor should complete whichever of the following is applicable.

INDIVIDUAL:

Name and Address:

_____
_____
_____

Social Security Number: _____

(Include information for all joint owners if the Bond is held by joint account)

CORPORATION OR PARTNERSHIP:

_____
_____
_____

Tax Identification Number:_____

TRUST:

Name of Trust:

_____
_____
_____

Name and Address of Settlor:

_____
_____
_____

Name and Address of Trustee:

_____
_____
_____

Tax Identification Number of Trust: _____

Tax Identification Number of Social Security Number
of Settlor: _____

NOMINEE:

Name and Address:

_____
_____
_____

Tax Identification Number of Social Security
Number: _____

(If the Bond is to be registered in nominee name, then include information for the principal.)

EXHIBIT B

NOTICE OF PUBLIC HEARING
CITY OF MARTINSBURG
NOTICE OF PUBLIC HEARING
ON BOND ORDINANCE

A public hearing will be held on the following entitled Ordinance at a regular meeting of the Council of the City of Martinsburg to be held on Thursday, November 10, 2011, at 6:30 p.m., in the Council Chambers at the Martinsburg City Hall, 232 North Queen Street, Martinsburg, West Virginia, and at such hearing all objections 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 REFUNDING OF ALL OR PART OF THE CITY OF MARTINSBURG COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2001 AND THE ISSUANCE BY THE CITY OF MARTINSBURG OF NOT MORE THAN NINE MILLION FIVE HUNDRED THOUSAND DOLLARS ($9,500,000.00) IN AGGREGATE PRINCIPAL AMOUNT OF CITY OF MARTINSBURG COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS, SERIES 2011, IN ONE OR MORE SERIES, THE PROCEEDS OF WHICH, TOGETHER WITH OTHER FUNDS OF THE CITY AVAILABLE FOR SAID PURPOSE, SHALL BE EXPENDED FOR SUCH REFUNDING AND TO PAY COSTS IN CONNECTION THEREWITH; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDERS OF SUCH COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS; AUTHORIZING A PRELIMINARY OFFICIAL STATEMENT, OFFICIAL STATEMENT, BOND PURCHASE AGREEMENT, CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS RELATING TO THE OFFERING AND SALE OF SUCH COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS; AND ADOPTING OTHER PROVISIONS RELATING THERETO.

The above-entitled Ordinance was enacted by the Council of the City of Martinsburg on October 20, 2011.

The above quoted title of the Ordinance describes generally the contents thereof and the purposes of the Bond issue contemplated thereby. The Bonds are being issued to refund all or part of the City of Martinsburg Combined Waterworks and Sewerage System Revenue Bonds, Series 2001, previously issued to provide permanent financing of a portion of the costs of acquisition and construction of certain additions, betterments and improvements to the water treatment and distribution facilities for the City of Martinsburg. The Bonds are payable solely from revenues derived from the ownership and operation of the combined waterworks and sewerage system of the City of Martinsburg. 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 at the office of the Recorder of the City of Martinsburg for review by interested parties during regular office hours.

Following the said public hearing, the City Council intends to put said Ordinance into effect.

Dated: _____, 2011.

/s/ _____, Recorder

CERTIFICATION

Certified a true, correct and complete copy of an Ordinance duly enacted by the City Council of the CITY OF MARTINSBURG on first and second reading at a regular meeting of the City Council held at 6:30 p.m., on October 13, 2011, and on third reading at a special meeting of the City Council held at 5:00 p.m., on October 20, 2011, pursuant to proper notice, at which meeting a quorum was present and acting throughout, and which Ordinance was put into effect following a public hearing thereon held at 6:30 p.m. on November 10, 2011, notice of which public hearing was published once a week for two successive weeks in The Journal, a newspaper having a general circulation in the City of Martinsburg, the first publication having been not less than 10 days prior to such public hearing.

Dated this 28th day of December, 2011.

[SEAL]

Recorder

RESOLUTION 2011-20

CITY OF MARTINSBURG
$9,500,000
COMBINED WATERWORKS AND SEWERAGE SYSTEM
REFUNDING REVENUE BONDS,
SERIES 2011

SUPPLEMENTAL RESOLUTION PUTTING ORDINANCE INTO EFFECT; PROVIDING AS TO AMOUNTS, MATURITIES, INTEREST RATES, REDEMPTION PROVISIONS, PURCHASE PRICE AND OTHER DETAILS AS TO THE COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS, SERIES 2011, OF THE CITY; AUTHORIZING AND APPROVING A BOND PURCHASE AGREEMENT, AN ESCROW AGREEMENT, A PRELIMINARY OFFICIAL STATEMENT AND OTHER INSTRUMENTS AND DOCUMENTS RELATING TO THE BONDS, PROVIDING FOR THE APPOINTMENT OF A REGISTRAR, ESCROW TRUSTEE AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, The City of Martinsburg (the "Issuer"), in the County of Berkeley, State of West Virginia, is a municipal corporation of said State, the governing body of which is its Council (the "Council");

WHEREAS, the Council duly enacted on October 20, 2011, an ordinance (the "Ordinance") entitled:

ORDINANCE AUTHORIZING THE REFUNDING OF ALL OR PART OF THE CITY OF MARTINSBURG COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2001 AND THE ISSUANCE BY THE CITY OF MARTINSBURG OF NOT MORE THAN NINE MILLION FIVE HUNDRED THOUSAND DOLLARS ($9,500,000.00) IN AGGREGATE PRINCIPAL AMOUNT OF CITY OF MARTINSBURG COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS, SERIES 2011, IN ONE OR MORE SERIES, THE PROCEEDS OF WHICH, TOGETHER WITH OTHER FUNDS OF THE CITY AVAILABLE FOR SAID PURPOSE, SHALL BE EXPENDED FOR SUCH REFUNDING AND TO PAY COSTS IN CONNECTION THEREWITH; PROVIDING FOR THE RIGHTS

AND REMEDIES OF AND SECURITY FOR THE HOLDERS OF SUCH COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS; AUTHORIZING A PRELIMINARY OFFICIAL STATEMENT, OFFICIAL STATEMENT, BOND PURCHASE AGREEMENT, CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS RELATING TO THE OFFERING AND SALE OF SUCH COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS; AND ADOPTING OTHER PROVISIONS RELATING THERETO;

providing for the issuance of its Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011, in one or more series (collectively, the "Series 2011 Bonds"), in an aggregate principal amount not to exceed $9,500,000;

WHEREAS, a public hearing was held with respect to the Ordinance earlier on this date following proper notice thereof, all comments have been heard and the Council desires to put the Ordinance into effect;

WHEREAS, the Series 2011 Bonds are being issued for the purpose of refunding all or part of the Issuer's outstanding Combined Waterworks and Sewerage System Revenue Bonds, Series 2001 (the "Series 2001 Bonds") and paying costs of issuance thereof, in accordance with Chapter 13, Article 2E, of the West Virginia Code of 1931, as amended (the "Refunding Act"), and Chapter 8, Article 20, of the West Virginia Code of 1931, as amended (the "Act");

WHEREAS, the Ordinance provided that, among other things, the principal amount of the Series 2011 Bonds to be sold, the number of series and the maturities, interest rates, redemption provisions and the prices of the Series 2011 Bonds should be established, that an Escrow Trustee, Registrar and Depository Bank be designated, that an Escrow Agreement, Bond Purchase Agreement, Preliminary Official Statement and other instruments and documents be approved and that other matters pertaining to the Series 2011 Bonds be provided for by a supplemental resolution of this Council;

WHEREAS, the Series 2011 Bonds are proposed to be purchased by Crews & Associates, Inc. (the "Original Purchaser") pursuant to a Bond Purchase Agreement between the Issuer and the Original Purchaser (the "Bond Purchase Agreement");

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

WHEREAS, this Council deems it essential and desirable that this Resolution be adopted and that the Bond Purchase Agreement, the Escrow Agreement, the Continuing Disclosure Certificate and the Preliminary Official Statement relating to the Series 2011 Bonds, hereinafter described, be approved, that the prices of the Series 2011 Bonds, the maturity dates and amounts, the redemption provisions, the interest rates, the number or series and the principal amount of the Series 2011 Bonds be fixed hereby in the manner stated herein, and that other matters relating to the Series 2011 Bonds be herein provided for, all in accordance with said Ordinance;

NOW, THEREFORE, THE COUNCIL OF THE CITY OF MARTINSBURG HEREBY RESOLVES:

Section 1. The Ordinance shall be and hereby is put into effect as of the date hereof.

Section 2. Pursuant to the Ordinance, the Refunding Act and the Act, this Resolution is adopted and there are hereby authorized and ordered to be issued the Series 2011 Bonds in an aggregate principal amount not to exceed $9,500,000.

The Series 2011 Bonds shall be dated their date of issuance or such other date set forth in the Certificate of Determination described in Section 10 below. The principal amount(s) of the Series 2011 Bonds; the Series 2001 Bonds to be redeemed; the number of series of Series 2011 Bonds, whether each series is to be tax-exempt or taxable and the designation of the names of such multiple series of bonds; the maturities of the Series 2011 Bonds, which maturities shall not to be later than September 1, 2031; the interest rates on the Series 2011 Bonds, which rates shall not to exceed 6% for tax-exempt bonds and 5% for taxable bonds; the redemption provisions of the Series 2011 Bonds; the purchase price(s) of the Series 2011 Bonds; and the form of the bond evidencing a taxable series of bonds, if issued, shall all be as approved in the Certificate of Determination described in Section 10 below.

All other provisions relating to the Series 2011 Bonds shall be as provided in the Ordinance, and the Series 2011 Bonds shall be in substantially the form provided in the Ordinance with respect to a tax-exempt series of Series 2011 Bonds and in the form approved by the Certificate of Determination described in Section 10 below for a taxable series of Series 2011 Bonds, if issued.

Section 3. The Bond Purchase Agreement between the Original Purchaser and the Issuer, substantially in the form submitted to this meeting, and the execution and delivery thereof (in multiple counterparts) by the Mayor or City Manager on behalf of the Issuer are hereby authorized, approved and directed. The Mayor or City Manager shall execute and deliver the Bond Purchase Agreement with such changes, insertions and omissions as may be approved by the Mayor or City Manager, and the Recorder is hereby authorized to affix the seal of the Issuer thereto and to attest the seal if requested by the Mayor or City Manager. Execution of the Bond Purchase Agreement by either the Mayor or City Manager shall be conclusive evidence of any approval required by this Section. The price(s), maturities and redemption provisions of the

Series 2011 Bonds to be included in the Bond Purchase Agreement shall be as approved by the Certificate of Determination.

Section 4. As provided in the Ordinance, the Issuer has reserved the right to obtain bond insurance relating to the Series 2011 Bonds if it is found to be advantageous to the Issuer. If bond insurance is obtained, the Issuer is authorized to enter into a financial guaranty agreement or similar agreement by and between the Issuer and such bond insurer. The Mayor or City Manager shall execute and deliver the financial guaranty agreement or similar agreement in such form as may be approved by the Mayor or City Manager, and the Recorder is hereby authorized to affix the seal of the Issuer thereto and to attest the seal if requested by the Mayor or City Manager. Execution of the financial guaranty agreement or similar agreement by the Mayor or City Manager shall be conclusive evidence of any approval required by this Section.

Section 5. The Escrow Agreement by and among the Issuer, the West Virginia Municipal Bond Commission and the Escrow Trustee to be designated in the Certificate of Determination, substantially in the form submitted to this meeting, and the execution and delivery thereof (in multiple counterparts) by the Mayor or City Manager on behalf of the Issuer are hereby authorized, approved and directed. The Mayor or City Manager shall execute and deliver the Escrow Agreement with such changes, insertions and omissions as may be approved by the Mayor or City Manager, and the Recorder is hereby authorized and directed to affix the seal of the Issuer thereto and to attest the seal if requested by the Mayor or City Manager. Execution of the Escrow Agreement by the Mayor or City Manager shall be conclusive evidence of any approval required by this Section.

Section 6. The form of the Preliminary Official Statement substantially in the form submitted to this meeting (with such changes, insertions and omissions as may be necessary or advisable in the opinion of the Mayor or City Manager) and the distribution of counterparts or copies thereof by the Original Purchaser are hereby approved. The Mayor or City Manager shall execute and deliver the Official Statement, substantially in the form of the Preliminary Official Statement with such changes, insertions and omissions as may be approved by the Mayor or the City Manager. The execution of the Official Statement by the Mayor or City Manager shall be conclusive evidence of any approval required by this Section. The distribution of counterparts or copies of the Official Statement by the Original Purchaser is also hereby approved.

Section 7. The Continuing Disclosure Certificate by the Issuer, substantially in the form submitted to this meeting, and the execution and delivery thereof (in multiple counterparts) by the Mayor or City Manager on behalf of the Issuer are hereby authorized, approved and directed. The Mayor or City Manager shall execute and deliver the Continuing Disclosure Certificate with such changes, insertions and omissions as may be approved by the Mayor or City Manager, and the Recorder is hereby authorized and directed to affix the seal of the Issuer thereto and to attest the seal if requested by the Mayor or City Manager. Execution of the Continuing Disclosure Certificate by the Mayor or City Manager shall be conclusive evidence of any approval required by this Section.

Section 8. The Issuer does hereby appoint and designate Jefferson Security Bank to serve in the capacity of Depository Bank.

Section 9. The firm of Bowles Rice McDavid Graff & Love LLP, Charleston, West Virginia, is hereby appointed bond counsel to the City in connection with the issuance of the Series 2011 Bonds.

Section 10. The Mayor and City Manager shall each have the power and authority to execute and deliver the Certificate of Determination, which may include, without limitation, provisions (i) fixing the aggregate principal par amount of the Series 2011 Bonds to be issued, not to exceed $9,500,000 in the aggregate; (ii) establishing the date of the Series 2011 Bonds if different than their date of issuance; (iii) designating the Series 2001 Bonds to be redeemed; (iv) designating the number of series of Series 2011 Bonds, whether each series is to be tax-exempt or taxable and designating the names of such multiple series of bonds; (v) establishing the maturities of the Series 2011 Bonds, which maturities shall be no later than September 1, 2031; (vi) establishing the interest rates on the Series 2011 Bonds, which interest rates shall not exceed 6% for tax-exempt Series 2011 Bonds and 5% for taxable Series 2011 Bonds; (vii) establishing the redemption provisions of the Series 2011 Bonds; (viii) setting the purchase price(s) of the Series 2011 Bonds, which may include a premium, an underwriting discount and/or an original issue discount; (ix) providing for the form of the bond evidencing a taxable series of Series 2011 Bonds, if issued; (x) designating an Escrow Trustee and Registrar and approving the forms of any agreements with the Escrow Trustee and/or Registrar; (xi) fixing the amounts and time of sinking fund installments on the Series 2011 Bonds, including times and redemption prices; (xii) determining whether the Series 2011 Bonds are to be evidenced by certificates or are to be issued by means of a book-entry system; (xiii) designating the amount of the proceeds of the Series 2011 Bonds to be deposited in the Series 2011 Bonds Reserve Account; (xiv) determining to obtain bond insurance for all or part of the Series 2011 Bonds; and (xv) modifying or otherwise completing and finalizing the provisions of the Bond Purchase Agreement or the Ordinance.

Section 11. The Mayor, the City Manager and the Recorder are each hereby authorized and directed to execute and deliver such other documents and certificates required or desirable in connection with the issuance of the Series 2011 Bonds, hereby and by the Ordinance approved to the end that the Series 2011 Bonds may be delivered at the earliest practicable date to the Original Purchaser pursuant to the Bond Purchase Agreement.

Section 12. Under the provisions of the Refunding Act and the Act, and as provided in the Ordinance and the Series 2011 Bonds, the Series 2011 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 combined waterworks and sewerage system of the Issuer, the Series 2011 Bonds Reserve Account established by the Ordinance and proceeds of the Series 2011 Bonds, until expended, 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 2011 Bonds and the interest thereon.

Section 13. All Series 2011 Bonds determined by the Certificate of Determination to be tax-exempt are hereby designated as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended. Further, the Issuer finds and determines that the Issuer and all subordinate entities do not reasonably expect to issue more than $10,000,000 of tax-exempt obligations during the calendar year 2011.

Section 14. This Resolution shall be effective immediately.

Adopted this 10th day of November, 2011.

[SEAL]

Mayor

City Manager

ATTEST:

Recorder



CERTIFICATION

The undersigned, being the duly qualified and acting Recorder of the City of Martinsburg, West Virginia, does hereby certify that the foregoing Supplemental Resolution was duly adopted by the City Council of the City of Martinsburg at its regular meeting held on November 10, 2011, quorum being present and acting through, and is a true, correct and complete copy as witness my hand and seal of the City of Martinsburg, West Virginia this 28th day of December, 2011.

Recorder

[SEAL]

RESOLUTION 2011-23

CITY OF MARTINSBURG
$9,500,000
COMBINED WATERWORKS AND SEWERAGE SYSTEM
REFUNDING REVENUE BONDS,
SERIES 2011

SECOND SUPPLEMENTAL RESOLUTION RELATING TO BOND INSURANCE FOR THE SERIES 2011 BONDS

WHEREAS, The City of Martinsburg (the "Issuer"), in the County of Berkeley, State of West Virginia, is a municipal corporation of said State, the governing body of which is its Council (the "Council");

WHEREAS, the Council duly enacted on October 20, 2011, an ordinance (the "Ordinance") entitled:

> ORDINANCE AUTHORIZING THE REFUNDING OF ALL OR PART OF THE CITY OF MARTINSBURG COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2001 AND THE ISSUANCE BY THE CITY OF MARTINSBURG OF NOT MORE THAN NINE MILLION FIVE HUNDRED THOUSAND DOLLARS ($9,500,000.00) IN AGGREGATE PRINCIPAL AMOUNT OF CITY OF MARTINSBURG COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS, SERIES 2011, IN ONE OR MORE SERIES, THE PROCEEDS OF WHICH, TOGETHER WITH OTHER FUNDS OF THE CITY AVAILABLE FOR SAID PURPOSE, SHALL BE EXPENDED FOR SUCH REFUNDING AND TO PAY COSTS IN CONNECTION THEREWITH; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDERS OF SUCH COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS; AUTHORIZING A PRELIMINARY OFFICIAL STATEMENT, OFFICIAL STATEMENT, BOND PURCHASE AGREEMENT, CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS RELATING TO THE OFFERING AND SALE OF SUCH COMBINED WATERWORKS AND SEWERAGE

SYSTEM REFUNDING REVENUE BONDS; AND ADOPTING OTHER PROVISIONS RELATING THERETO;

providing for the issuance of the Issuer's Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011, in one or more series (collectively, the "Series 2011 Bonds"), in an aggregate principal amount not to exceed $9,500,000;

WHEREAS, a public hearing was held with respect to the Ordinance on November 10, 2011, following proper notice thereof, all comments were heard and the Council put the Ordinance into effect following said hearing;

WHEREAS, on November 10, 2011, the City Council adopted a resolution entitled:

SUPPLEMENTAL RESOLUTION PUTTING ORDINANCE INTO EFFECT; PROVIDING AS TO AMOUNTS, MATURITIES, INTEREST RATES, REDEMPTION PROVISIONS, PURCHASE PRICE AND OTHER DETAILS AS TO THE COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS, SERIES 2011, OF THE CITY; AUTHORIZING AND APPROVING A BOND PURCHASE AGREEMENT, AN ESCROW AGREEMENT, A PRELIMINARY OFFICIAL STATEMENT AND OTHER INSTRUMENTS AND DOCUMENTS RELATING TO THE BONDS, PROVIDING FOR THE APPOINTMENT OF A REGISTRAR, ESCROW TRUSTEE AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the Series 2011 Bonds are being issued for the purpose of refunding all or part of the Issuer's outstanding Combined Waterworks and Sewerage System Revenue Bonds, Series 2001 (the "Series 2001 Bonds") and paying costs of issuance thereof, in accordance with Chapter 13, Article 2E, of the West Virginia Code of 1931, as amended (the "Refunding Act"), and Chapter 8, Article 20, of the West Virginia Code of 1931, as amended (the "Act");

WHEREAS, the Ordinance provided in Section 4.01 thereof that the Issuer reserved the right to obtain bond insurance relating to the Series 2011 Bonds if it is found to be advantageous to the Issuer and that if bond insurance is obtained for the Series 2011 Bonds, the Issuer reserved the right to supplement and amend the Ordinance with respect to such bond insurance;

WHEREAS, the Issuer has determined, upon the advice of Crews & Associates, Inc., the underwriter for the Series 2011 Bonds, that the bond insurance offered by Assured Guaranty Municipal Corp. ("Assured Guaranty") for the Series 2011 is advantageous to the

Issuer and, accordingly, the Council desires to approve the commitment for said bond insurance and to supplement and amend the Ordinance with respect to such bond insurance as provided herein;

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

WHEREAS, this Council deems it essential and desirable that this Second Supplemental Resolution be adopted, that the bond insurance offered by Assured Guaranty for the Series 2011 Bonds be approved and that the Ordinance be supplemented and amended as provided herein.

NOW, THEREFORE, THE COUNCIL OF THE CITY OF MARTINSBURG HEREBY RESOLVES:

Section 1. The bond insurance offered by Assured Guaranty for the Series 2011 Bonds is hereby approved and the Mayor and City Manager are each authorized and directed to execute and deliver on behalf of the Issuer the commitment therefor in substantially the form attached hereto with such changes thereto as may be approved by the Mayor or City Manager executing the same, the execution of the commitment by the Mayor or City Manager to be conclusive evidence of such approval. The Mayor, City Manager and Recorder are each further authorized and directed to execute and deliver on behalf of the Issuer such other documents and to take such other actions as may be necessary or convenient in connection with said bond insurance.

Section 2. Article IV of the Ordinance is hereby supplemented and amended by adding thereto a new section entitled "Section 4.02. Provisions Relating to Bond Insurance." as follows:

> Section 4.02. Provisions Relating to Bond Insurance. Notwithstanding any provision of this Bond Ordinance to the contrary, the following provisions shall govern:
>
> (a) "Insurance Policy" shall be defined as follows: "the insurance policy issued by the Insurer guaranteeing the scheduled payment of principal of and interest on the Bonds when due". "Insurer" shall be defined as follows: "Assured Guaranty Municipal Corp., a New York stock insurance company, or any successor thereto or assignee thereof".
>
> (b) The prior written consent of the Insurer shall be a condition precedent to the deposit of any credit instrument provided in lieu of a cash deposit into the Debt Service Reserve Fund, if any. Notwithstanding anything to the contrary set

forth in the Ordinance, amounts on deposit in the Debt Service Reserve Fund shall be applied solely to the payment of debt service due on the Bonds.

(c) The Insurer shall be deemed to be the sole holder of the Insured Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Bonds insured by it are entitled to take pursuant to the Ordinance pertaining to (i) defaults and remedies and (ii) the duties and obligations of the Paying Agent. Remedies granted to the Bondholders shall expressly include mandamus.

(d) The security for the Bonds shall include a pledge of any agreement with any underlying obligor that is a source of payment for the Bonds and a default under any such agreement shall constitute an Event of Default under the Ordinance.

(e) If acceleration is permitted under the Ordinance, the maturity of Bonds insured by the Insurer shall not be accelerated without the consent of the Insurer and in the event the maturity of the Bonds is accelerated, the Insurer may elect, in its sole discretion, to pay accelerated principal and interest accrued on such principal to the date of acceleration (to the extent unpaid by the Issuer) and the Paying Agent shall be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date as provided above, the Insurer's obligations under the Insurance Policy with respect to such Bonds shall be fully discharged.

(f) No grace period for a covenant default shall exceed 30 days or be extended for more than 60 days, without the prior written consent of the Insurer. No grace period shall be permitted for payment defaults.

(g) The Insurer shall be included as a third party beneficiary to the Ordinance.

(h) Upon the occurrence of an extraordinary optional, special or extraordinary mandatory redemption in part, the selection of Bonds to be redeemed shall be subject to the approval of the Insurer. The exercise of any provision of the Ordinance which permits the purchase of Bonds in lieu

of redemption shall require the prior written approval of the Insurer if any Bond so purchased is not cancelled upon purchase.

(i) Any amendment, supplement, modification to, or waiver of, the Ordinance or any other transaction document, including any underlying security agreement (each a "Related Document"), that requires the consent of Bondowners or adversely affects the rights and interests of the Insurer shall be subject to the prior written consent of the Insurer.

(j) Unless the Insurer otherwise directs, upon the occurrence and continuance of an Event of Default or an event which with notice or lapse of time would constitute an Event of Default, amounts on deposit in the Construction Fund shall not be disbursed, but shall instead be applied to the payment of debt service or redemption price of the Bonds.

(k) The rights granted to the Insurer under the Ordinance or any other Related Document to request, consent to or direct any action are rights granted to the Insurer in consideration of its issuance of the Insurance Policy. Any exercise by the Insurer of such rights is merely an exercise of the Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the Bondholders and such action does not evidence any position of the Insurer, affirmative or negative, as to whether the consent of the Bondowners or any other person is required in addition to the consent of the Insurer.

(l) Only (1) cash, (2) non-callable direct obligations of the United States of America ("Treasuries"), (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (4) subject to the prior written consent of the Insurer, pre-refunded municipal obligations rated "AAA" and "Aaa" by S&P and Moody's, respectively, or (5) subject to the prior written consent of the Insurer,

securities eligible for "AAA" defeasance under then existing criteria of S & P or any combination thereof, shall be used to effect defeasance of the Bonds unless the Insurer otherwise approves.

To accomplish defeasance, the Issuer shall cause to be delivered (i) a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to the Insurer ("Accountant") verifying the sufficiency of the escrow established to pay the Bonds in full on the maturity or redemption date ("Verification"), (ii) an Escrow Deposit Agreement (which shall be acceptable in form and substance to the Insurer), (iii) an opinion of nationally recognized bond counsel to the effect that the Bonds are no longer "Outstanding" under the Ordinance and (iv) a certificate of discharge of the Paying Agent with respect to the Bonds; each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the Issuer, Paying Agent and Insurer. The Insurer shall be provided with final drafts of the above-referenced documentation not less than five business days prior to the funding of the escrow.

Bonds shall be deemed "Outstanding" under the Ordinance unless and until they are in fact paid and retired or the above criteria are met.

(m) Amounts paid by the Insurer under the Insurance Policy shall not be deemed paid for purposes of the Ordinance and the Bonds relating to such payments shall remain Outstanding and continue to be due and owing until paid by the Issuer in accordance with the Ordinance. The Ordinance shall not be discharged unless all amounts due or to become due to the Insurer have been paid in full or duly provided for.

(n) Each of the Issuer and Paying Agent covenant and agree to take such action (including, as applicable, filing of UCC financing statements and continuations thereof) as is necessary from time to time to preserve the priority of the pledge of the Trust Estate under applicable law.

(o) Claims Upon the Insurance Policy and Payments by and to the Insurer.

If, on the third Business Day prior to the related scheduled interest payment date or principal payment date ("Payment Date") there is not on deposit with the Paying Agent, after making all transfers and deposits required under the Ordinance, moneys sufficient to pay the principal of and interest on the Bonds due on such Payment Date, the Paying Agent shall give notice to the Insurer and to its designated agent (if any) (the "Insurer's Fiscal Agent") by telephone or telecopy of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the Bonds due on such Payment Date, the Paying Agent shall make a claim under the Insurance Policy and give notice to the Insurer and the Insurer's Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Bonds and the amount required to pay principal of the Bonds, confirmed in writing to the Insurer and the Insurer's Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by filling in the form of Notice of Claim and Certificate delivered with the Insurance Policy.

The Paying Agent shall designate any portion of payment of principal on Bonds paid by the Insurer, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Bonds registered to the then current Bondholder, whether DTC or its nominee or otherwise, and shall issue a replacement Bond to the Insurer, registered in the name of Assured Guaranty Municipal Corp., in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Paying Agent's failure to so designate any payment or issue any replacement Bond shall have no effect on the amount of principal or interest payable by the Issuer on any Bond or the subrogation rights of the Insurer.

The Paying Agent shall keep a complete and accurate record of all funds deposited by the Insurer into the Policy Payments Account (defined below) and the allocation of such funds to payment of interest on and principal of any Bond. The Insurer shall have the right to inspect such records at reasonable times upon reasonable notice to the Paying Agent.

Upon payment of a claim under the Insurance Policy, the Paying Agent shall establish a separate special purpose trust account for the benefit of Bondholders referred to herein as the "Policy Payments Account" and over which the Paying Agent shall have exclusive control and sole right of withdrawal. The Paying Agent shall receive any amount paid under the Insurance Policy in trust on behalf of Bondholders and shall deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Paying Agent to Bondholders in the same manner as principal and interest payments are to be made with respect to the Bonds under the sections hereof regarding payment of Bonds. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments. Notwithstanding anything herein to the contrary, the Issuer agrees to pay to the Insurer (i) a sum equal to the total of all amounts paid by the Insurer under the Insurance Policy (the "Insurer Advances"); and (ii) interest on such Insurer Advances from the date paid by the Insurer until payment thereof in full, payable to the Insurer at the Late Payment Rate per annum (collectively, the "Insurer Reimbursement Amounts"). "Late Payment Rate" means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in The City of New York, as its prime or base lending rate (any change in such rate of interest to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the Bonds and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. The

Issuer hereby covenants and agrees that the Insurer Reimbursement Amounts are secured by a lien on and pledge of the Gross Revenues and payable from such Gross Revenues on a parity with debt service due on the Bonds.

Funds held in the Policy Payments Account shall not be invested by the Paying Agent and may not be applied to satisfy any costs, expenses or liabilities of the Paying Agent. Any funds remaining in the Policy Payments Account following a Bond payment date shall promptly be remitted to the Insurer.

(p) The Insurer shall, to the extent it makes any payment of principal of or interest on the Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Insurance Policy. Each obligation of the Issuer to the Insurer under the Related Documents shall survive discharge or termination of such Related Documents.

(q) The Issuer shall pay or reimburse the Insurer any and all charges, fees, costs and expenses that the Insurer may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in any Related Document; (ii) the pursuit of any remedies under the Ordinance or any other Related Document or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to, or related to, the Ordinance or any other Related Document whether or not executed or completed, or (iv) any litigation or other dispute in connection with the Ordinance or any other Related Document or the transactions contemplated thereby, other than costs resulting from the failure of the Insurer to honor its obligations under the Insurance Policy. The Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Ordinance or any other Related Document.

(r) After payment of reasonable expenses of the Paying Agent, the application of funds realized upon default shall be applied to the payment of expenses of the Issuer or rebate only after the payment of past due and current debt service on the Bonds and amounts required to restore the Debt

Service Reserve Fund to the Debt Service Reserve Requirement.

(s) The Insurer shall be entitled to pay principal or interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer (as such terms are defined in the Insurance Policy) and any amounts due on the Bonds as a result of acceleration of the maturity thereof in accordance with the Ordinance, whether or not the Insurer has received a Notice of Nonpayment (as such terms are defined in the Insurance Policy) or a claim upon the Insurance Policy.

(t) The notice address of the Insurer is: Assured Guaranty Municipal Corp., 31 West 52nd Street, New York, New York 10019, Attention: Managing Director — Surveillance, Re: Policy No. , Telephone: (212) 826-0100; Telecopier: (212) 339-3556. In each case in which notice or other communication refers to an Event of Default, then a copy of such notice or other communication shall also be sent to the attention of the General Counsel and shall be marked to indicate "URGENT MATERIAL ENCLOSED."

(u) The Insurer shall be provided with the following information by the Issuer or Paying Agent, as the case may be:

(i) Annual audited financial statements within 150 days after the end of the Issuer's fiscal year (together with a certification of the Issuer that it is not aware of any default or Event of Default under the Ordinance), and the Issuer's annual budget within 30 days after the approval thereof together with such other information, data or reports as the Insurer shall reasonably request from time to time;

(ii) Notice of any draw upon the Debt Service Reserve Fund within two Business Days after knowledge thereof other than (i) withdrawals of amounts in excess of the Debt Service Reserve Requirement and (ii) withdrawals in connection with a refunding of Bonds;

(iii) Notice of any default known to the Paying Agent or Issuer within five Business Days after knowledge thereof;

(iv) Prior notice of the advance refunding or redemption of any of the Bonds, including the principal amount, maturities and CUSIP numbers thereof;

(v) Notice of the resignation or removal of the Paying Agent and Bond Registrar and the appointment of, and acceptance of duties by, any successor thereto;

(vi) Notice of the commencement of any proceeding by or against the Issuer commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding");

(vii) Notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal of, or interest on, the Bonds;

(viii) A full original transcript of all proceedings relating to the execution of any amendment, supplement, or waiver to the Related Documents; and

(ix) All reports, notices and correspondence to be delivered to Bondholders under the terms of the Related Documents.

In addition, to the extent that the Issuer has entered into a continuing disclosure agreement, covenant or undertaking with respect to the Bonds, all information furnished pursuant to such agreements shall also be provided to the Insurer, simultaneously with the furnishing of such information.

(v) The Insurer shall have the right to receive such additional information as it may reasonably request.

(w) The Issuer will permit the Insurer to discuss the affairs, finances and accounts of the Issuer or any information the Insurer may reasonably request regarding the security for the Bonds with appropriate officers of the Issuer and will use commercially reasonable efforts to enable the Insurer to

have access to the facilities, books and records of the Issuer on any business day upon reasonable prior notice.

(x) The Issuer shall notify the Insurer of any failure of the Issuer to provide notices, certificates and other information under the transaction documents.

(y) Notwithstanding satisfaction of the other conditions to the issuance of Additional Bonds set forth in the Ordinance, no such issuance may occur (1) if an Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of Default) exists unless such default shall be cured upon such issuance and (2) unless the Debt Service Reserve Fund is fully funded at the Debt Service Reserve Requirement (including the proposed issue) upon the issuance of such Additional Bonds, in either case unless otherwise permitted by the Insurer.

(z) In determining whether any amendment, consent, waiver or other action to be taken, or any failure to take action, under the Ordinance would adversely affect the security for the Bonds or the rights of the Bondholders, the Paying Agent shall consider the effect of any such amendment, consent, waiver, action or inaction as if there were no Insurance Policy.

(aa) No contract shall be entered into or any action taken by which the rights of the Insurer or security for or sources of payment of the Bonds may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of the Insurer.

(bb) If the Bonds are issued for refunding purposes, there shall be delivered an opinion of Bond Counsel addressed to the Insurer (or a reliance letter relating thereto), or a certificate of discharge of the Paying Agent for the Refunded Bonds, to the effect that, upon the making of the required deposit to the escrow, the legal defeasance of the Refunded Bonds shall have occurred. If the Refunded Bonds are insured by Assured Guaranty Municipal Corp., at least three business days prior to the proposed date for delivery of the Policy with respect to the Refunding Bonds, the Insurer shall also receive (i) the verification letter, of which the Insurer shall be an addressee, by an independent firm of certified public

accountants which is either nationally recognized or otherwise acceptable to the Insurer, of the adequacy of the escrow established to provide for the payment of the Refunded Bonds in accordance with the terms and provisions of the Escrow Deposit Agreement, and (ii) the form of an opinion of Bond Counsel addressed to the Insurer (or a reliance letter relating thereto) to the effect that the Escrow Deposit Agreement is a valid and binding obligation of the parties thereto, enforceable in accordance with its terms (such Escrow Deposit Agreement shall provide that no amendments are permitted without the prior written consent of the Insurer). An executed copy of each of such opinion and reliance letter, if applicable, or Paying Agent's discharge certificate, as the case may be, shall be forwarded to the Insurer prior to delivery of the Bonds.

(cc) Any interest rate exchange agreement ("Swap Agreement") entered into by the Issuer shall meet the following conditions: (i) the Swap Agreement must be entered into to manage interest costs related to, or a hedge against (a) assets then held, or (b) debt then outstanding, or (iii) debt reasonably expected to be issued within the next twelve (12) months, and (ii) the Swap Agreement shall not contain any leverage element or multiplier component greater than 1.0x unless there is a matching hedge arrangement which effectively off-sets the exposure from any such element or component. Unless otherwise consented to in writing by the Insurer, any uninsured net settlement, breakage or other termination amount then in effect shall be subordinate to debt service on the Bonds and on any debt on parity with the Bonds. The Issuer shall not terminate a Swap Agreement unless it demonstrates to the satisfaction of the Insurer prior to the payment of any such termination amount that such payment will not cause the Issuer to be in default under the Related Documents, including but not limited to, any monetary obligations thereunder. All counterparties or guarantors to any Swap Agreement must have a rating of at least "A-" and "A3" by Standard & Poor's ('S&P") and Moody's Investors Service ("Moody's"). If the counterparty or guarantor's rating falls below "A-" or "A3" by either S&P or Moody's, the counterparty or guarantor shall execute a credit support annex to the Swap Agreement, which credit support annex shall be acceptable to the Insurer. If the counterparty or the

guarantor's long term unsecured rating falls below "Baal" or "BBB+" by either Moody's or S&P, a replacement counterparty or guarantor, acceptable to the Insurer, shall be required.

Section 3. The form of the Series 2011 Bonds set forth in the Bond Ordinance shall be amended by adding to it the following Statement of Insurance, such Statement of Insurance to added to the bond form for the Series 2011 Bonds at such place as may be approved by the Mayor or City Manager, the execution of the Series 2011 Bonds by the Mayor or City Manager to be conclusive evidence of such approval:

> Assured Guaranty Municipal Corp. ("AGM"), New York, New York, has delivered its municipal bond insurance policy (the "Policy") with respect to the scheduled payments due of principal of and interest on this Bond to the West Virginia Municipal Bond Commission, Charleston, West Virginia, or its successor, as paying agent for the Bonds (the "Paying Agent"). Said Policy is on file and available for inspection at the principal office of the Paying Agent and a copy thereof may be obtained from AGM or the Paying Agent. 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 AGM as more fully set forth in the Policy.

Section 4. The Mayor, City Manager and Recorder are each hereby authorized and directed to execute and deliver such other documents and certificates required or desirable in connection with the bond insurance for the Series 2011 Bonds and the issuance of the Series 2011 Bonds, hereby and by the Ordinance approved to the end that the Series 2011 Bonds may be delivered at the earliest practicable date to the Original Purchaser pursuant to the Bond Purchase Agreement.

Section 5. This Resolution shall be effective immediately.

Adopted this 8th day of December, 2011.

[SEAL]

Mayor

City Manager

ATTEST:

Recorder

CERTIFICATION

The undersigned, being the duly qualified and acting Recorder of the City of Martinsburg, West Virginia, does hereby certify that the foregoing Second Supplemental Resolution was duly adopted by the City Council of the City of Martinsburg at its regular meeting held on December 8, 2011, quorum being present and acting through, and is a true, correct and complete copy as witness my hand and seal of the City of Martinsburg, West Virginia this 28th day of December, 2011.

Recorder

[SEAL]

RESOLUTION 2011-25

CITY OF MARTINSBURG
$9,500,000
COMBINED WATERWORKS AND SEWERAGE SYSTEM
REFUNDING REVENUE BONDS,
SERIES 2011

THIRD SUPPLEMENTAL RESOLUTION RELATING TO THE ISSUANCE OF THE SERIES 2011 BONDS

WHEREAS, The City of Martinsburg (the "Issuer"), in the County of Berkeley, State of West Virginia, is a municipal corporation of said State, the governing body of which is its Council (the "Council");

WHEREAS, the Council duly enacted on October 20, 2011, an ordinance (the "Ordinance") entitled:

> ORDINANCE AUTHORIZING THE REFUNDING OF ALL OR PART OF THE CITY OF MARTINSBURG COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2001 AND THE ISSUANCE BY THE CITY OF MARTINSBURG OF NOT MORE THAN NINE MILLION FIVE HUNDRED THOUSAND DOLLARS ($9,500,000.00) IN AGGREGATE PRINCIPAL AMOUNT OF CITY OF MARTINSBURG COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS, SERIES 2011, IN ONE OR MORE SERIES, THE PROCEEDS OF WHICH, TOGETHER WITH OTHER FUNDS OF THE CITY AVAILABLE FOR SAID PURPOSE, SHALL BE EXPENDED FOR SUCH REFUNDING AND TO PAY COSTS IN CONNECTION THEREWITH; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDERS OF SUCH COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS; AUTHORIZING A PRELIMINARY OFFICIAL STATEMENT, OFFICIAL STATEMENT, BOND PURCHASE AGREEMENT, CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS RELATING TO THE OFFERING AND SALE OF SUCH COMBINED WATERWORKS AND SEWERAGE

SYSTEM REFUNDING REVENUE BONDS; AND ADOPTING OTHER PROVISIONS RELATING THERETO;

providing for the issuance of the Issuer's Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011, in one or more series (collectively, the "Series 2011 Bonds"), in an aggregate principal amount not to exceed $9,500,000;

WHEREAS, a public hearing was held with respect to the Ordinance on November 10, 2011, following proper notice thereof, all comments were heard and the Council put the Ordinance into effect following said hearing;

WHEREAS, on November 10, 2011, the City Council adopted a resolution supplementing and amending the Ordinance entitled:

SUPPLEMENTAL RESOLUTION PUTTING ORDINANCE INTO EFFECT; PROVIDING AS TO AMOUNTS, MATURITIES, INTEREST RATES, REDEMPTION PROVISIONS, PURCHASE PRICE AND OTHER DETAILS AS TO THE COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS, SERIES 2011, OF THE CITY; AUTHORIZING AND APPROVING A BOND PURCHASE AGREEMENT, AN ESCROW AGREEMENT, A PRELIMINARY OFFICIAL STATEMENT AND OTHER INSTRUMENTS AND DOCUMENTS RELATING TO THE BONDS, PROVIDING FOR THE APPOINTMENT OF A REGISTRAR, ESCROW TRUSTEE AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, on December 8, 2011, the City Council adopted a resolution further supplementing and amending the Ordinance entitled:

SECOND SUPPLEMENTAL RESOLUTION RELATING TO BOND INSURANCE FOR THE SERIES 2011 BONDS

WHEREAS, the Series 2011 Bonds are being issued for the purpose of refunding all or part of the Issuer's outstanding Combined Waterworks and Sewerage System Revenue Bonds, Series 2001 (the "Series 2001 Bonds") and paying costs of issuance thereof, in accordance with Chapter 13, Article 2E, of the West Virginia Code of 1931, as amended (the "Refunding Act"), and Chapter 8, Article 20, of the West Virginia Code of 1931, as amended (the "Act");

WHEREAS, in Section 12.01 of the Ordinance, it is provided that the Ordinance may be supplemented and amended in any way by a supplemental resolution prior to the issuance of the Series 2011 Bonds;

WHEREAS, Crews & Associates, Inc., the underwriter for the Series 2011 Bonds (the "Underwriter"), has recommended that the definitions of "Bond Year" and "Series 2011 Bonds Reserve Requirement" set forth in the Ordinance be amended as herein provided;

WHEREAS, the Underwriter has also recommended that the Series 2011 Bonds be issued in one series, being a tax-exempt series designated the "City of Martinsburg Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011 A" in the original aggregate principal amount of $8,830,000 and, accordingly, the Council desires to provide for such designation and also to confirm the designation of such Series 2011 A Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended (the "Code");

WHEREAS, the Council has also determined to amend Section 7.07 of the Ordinance as herein provided;

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

WHEREAS, this Council deems it essential and desirable that this Third Supplemental Resolution be adopted and that the Ordinance be supplemented and amended as provided herein to effectuate the amendments and designations set forth above.

NOW, THEREFORE, THE COUNCIL OF THE CITY OF MARTINSBURG HEREBY RESOLVES:

Section 1. The definition of "Bond Year" set forth in Section 1.04 of the Ordinance entitled "Definitions" shall be amended to read as follows:

> "Bond Year" means the 12 month period ending on September 1 in each year except that the first Bond Year shall begin on the Closing Date and end on September 1, 2012.

Section 2. The definition of "Series 2011 Bonds Reserve Requirement" set forth in Section 1.04 of the Ordinance entitled "Definitions" shall be amended to read as follows:

> "Series 2011 Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 2011 Bonds in the then

concurrent or any succeeding Bond Year, assuming that the principal of any Term Bonds is deemed due on the earlier of their stated maturity date or the date on which they are required to be redeemed pursuant to mandatory redemption.

Section 3. The Series 2011 Bonds shall be issued in one series, being a tax-exempt series designated the "City of Martinsburg Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011 A" in the original aggregate principal amount of $8,830,000 and, accordingly, all references in the Ordinance and the resolutions supplementing and amending the Ordinance to the Series 2011 Bonds shall be deemed references to the Series 2011 A Bonds and all references to the "Series 2011 Bonds Costs of Issuance Fund", the "Series 2011 Bonds Redemption Account", the "Series 2011 Bonds Reserve Account", the "Series 2011 Bonds Reserve Requirement" and the "Series 2011 Bonds Sinking Fund" shall be deemed references to the "Series 2011 A Bonds Costs of Issuance Fund", the "Series 2011 A Bonds Redemption Account", the "Series 2011 A Bonds Reserve Account", the "Series 2011 A Bonds Reserve Requirement" and the "Series 2011 A Bonds Sinking Fund".

Section 4. The Series 2011 A Bonds are hereby designated as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Code. Further, the Council on behalf of the Issuer finds and determines that the Issuer and all subordinate entities do not reasonably expect to issue more than $10,000,000 of tax-exempt obligations during the calendar year 2011.

Section 5. The second paragraph of Section 7.07 of the Ordinance entitled "Parity Bonds" is hereby amended to read as follows:

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

Section 6. This Resolution shall be effective immediately.

Adopted this 20th day of December, 2011.

[SEAL]

George Karos
Mayor

City Manager

ATTEST:

Recorder

CERTIFICATION

The undersigned, being the duly qualified and acting Recorder of the City of Martinsburg, West Virginia, does hereby certify that the foregoing Third Supplemental Resolution was duly adopted by the City Council of the City of Martinsburg at its special meeting held on December 20, 2011, quorum being present and acting through, and is a true, correct and complete copy as witness my hand and seal of the City of Martinsburg, West Virginia this 28th day of December, 2011.

Recorder

[SEAL]

CERTIFICATE OF DETERMINATION PURSUANT TO SUPPLEMENTAL RESOLUTION ADOPTED BY THE COUNCIL OF THE CITY OF MARTINSBURG ON NOVEMBER 10, 2011, RELATING TO THE ISSUANCE AND SALE OF NOT TO EXCEED $9,500,000 CITY OF MARTINSBURG COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS, SERIES 2011

The undersigned Mayor and City Manager of the City of Martinsburg (the "Issuer"), pursuant to Section 10 of the Supplemental Resolution of the Issuer adopted on November 10, 2011, which Supplemental Resolution supplemented and amended an Ordinance of the Issuer enacted on October 20, 2011, and put into effect following a public hearing on November 10, 2011 (the "Bond Ordinance"), relating to the issuance and sale of not to exceed $9,500,000 City of Martinsburg Combined Waterworks and Sewerage System Revenue Refunding Bonds, Series 2011, in one or more series (the "Bonds"), hereby make the following determinations:

1. The Bonds shall be issued in the aggregate principal amount of $8,830,000.

2. All of the Series 2001 Bonds shall be redeemed.

3. The Bonds shall be issued in one series, being a tax-exempt series designated the City of Martinsburg Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011 A.

4. The Bonds shall be issued as Serial Bonds and Term Bonds in the amounts and with the maturities as provided in Exhibit A attached hereto.

5. The interest rates for such Bonds shall be as provided in Exhibit A attached hereto.

6. The mandatory redemptions provisions of the Bonds designated as Term Bonds shall be as set forth in Exhibit B, including times, amounts and redemption prices.

7. The optional redemption provisions for the Bonds shall be as set forth in Exhibit C attached hereof.

8. The purchase price for the Bonds shall be $8,790,029.25, which is the par amount of the Bonds, $8,830,000, less an underwriter's discount of $88,300.00 plus a net reoffering premium of $48,329.25.

9. The West Virginia Municipal Bond Commission is hereby designated to serve as provided in the Escrow Agreement attached hereto as Exhibit D, the form of which is hereby approved.

10. United Bank, Inc. shall serve as Registrar as further provided in the Registrar's Agreement attached hereto as Exhibit E, the form of which is hereby approved.

11. The sinking fund installments on the Bonds shall be as set forth in Exhibit F attached hereto to be payable as provided in the Bond Ordinance.

12. The Bonds shall be issued in book-entry form.

13. The sum of $620,410 shall be deposited in the Series 2011 A Bonds Reserve Account from the proceeds of the Bonds.

14. The Bonds shall be insured by Assured Guaranty Municipal Corp. as previously approved by the Second Supplemental Resolution adopted on December 8, 2011.

IN WITNESS WHEREOF, the undersigned Mayor and City Manager of the City of Martinsburg has caused this document to be executed as of the 14th day of December, 2011.

George Karos, Mayor
City of Martinsburg

Mark S. Baldwin, City Manager
City of Martinsburg

Final

$8,830,000

City of Martinsburg, West Virginia
Combined Waterworks and Sewerage System Revenue Bonds
Series 2011

Pricing Summary

Maturity	Type of Bond	Coupon	Yield	Maturity Value	Price		Dollar Price
09/01/2012	Serial Coupon	2.000%	0.750%	240,000.00	100.839%		242,013.60
09/01/2013	Serial Coupon	2.000%	1.000%	360,000.00	101.656%		365,961.60
09/01/2014	Serial Coupon	2.000%	1.200%	360,000.00	102.099%		367,556.40
09/01/2015	Serial Coupon	2.000%	1.450%	370,000.00	101.960%		377,252.00
09/01/2016	Serial Coupon	2.000%	1.600%	380,000.00	101.793%		386,813.40
09/01/2017	Serial Coupon	2.000%	1.800%	385,000.00	101.073%		389,131.05
09/01/2018	Serial Coupon	2.000%	2.000%	395,000.00	100.000%		395,000.00
09/01/2019	Serial Coupon	3.000%	2.200%	400,000.00	104.244%	c	416,976.00
09/01/2020	Serial Coupon	3.000%	2.450%	415,000.00	102.895%	c	427,014.25
09/01/2021	Serial Coupon	3.000%	2.650%	430,000.00	101.830%	c	437,869.00
09/01/2022	Serial Coupon	3.000%	2.900%	440,000.00	100.517%	c	442,274.80
09/01/2023	Serial Coupon	3.000%	3.000%	455,000.00	100.000%		455,000.00
09/01/2024	Serial Coupon	3.000%	3.100%	465,000.00	98.955%		460,140.75
09/01/2027	Term 1 Coupon	3.500%	3.500%	1,490,000.00	100.000%		1,490,000.00
09/01/2028	Serial Coupon	3.600%	3.600%	535,000.00	100.000%		535,000.00
09/01/2029	Serial Coupon	3.700%	3.700%	550,000.00	100.000%		550,000.00
09/01/2031	Term 2 Coupon	3.875%	4.000%	1,160,000.00	98.304%		1,140,326.40
Total	-	-	-	**$8,830,000.00**	-	-	**$8,878,329.25**

Bid Information

Par Amount of Bonds	$8,830,000.00
Reoffering Premium or (Discount)	48,329.25
Gross Production	$8,878,329.25
Total Underwriter's Discount (1.000%)	$(88,300.00)
Bid (99.547%)	8,790,029.25
Total Purchase Price	$8,790,029.25
Bond Year Dollars	$99,215.25
Average Life	11.236 Years
Average Coupon	3.3315372%
Net Interest Cost (NIC)	3.3718241%
True Interest Cost (TIC)	3.3449748%

Crews & Associates, Inc.
Public Finance

EXHIBIT A

EXHIBIT B

MANDATORY REDEMPTION

The Series 2011 A Bonds maturing on September 1, 2027 are subject to annual mandatory redemption prior to maturity by random selection on September 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:

Year	Principal Amount
2025	$480,000
2026	$495,000
2027	$515,000

The Series 2011 A Bonds maturing on September 1, 2031 are subject to annual mandatory redemption prior to maturity by random selection on September 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:

Year	Principal Amount
2030	$570,000
2031	$590,000

EXHIBIT C

OPTIONAL REDEMPTION

The Series 2011 A Bonds maturing on or after September 1, 2018 are subject to optional redemption prior to their stated maturity in whole or in part on any date on or after September 1, 2017, at the option of the City at par plus accrued interest thereon to the date set for redemption.

EXHIBIT D

ESCROW AGREEMENT

[SEE TRANSCRIPT DOCUMENT NO. 36]

EXHIBIT E

REGISTRAR'S AGREEMENT

[SEE TRANSCRIPT DOCUMENT NO. 38]

Final

$8,830,000

City of Martinsburg, West Virginia

Combined Waterworks and Sewerage System Revenue Bonds

Series 2011

Net Debt Service Schedule

Part 1 of 2

Date	Principal	Coupon	Interest	Total P+I	DSR	Net New D/S	Fiscal Total
12/28/2011	-	-	-	-	-	(998.04)	-
03/01/2012	-	-	46,315.50	46,315.50	-	46,315.50	-
06/30/2012	-	-	-	-	-	-	45,317.46
09/01/2012	240,000.00	2.000%	132,330.00	372,330.00	-	372,330.00	-
03/01/2013	-	-	129,930.00	129,930.00	-	129,930.00	-
06/30/2013	-	-	-	-	-	-	502,260.00
09/01/2013	360,000.00	2.000%	129,930.00	489,930.00	-	489,930.00	-
03/01/2014	-	-	126,330.00	126,330.00	-	126,330.00	-
06/30/2014	-	-	-	-	-	-	616,260.00
09/01/2014	360,000.00	2.000%	126,330.00	486,330.00	-	486,330.00	-
03/01/2015	-	-	122,730.00	122,730.00	-	122,730.00	-
06/30/2015	-	-	-	-	-	-	609,060.00
09/01/2015	370,000.00	2.000%	122,730.00	492,730.00	-	492,730.00	-
03/01/2016	-	-	119,030.00	119,030.00	-	119,030.00	-
06/30/2016	-	-	-	-	-	-	611,760.00
09/01/2016	380,000.00	2.000%	119,030.00	499,030.00	-	499,030.00	-
03/01/2017	-	-	115,230.00	115,230.00	-	115,230.00	-
06/30/2017	-	-	-	-	-	-	614,260.00
09/01/2017	385,000.00	2.000%	115,230.00	500,230.00	-	500,230.00	-
03/01/2018	-	-	111,380.00	111,380.00	-	111,380.00	-
06/30/2018	-	-	-	-	-	-	611,610.00
09/01/2018	395,000.00	2.000%	111,380.00	506,380.00	-	506,380.00	-
03/01/2019	-	-	107,430.00	107,430.00	-	107,430.00	-
06/30/2019	-	-	-	-	-	-	613,810.00
09/01/2019	400,000.00	3.000%	107,430.00	507,430.00	-	507,430.00	-
03/01/2020	-	-	101,430.00	101,430.00	-	101,430.00	-
06/30/2020	-	-	-	-	-	-	608,860.00
09/01/2020	415,000.00	3.000%	101,430.00	516,430.00	-	516,430.00	-
03/01/2021	-	-	95,205.00	95,205.00	-	95,205.00	-
06/30/2021	-	-	-	-	-	-	611,635.00
09/01/2021	430,000.00	3.000%	95,205.00	525,205.00	-	525,205.00	-
03/01/2022	-	-	88,755.00	88,755.00	-	88,755.00	-
06/30/2022	-	-	-	-	-	-	613,960.00
09/01/2022	440,000.00	3.000%	88,755.00	528,755.00	-	528,755.00	-
03/01/2023	-	-	82,155.00	82,155.00	-	82,155.00	-
06/30/2023	-	-	-	-	-	-	610,910.00
09/01/2023	455,000.00	3.000%	82,155.00	537,155.00	-	537,155.00	-
03/01/2024	-	-	75,330.00	75,330.00	-	75,330.00	-
06/30/2024	-	-	-	-	-	-	612,485.00
09/01/2024	465,000.00	3.000%	75,330.00	540,330.00	-	540,330.00	-
03/01/2025	-	-	68,355.00	68,355.00	-	68,355.00	-
06/30/2025	-	-	-	-	-	-	608,685.00
09/01/2025	480,000.00	3.500%	68,355.00	548,355.00	-	548,355.00	-
03/01/2026	-	-	59,955.00	59,955.00	-	59,955.00	-

Crews & Associates, Inc.

Public Finance

EXHIBIT F

Final

$8,830,000

City of Martinsburg, West Virginia
Combined Waterworks and Sewerage System Revenue Bonds
Series 2011

Net Debt Service Schedule

Part 2 of 2

Date	Principal	Coupon	Interest	Total P+I	DSR	Net New D/S	Fiscal Total
06/30/2026	-	-	-	-	-	-	608,310.00
09/01/2026	495,000.00	3.500%	59,955.00	554,955.00	-	554,955.00	-
03/01/2027	-	-	51,292.50	51,292.50	-	51,292.50	-
06/30/2027	-	-	-	-	-	-	606,247.50
09/01/2027	515,000.00	3.500%	51,292.50	566,292.50	-	566,292.50	-
03/01/2028	-	-	42,280.00	42,280.00	-	42,280.00	-
06/30/2028	-	-	-	-	-	-	608,572.50
09/01/2028	535,000.00	3.600%	42,280.00	577,280.00	-	577,280.00	-
03/01/2029	-	-	32,650.00	32,650.00	-	32,650.00	-
06/30/2029	-	-	-	-	-	-	609,930.00
09/01/2029	550,000.00	3.700%	32,650.00	582,650.00	-	582,650.00	-
03/01/2030	-	-	22,475.00	22,475.00	-	22,475.00	-
06/30/2030	-	-	-	-	-	-	605,125.00
09/01/2030	570,000.00	3.875%	22,475.00	592,475.00	-	592,475.00	-
03/01/2031	-	-	11,431.25	11,431.25	-	11,431.25	-
06/30/2031	-	-	-	-	-	-	603,906.25
09/01/2031	590,000.00	3.875%	11,431.25	601,431.25	(620,410.00)	(18,978.75)	-
06/30/2032	-	-	-	-	-	-	(18,978.75)
Total	**$8,830,000.00**	-	**$3,305,393.00**	**$12,135,393.00**	**(620,410.00)**	**$11,513,984.96**	-

Yield Statistics

Bond Year Dollars	$99,215.25
Average Life	11.236 Years
Average Coupon	3.3315372%
Net Interest Cost (NIC)	3.3718241%
True Interest Cost (TIC)	3.3449748%
Bond Yield for Arbitrage Purposes	3.3483944%
All Inclusive Cost (AIC)	3.5478155%

IRS Form 8038

Net Interest Cost	3.2825136%
Weighted Average Maturity	11.176 Years

Crews & Associates, Inc.
Public Finance

CITY OF MARTINSBURG
$8,830,000
COMBINED WATERWORKS AND SEWERAGE SYSTEM
REFUNDING REVENUE BONDS,
SERIES 2011 A

CROSS-RECEIPT FOR BONDS AND BOND PROCEEDS

The undersigned, Gregory P. Isaacs, Senior Managing Director, Capital Markets Group, for and on behalf of CREWS & ASSOCIATES, INC. (the "Underwriter") and George Karos, Mayor of the CITY OF MARTINSBURG (the "Issuer"), hereby certify as follows:

On the 28th day of December, 2011, the Underwriter received the entire original issue of $8,830,000 aggregate principal amount of the City of Martinsburg Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011 A (the "Bonds"). The Bonds, as so received on original issuance, are in various denominations, are dated December 28, 2011, and are numbered from AR-1 to AR-17, inclusive.

At the time of such receipt of the Bonds, all the Bonds had been executed by George Karos, as Mayor, and Mark S. Baldwin, as City Manager, by their respective original signatures, and the official seal of the Issuer had been imprinted upon each Bond and attested by Gena Long, as City Recorder, by her original signature, and had been authenticated by United Bank, Inc., as Registrar.

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

Par Amount	$ 8,830,000.00
Less: Underwriter's Discount	88,300.00
Plus: Net Reoffering Premium	48,839.25
Total Amount Received	$ 8,790,029.25

Payment for the Bonds was made in immediately available funds in the amount of $8,790,029.25.

IN WITNESS WHEREOF, Gregory B. Isaacs, for the Underwriter, duly signed and delivered this receipt on behalf of the Underwriter, and the CITY OF MARTINSBURG has caused this receipt to be duly signed and delivered by its Mayor, as of this 28th day of December, 2011.

CREWS & ASSOCIATES, INC.

By:_____

Its: Senior Managing Director
Capital Markets Group

CITY OF MARTINSBURG

By:_____

Its: Mayor

CITY OF MARTINSBURG
COMBINED WATERWORKS AND
SEWERAGE SYSTEM REFUNDING REVENUE BONDS,
SERIES 2011 A

DIRECTION TO AUTHENTICATE AND DELIVER BONDS

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

Ladies and Gentlemen:

There are delivered to you herewith:

(1) Bond Nos. AR-1 through AR-17, constituting the entire original issue of the City of Martinsburg Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011 A, in the principal amount of $8,830,000, dated December 28, 2011 (the "Series 2011 A Bonds"), executed by the Mayor, the City Manager and the Recorder of the City of Martinsburg (the "Issuer") and bearing the official seal of the Issuer. The Bonds are authorized to be issued under and pursuant to a Bond Ordinance enacted on October 20, 2011, and put into effect following a public hearing held on November 10, 2011, and a Supplemental Resolution duly adopted by the Issuer on November 10, 2011, a Second Supplemental Resolution duly adopted by the Issuer on December 8, 2011, and a Third Supplemental Resolution duly adopted by Issuer on December 20, 2011 (collectively, the "Local Act");

(2) A copy of the Local Act authorizing the issuance of the Series 2011 A Bonds, duly certified by the Recorder of the Issuer;

(3) The Series 2011 A Bonds are to be registered in the name of Cede & Co., Federal Employer Identification Number 13 2555119.

(4) A signed opinion of Bowles Rice McDavid Graff & Love LLP, nationally recognized bond counsel regarding the validity of the Series 2011 A Bonds.

You are hereby requested and authorized to deliver the Series 2011 A Bonds to The Depository Trust Company, on behalf of Crews & Associates, Inc., upon payment to the account of the Issuer of the sum of $8,699,013.80, which represents the par amount of the Series 2011 A Bonds less underwriter's discount of $88,300.00, plus net reoffering premium of $48,329.25, less $91,015.45 to be remitted directly by Crews & Associates, Inc. to Assured Guaranty Municipal Corp. for the bond insurance premium. Prior to such delivery of the Series 2011 A Bonds, you will please cause the Series 2011 A Bonds to be authenticated and registered by an authorized officer, as Bond Registrar, in accordance with the forms of Certificate of Authentication and Registration thereon.

Dated this 28th day of December, 2011.

CITY OF MARTINSBURG

By: George Karos
Its: Mayor

Unless this certificate 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, payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IN WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

No. AR-1 $240,000.00

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF MARTINSBURG
COMBINED WATERWORKS AND SEWERAGE SYSTEM
REFUNDING REVENUE BOND,
SERIES 2011 A

Interest Rate	Maturity Date	Bond Date	CUSIP No.
2.000%	September 1, 2012	December 28, 2011	573632 FD3

Registered Owner: CEDE & CO.
13 2555119

SPECIMEN

Principal Amount: TWO HUNDRED FORTY THOUSAND DOLLARS ($240,000.00)

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF MARTINSBURG, 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 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, at the Interest Rate per annum specified above, semiannually on March 1 and September 1 of each year, beginning March 1, 2012, except as the provisions hereinafter set forth as to redemption may become applicable hereto. The principal of this Bond is payable in any coin or currency which, on the date of payment thereof, is legal tender for the payment of public and private debts under the laws of the United States of America upon surrender of this Bond at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia, as Paying Agent (the "Paying Agent"); and

Unless this certificate 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, payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IN WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

No. AR-2 $360,000.00

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF MARTINSBURG
COMBINED WATERWORKS AND SEWERAGE SYSTEM
REFUNDING REVENUE BOND,
SERIES 2011 A

Interest Rate	Maturity Date	Bond Date	CUSIP No.
2.000%	September 1, 2013	December 28, 2011	573632 FE1

Registered Owner: CEDE & CO.
13 2555119

SPECIMEN

Principal Amount: THREE HUNDRED SIXTY THOUSAND DOLLARS ($360,000.00)

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF MARTINSBURG, 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 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, at the Interest Rate per annum specified above, semiannually on March 1 and September 1 of each year, beginning March 1, 2012, except as the provisions hereinafter set forth as to redemption may become applicable hereto. The principal of this Bond is payable in any coin or currency which, on the date of payment thereof, is legal tender for the payment of public and private debts under the laws of the United States of America upon surrender of this Bond at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia, as Paying Agent (the "Paying Agent"); and

Litho in U.S.A.
© GOES 142

Unless this certificate 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, payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IN WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

No. AR-3

$360,000.00

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF MARTINSBURG
COMBINED WATERWORKS AND SEWERAGE SYSTEM
REFUNDING REVENUE BOND,
SERIES 2011 A

Interest Rate	Maturity Date	Bond Date	CUSIP No.
2.000%	September 1, 2014	December 28, 2011	573632 FF8

SPECIMEN

Registered Owner: CEDE & CO.
13 2555119

Principal Amount: THREE HUNDRED SIXTY THOUSAND DOLLARS ($360,000.00)

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF MARTINSBURG, 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 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, at the Interest Rate per annum specified above, semiannually on March 1 and September 1 of each year, beginning March 1, 2012, except as the provisions hereinafter set forth as to redemption may become applicable hereto. The principal of this Bond is payable in any coin or currency which, on the date of payment thereof, is legal tender for the payment of public and private debts under the laws of the United States of America upon surrender of this Bond at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia, as Paying Agent (the "Paying Agent"); and

Litho. in U.S.A.

Unless this certificate 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, payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IN WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

No. AR-4

$370,000.00

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF MARTINSBURG
COMBINED WATERWORKS AND SEWERAGE SYSTEM
REFUNDING REVENUE BOND,
SERIES 2011 A

Interest Rate	Maturity Date	Bond Date	CUSIP No.
2.000%	September 1, 2015	December 28, 2011	573632 FG6

SPECIMEN

Registered Owner: CEDE & CO.
13 2555119

Principal Amount: THREE HUNDRED SEVENTY THOUSAND DOLLARS ($370,000.00)

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF MARTINSBURG, 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 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, at the Interest Rate per annum specified above, semiannually on March 1 and September 1 of each year, beginning March 1, 2012, except as the provisions hereinafter set forth as to redemption may become applicable hereto. The principal of this Bond is payable in any coin or currency which, on the date of payment thereof, is legal tender for the payment of public and private debts under the laws of the United States of America upon surrender of this Bond at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia, as Paying Agent (the "Paying Agent"); and

Unless this certificate 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, payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IN WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

$380,000.00

No. AR-5

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF MARTINSBURG
COMBINED WATERWORKS AND SEWERAGE SYSTEM
REFUNDING REVENUE BOND,
SERIES 2011 A

Interest Rate	Maturity Date	Bond Date	CUSIP No.
2.000%	September 1, 2016	December 28, 2011	573632 FH4

SPECIMEN

Registered Owner: CEDE & CO.
13 2555119

Principal Amount: THREE HUNDRED EIGHTY THOUSAND DOLLARS ($380,000.00)

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF MARTINSBURG, 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 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, at the Interest Rate per annum specified above, semiannually on March 1 and September 1 of each year, beginning March 1, 2012, except as the provisions hereinafter set forth as to redemption may become applicable hereto. The principal of this Bond is payable in any coin or currency which, on the date of payment thereof, is legal tender for the payment of public and private debts under the laws of the United States of America upon surrender of this Bond at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia, as Paying Agent (the "Paying Agent"); and

Unless this certificate 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, payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IN WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

$385,000.00

No. AR-6

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF MARTINSBURG
COMBINED WATERWORKS AND SEWERAGE SYSTEM
REFUNDING REVENUE BOND,
SERIES 2011 A

Interest Rate	Maturity Date	Bond Date	CUSIP No.
2.000%	September 1, 2017	December 28, 2011	573632 FJ0

SPECIMEN

Registered Owner: CEDE & CO.
13 2555119

Principal Amount: THREE HUNDRED EIGHTY-FIVE THOUSAND DOLLARS ($385,000.00)

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF MARTINSBURG, 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 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, at the Interest Rate per annum specified above, semiannually on March 1 and September 1 of each year, beginning March 1, 2012, except as the provisions hereinafter set forth as to redemption may become applicable hereto. The principal of this Bond is payable in any coin or currency which, on the date of payment thereof, is legal tender for the payment of public and private debts under the laws of the United States of America upon surrender of this Bond at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia, as Paying Agent (the "Paying Agent"); and

Unless this certificate 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, payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IN WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

No. AR-7

$395,000.00

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF MARTINSBURG
COMBINED WATERWORKS AND SEWERAGE SYSTEM
REFUNDING REVENUE BOND,
SERIES 2011 A

Interest Rate	Maturity Date	Bond Date	CUSIP No.
2.000%	September 1, 2018	December 28, 2011	573632 FK7

Registered Owner: CEDE & CO.
13 2555119

SPECIMEN

Principal Amount: THREE HUNDRED NINETY-FIVE THOUSAND DOLLARS ($395,000.00)

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF MARTINSBURG, 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 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, at the Interest Rate per annum specified above, semiannually on March 1 and September 1 of each year, beginning March 1, 2012, except as the provisions hereinafter set forth as to redemption may become applicable hereto. The principal of this Bond is payable in any coin or currency which, on the date of payment thereof, is legal tender for the payment of public and private debts under the laws of the United States of America upon surrender of this Bond at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia, as Paying Agent (the "Paying Agent"); and

Unless this certificate 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, payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IN WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

No. AR-8

$400,000.00

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF MARTINSBURG
COMBINED WATERWORKS AND SEWERAGE SYSTEM
REFUNDING REVENUE BOND,
SERIES 2011 A

Interest Rate	Maturity Date	Bond Date	CUSIP No.
3.000%	September 1, 2019	December 28, 2011	573632 FL5

SPECIMEN

Registered Owner: CEDE & CO.
13 2555119

Principal Amount: FOUR HUNDRED THOUSAND DOLLARS ($400,000.00)

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF MARTINSBURG, 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 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, at the Interest Rate per annum specified above, semiannually on March 1 and September 1 of each year, beginning March 1, 2012, except as the provisions hereinafter set forth as to redemption may become applicable hereto. The principal of this Bond is payable in any coin or currency which, on the date of payment thereof, is legal tender for the payment of public and private debts under the laws of the United States of America upon surrender of this Bond at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia, as Paying Agent (the "Paying Agent"); and

Unless this certificate 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, payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IN WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

$415,000.00

No. AR-9

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF MARTINSBURG
COMBINED WATERWORKS AND SEWERAGE SYSTEM
REFUNDING REVENUE BOND,
SERIES 2011 A

Interest Rate	Maturity Date	Bond Date	CUSIP No.
3.000%	September 1, 2020	December 28, 2011	573632 FM3

SPECIMEN

Registered Owner: CEDE & CO.
13 2555119

Principal Amount: FOUR HUNDRED FIFTEEN THOUSAND DOLLARS ($415,000.00)

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF MARTINSBURG, 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 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, at the Interest Rate per annum specified above, semiannually on March 1 and September 1 of each year, beginning March 1, 2012, except as the provisions hereinafter set forth as to redemption may become applicable hereto. The principal of this Bond is payable in any coin or currency which, on the date of payment thereof, is legal tender for the payment of public and private debts under the laws of the United States of America upon surrender of this Bond at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia, as Paying Agent (the "Paying Agent"); and

Unless this certificate 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, payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IN WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

No. AR-10

$430,000.00

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF MARTINSBURG
COMBINED WATERWORKS AND SEWERAGE SYSTEM
REFUNDING REVENUE BOND,
SERIES 2011 A

Interest Rate	Maturity Date	Bond Date	CUSIP No.
3.000%	September 1, 2021	December 28, 2011	573632 FN1

SPECIMEN

Registered Owner: CEDE & CO.
13 2555119

Principal Amount: FOUR HUNDRED THIRTY THOUSAND DOLLARS ($430,000.00)

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF MARTINSBURG, 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 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, at the Interest Rate per annum specified above, semiannually on March 1 and September 1 of each year, beginning March 1, 2012, except as the provisions hereinafter set forth as to redemption may become applicable hereto. The principal of this Bond is payable in any coin or currency which, on the date of payment thereof, is legal tender for the payment of public and private debts under the laws of the United States of America upon surrender of this Bond at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia, as Paying Agent (the "Paying Agent"); and

Unless this certificate 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, payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IN WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

No. AR-11

$440,000.00

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF MARTINSBURG
COMBINED WATERWORKS AND SEWERAGE SYSTEM
REFUNDING REVENUE BOND,
SERIES 2011 A

Interest Rate	Maturity Date	Bond Date	CUSIP No.
3.000%	September 1, 2022	December 28, 2011	573632 FP6

Registered Owner: CEDE & CO.
13 2555119

SPECIMEN

Principal Amount: FOUR HUNDRED FORTY THOUSAND DOLLARS ($440,000.00)

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF MARTINSBURG, 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 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, at the Interest Rate per annum specified above, semiannually on March 1 and September 1 of each year, beginning March 1, 2012, except as the provisions hereinafter set forth as to redemption may become applicable hereto. The principal of this Bond is payable in any coin or currency which, on the date of payment thereof, is legal tender for the payment of public and private debts under the laws of the United States of America upon surrender of this Bond at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia, as Paying Agent (the "Paying Agent"); and

Unless this certificate 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, payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IN WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

No. AR-12

$455,000.00

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF MARTINSBURG
COMBINED WATERWORKS AND SEWERAGE SYSTEM
REFUNDING REVENUE BOND,
SERIES 2011 A

Interest Rate	Maturity Date	Bond Date	CUSIP No.
3.000%	September 1, 2023	December 28, 2011	573632 FQ4

Registered Owner: CEDE & CO.
13 2555119

SPECIMEN

Principal Amount: FOUR HUNDRED FIFTY-FIVE THOUSAND DOLLARS ($455,000.00)

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF MARTINSBURG, 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 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, at the Interest Rate per annum specified above, semiannually on March 1 and September 1 of each year, beginning March 1, 2012, except as the provisions hereinafter set forth as to redemption may become applicable hereto. The principal of this Bond is payable in any coin or currency which, on the date of payment thereof, is legal tender for the payment of public and private debts under the laws of the United States of America upon surrender of this Bond at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia, as Paying Agent (the "Paying Agent"); and

Unless this certificate 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, payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IN WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

No. AR-13

$465,000.00

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF MARTINSBURG
COMBINED WATERWORKS AND SEWERAGE SYSTEM
REFUNDING REVENUE BOND,
SERIES 2011 A

Interest Rate	Maturity Date	Bond Date	CUSIP No.
3.000%	September 1, 2024	December 28, 2011	573632 FR2

Registered Owner: CEDE & CO.
13 2555119

SPECIMEN

Principal Amount: FOUR HUNDRED SIXTY-FIVE THOUSAND DOLLARS ($465,000.00)

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF MARTINSBURG, 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 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, at the Interest Rate per annum specified above, semiannually on March 1 and September 1 of each year, beginning March 1, 2012, except as the provisions hereinafter set forth as to redemption may become applicable hereto. The principal of this Bond is payable in any coin or currency which, on the date of payment thereof, is legal tender for the payment of public and private debts under the laws of the United States of America upon surrender of this Bond at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia, as Paying Agent (the "Paying Agent"); and

Unless this certificate 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, payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IN WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

No. AR-14

$1,490,000.00

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF MARTINSBURG
COMBINED WATERWORKS AND SEWERAGE SYSTEM
REFUNDING REVENUE BOND,
SERIES 2011 A

Interest Rate	Maturity Date	Bond Date	CUSIP No.
3.500%	September 1, 2027	December 28, 2011	573632 FS0

SPECIMEN

Registered Owner: CEDE & CO.
13 2555119

Principal Amount: ONE MILLION FOUR HUNDRED NINETY THOUSAND DOLLARS ($1,490,000.00)

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF MARTINSBURG, 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 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, at the Interest Rate per annum specified above, semiannually on March 1 and September 1 of each year, beginning March 1, 2012, except as the provisions hereinafter set forth as to redemption may become applicable hereto. The principal of this Bond is payable in any coin or currency which, on the date of payment thereof, is legal tender for the payment of public and private debts under the laws of the United States of America upon surrender of this Bond at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia, as Paying Agent (the "Paying Agent"); and

Unless this certificate 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, payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IN WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

No. AR-15

$535,000.00

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF MARTINSBURG
COMBINED WATERWORKS AND SEWERAGE SYSTEM
REFUNDING REVENUE BOND,
SERIES 2011 A

Interest Rate	Maturity Date	Bond Date	CUSIP No.
3.600%	September 1, 2028	December 28, 2011	573632 FT8

SPECIMEN

Registered Owner: CEDE & CO.
13 2555119

Principal Amount: FIVE HUNDRED THIRTY-FIVE THOUSAND DOLLARS ($535,000.00)

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF MARTINSBURG, 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 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, at the Interest Rate per annum specified above, semiannually on March 1 and September 1 of each year, beginning March 1, 2012, except as the provisions hereinafter set forth as to redemption may become applicable hereto. The principal of this Bond is payable in any coin or currency which, on the date of payment thereof, is legal tender for the payment of public and private debts under the laws of the United States of America upon surrender of this Bond at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia, as Paying Agent (the "Paying Agent"); and

Unless this certificate 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, payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IN WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

No. AR-16

$550,000.00

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF MARTINSBURG
COMBINED WATERWORKS AND SEWERAGE SYSTEM
REFUNDING REVENUE BOND,
SERIES 2011 A

Interest Rate	Maturity Date	Bond Date	CUSIP No.
3.700%	September 1, 2029	December 28, 2011	573632 FU5

SPECIMEN

Registered Owner: CEDE & CO.
13 2555119

Principal Amount: FIVE HUNDRED FIFTY THOUSAND DOLLARS ($550,000.00)

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF MARTINSBURG, 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 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, at the Interest Rate per annum specified above, semiannually on March 1 and September 1 of each year, beginning March 1, 2012, except as the provisions hereinafter set forth as to redemption may become applicable hereto. The principal of this Bond is payable in any coin or currency which, on the date of payment thereof, is legal tender for the payment of public and private debts under the laws of the United States of America upon surrender of this Bond at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia, as Paying Agent (the "Paying Agent"); and

Unless this certificate 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, payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IN WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

No. AR-17

$1,160,000.00

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF MARTINSBURG
COMBINED WATERWORKS AND SEWERAGE SYSTEM
REFUNDING REVENUE BOND,
SERIES 2011 A

Interest Rate	Maturity Date	Bond Date	CUSIP No.
3.875%	September 1, 2031	December 28, 2011	573632 FV3

SPECIMEN

Registered Owner: CEDE & CO.
13 2555119

Principal Amount: ONE MILLION ONE HUNDRED SIXTY THOUSAND DOLLARS ($1,160,000.00)

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF MARTINSBURG, 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 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, at the Interest Rate per annum specified above, semiannually on March 1 and September 1 of each year, beginning March 1, 2012, except as the provisions hereinafter set forth as to redemption may become applicable hereto. The principal of this Bond is payable in any coin or currency which, on the date of payment thereof, is legal tender for the payment of public and private debts under the laws of the United States of America upon surrender of this Bond at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia, as Paying Agent (the "Paying Agent"); and

interest on this Bond is payable by check or draft, mailed to the Registered Owner at his address as it appears on the books of United Bank, Inc., Charleston, West Virginia, (the "Registrar") on the 15th day of the month preceding said interest payment date (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 to the Registrar at least 5 days prior to such interest payment date by such Registered Owner.

This Bond is one of a series of bonds (the "Series 2011 A Bonds"), in the aggregate principal amount of $8,830,000, of like tenor and effect, except as to number, denomination, date of maturity and interest rate, dated December 28, 2011, the proceeds of which are to be used, together with other funds of the Issuer, (i) to refund all of the Issuer's Combined Waterworks and Sewerage System Revenue Bonds, Series 2001 (the "Series 2001 Bonds") previously issued on September 6, 2001, to finance the costs of acquisition and construction of certain additions, betterments and improvements to the Issuer's existing combined waterworks and sewerage system (the "System"); (ii) to fund a debt service reserve account for the Series 2011 A Bonds; and (iii) to pay certain costs of issuance of the Series 2011 A Bonds. The Series 2011 A Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 8, Article 20 and Chapter 13, Article 2E of the Code of West Virginia, 1931, as amended (collectively, the "Act"), and an ordinance duly enacted by the City Council of the City on October 20, 2011, and put into effect following a public hearing held on November 10, 2011, as supplemented and amended by a Supplemental Resolution adopted on November 10 2011, a Second Supplemental Resolution adopted on December 8, 2011, and a Third Supplemental Resolution adopted on December 20, 2011 (hereinafter collectively referred to as the "Ordinance"), and is subject to all the terms and conditions of said Ordinance. The Ordinance provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Series 2011 A Bonds under the Ordinance.

SPECIMEN

THE SERIES 2011 A BONDS ARE ISSUED ON PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCES OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE (1) THE ISSUER'S COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2000A (WEST VIRGINIA DWTRF PROGRAM), DATED SEPTEMBER 27, 2000, ORIGINALLY ISSUED IN THE AGGREGATE PRINCIPAL AMOUNT OF $7,564,000, (2) THE ISSUER'S COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2000B (WEST VIRGINIA INFRASTRUCTURE FUND), DATED SEPTEMBER 27, 2000, ORIGINALLY ISSUED IN THE AGGREGATE PRINCIPAL AMOUNT OF $3,000,000, AND (3) THE ISSUER'S COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2000C (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), DATED SEPTEMBER 27, 2000, ORIGINALLY ISSUED IN THE AGGREGATE PRINCIPAL AMOUNT OF $1,976,352 (COLLECTIVELY, THE "PRIOR BONDS").

Litho. in U.S.A.

OPTIONAL REDEMPTION OF BONDS.

The Series 2011 A Bonds maturing on or after September 1, 2018, shall be redeemable prior to their stated date of maturity at the option of the Issuer on or after September 1, 2017, 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 equal to the principal amount thereof, plus interest accrued to the date fixed for redemption.

MANDATORY REDEMPTION OF BONDS.

The Series 2011 A Bonds maturing on September 1, 2027, are required to be redeemed prior to maturity in accordance with the sinking fund requirements of the Ordinance on September 1 in the years and in the principal amounts and at a price of 100% of the principal amount of the Series 2011 A Bonds to be redeemed plus interest accrued to the redemption date, as follows:

SPECIMEN

Year (September 1)	Amount
2025	$480,000.00
2026	$495,000.00

When such Series 2011 A Bonds have been redeemed as set forth above, a balance of $515,000.00 will mature on September 1, 2027, unless previously retired.

The Series 2011 A Bonds maturing on September 1, 2031 are required to be redeemed prior to maturity in accordance with the sinking fund requirements of the Ordinance on September 1 in the years and in the principal amounts and at a price of 100% of the principal amount of the Series 2011 A Bonds to be redeemed plus interest accrued to the redemption date, as follows:

Year (September 1)	Amount
2030	$570,000.00

When such Series 2011 A Bonds have been redeemed as set forth above, a balance of $590,000.00 will mature on September 1, 2031, unless previously retired.

Notice of any redemption of the Series 2011 A Bonds, unless waived, shall be given by the Registrar by mailing an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Series 2011 A Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Registrar. Notice of redemption having been given as aforesaid, the Series 2011 A Bonds or portions of the Series 2011 A Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the Issuer shall default in the payment of the redemption

price) such Series 2011 A Bonds or portions of Series 2011 A Bonds shall cease to bear interest.

Failure to receive such notice or any defect therein or in the mailing thereof shall not affect the validity of proceedings for the redemption of this Series 2011 A Bond.

The Series 2011 A Bonds and the interest thereon are payable only from and are secured by the Gross Revenues (as defined in the Ordinance) to be derived from the operation of the System on parity with the pledge of the Gross Revenues in favor of the holders of the Prior Bonds, all moneys in the Sinking Fund established under the Ordinance, and unexpended proceeds of the Series 2011 A Bonds, and the Issuer hereby and in the Ordinance pledges such revenues and moneys to such payment. Said Gross Revenues shall be sufficient to pay the principal of and interest on all the Series 2011 A Bonds, the Prior Bonds and all subsequent bonds which may be issued pursuant to the Ordinance and shall be set aside as a special fund hereby pledged for such purpose and to make the other payments required by the Ordinance. This Series 2011 A Bond does not constitute an indebtedness of the Issuer within any constitutional or statutory provision or limitation, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Gross Revenues, the moneys in the Series 2011 A Bonds Sinking Fund and said unexpended Series 2011 A Bond proceeds. Pursuant to the Ordinance, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest on the Series 2011 A Bonds, and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2011 A Bonds, including the Prior Bonds, provided however, that so long as there exists in the Series 2011 A Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest which will become due on the Series 2011 A Bonds in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with the Series 2011 A Bonds, including the Prior Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. Such required payments on behalf of the principal of and interest on all such bonds shall constitute a charge upon the Gross Revenues of the System. The Issuer has entered into certain further covenants with the registered owners of the Series 2011 A Bonds, for the terms of which reference is made to the Ordinance. Remedies provided the registered owners of the Series 2011 A 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 Series 2011 A Bonds except for accrued interest thereon, shall be applied solely refund all or part of the Series 2001 Bonds, to fund a debt service reserve fund for the Series 2011 A Bonds, and to pay certain issuance and other costs in connection therewith, and there shall be, and hereby is, created

SPECIMEN

Litho. in U.S.A.

and granted a lien upon such moneys, until so applied, in favor of the registered owners of the Series 2011 A Bonds.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond have existed, have happened and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of the Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia, and that a sufficient amount of the revenues of the System has been pledged to and will be set aside into said special fund by the Issuer for the prompt payment of the principal of and interest on the Series 2011 A 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 within-described Ordinance.

This Bond has been properly designated by the Issuer as a "qualified tax-exempt obligation" as defined in Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended.

SPECIMEN

This Bond is, under the Act, exempt from taxation by the State of West Virginia, except inheritance, estate and transfer taxes.

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.

Litho. in U.S.A.

IN WITNESS WHEREOF, the CITY OF MARTINSBURG has caused this Bond to be signed by its Mayor and its City Manager, and its corporate seal to be imprinted hereon and attested by its Recorder, and has caused this Bond to be dated as of the Bond Date specified above.

SPECIMEN
Mayor

SPECIMEN
City Manager

[SEAL]

ATTEST:

SPECIMEN
Recorder

Litho in U.S.A.

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the fully registered Series 2011 A Bonds described in the within-mentioned Ordinance and has been duly registered in the name of the Registered Owner designated above on the date set forth below.

Dated: December 28, 2011.

UNITED BANK, INC.,
as Registrar

By: SPECIMEN
Its: Authorized Officer

Litho in U.S.A.

STATEMENT OF INSURANCE

Assured Guaranty Municipal Corp. ("AGM"), New York, New York, has delivered its municipal bond insurance policy (the "Policy") with respect to the scheduled payments due of principal of and interest on this Bond to the West Virginia Municipal Bond Commission, Charleston, West Virginia, or its successor, as paying agent for the Bonds (the "Paying Agent"). Said Policy is on file and available for inspection at the principal office of the Paying Agent and a copy thereof may be obtained from AGM or the Paying Agent. 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 AGM as more fully set forth in the Policy.

SPECIMEN

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ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto _____ the within Bond and does hereby irrevocably constitute and appoint _____ attorney to transfer the said Bond on the books kept for registration of the within Bond with full power of substitution in the premises.

Dated: _____, _____.

SPECIMEN

_____

SIGNATURE GUARANTEED:

SPECIMEN

_____

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.

The Registrar will not effect transfer of this Bond unless the information concerning the transferee requested below is provided. The transferor should complete whichever of the following is applicable.

INDIVIDUAL:

Name and Address:

_____

_____

_____

Social Security Number: _____

(Include information for all joint owners if the Bond is held by joint account)

CORPORATION OR PARTNERSHIP:

_____

_____

_____

Tax Identification Number:_____

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© GOES 342

TRUST:

Name of Trust:

_____
_____
_____

Name and Address of Settlor:

_____
_____
_____

Name and Address of Trustee:

SPECIMEN

_____
_____
_____

Tax Identification Number of Trust: _____

Tax Identification Number of Social Security Number
of Settlor: _____

NOMINEE:

Name and Address:

_____
_____
_____

Tax Identification Number of Social Security
Number: _____

(If the Bond is to be registered in nominee name, then include information for the principal.)

Litho. in U.S.A.
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480 West Jubal Early Drive
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Winchester, Virginia 22601
(540) 723-8877

December 28, 2011

City of Martinsburg
232 North Queen Street
Martinsburg, West Virginia 25401

Re: $8,830,000 City of Martinsburg Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011 A

Ladies and Gentlemen:

We have examined a certified record of proceedings relating to the issuance and sale of $8,830,000 Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011 A (the "Bonds") of the City of Martinsburg, West Virginia (the "Issuer"). The Bonds are being issued for the purpose of providing funds to (i) refund all of the Issuer's outstanding Combined Waterworks and Sewerage System Revenue Bonds, Series 2001 (the "Series 2001 Bonds") issued on September 6, 2001, to pay a portion of the costs of the acquisition and construction of certain additions, betterments and improvements to the existing combined waterworks and sewerage system of the Issuer (the "System"); and (ii) pay the costs of issuing the Bonds.

The Bonds were authorized by an ordinance enacted by the Council of the Issuer on October 20, 2011, and put into effect following a public hearing held on November 10, 2011, as supplemented and amended by supplemental resolutions adopted on November 10, 2011, December 8, 2011 and December 20, 2011 (said ordinance as so supplemented and amended is referred to herein as the "Ordinance"), and are issued pursuant to Chapter 8, Article 20 and Chapter 13, Article 2E of the Code of West Virginia, 1931, as amended (collectively, the "Act").

As to questions of fact material to our opinion, we have relied upon the representations of the Issuer, the Registrar and the Paying Agent contained in the Ordinance, the Escrow Agreement, the Registrar's Agreement (all as defined 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 of the Issuer and the Registrar pertaining to tax matters set forth in the Ordinance and the Registrar's Agreement

and with certain certificates delivered in connection with the issuance of the Bonds, we are of the opinion that:

1. The Issuer is a duly organized and validly existing municipal corporation under and pursuant to the Constitution and laws of the State of West Virginia and has full legal right, power and authority to issue the Bonds, to refund the Series 2001 Bonds, to own and operate the System, and to enact and perform its obligations under the terms and provisions of the Ordinance.

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

3. The Bonds have been duly authorized and validly executed and delivered by the Issuer in accordance with the Constitution of the State of West Virginia, the Act and the Ordinance.

4. The Bonds constitute valid and legally binding special obligations of the Issuer, enforceable in accordance with their terms and the terms of the Ordinance and are payable solely from and secured by a lien on and pledge of the Gross Revenues derived from the operation of the System and moneys in the Series 2011 A Bonds Sinking Fund and Series 2011 A Bonds Reserve Account (all as defined in the Ordinance), on a parity with respect to lien, pledge and sources of and security for payment with the Issuer's Combined Waterworks and Sewerage System Revenue Bonds, Series 2000A (West Virginia DWTRF Program), dated September 27, 2000, originally issued in the aggregate principal amount of $7,564,000, the Issuer's Combined Waterworks and Sewerage System Revenue Bonds, Series 2000B (West Virginia Infrastructure Fund), dated September 27, 2000, originally issued in the aggregate principal amount of $3,000,000, and the Issuer's Combined Waterworks and Sewerage System Revenue Bonds, Series 2000C (West Virginia Water Development Authority), dated September 27, 2000, originally issued in the aggregate principal amount of $1,976,352.

5. Under existing laws, regulations, rulings and judicial decisions of the United States of America, as presently written and applied, the interest on the Bonds (i) is excludable from gross income of the holders thereof for federal income tax purposes and (ii) 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 interest on Bonds held by certain corporations may be indirectly subject to alternative minimum tax imposed under the Internal Revenue Code of 1986, as amended (the "Code"), because of its inclusion in the reported income or earnings and profits of such corporate holder. 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, foreign corporations, individual recipients of Social Security or Railroad Retirement benefits, Subchapter S corporations 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. 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 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 certificate relating to arbitrage. Failure to comply with 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 more than $10,000,000 of tax-exempt obligations (other than private activity bonds) during the calendar year 2011. 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)), a deduction is allowed for 80% of that portion of such financial institution's interest expense allocable to interest on the Bonds.

7. Under existing laws of the State of West Virginia, as presently written and applied, the Bonds and the interest thereon are exempt from personal and corporate income taxes imposed directly thereon by the State of West Virginia.

8. The Series 2001 Bonds have been paid within the meaning and with the effect expressed in the ordinance authorizing their issuance, and the covenants, agreements and other obligations of the Issuer to the holders and owners of the Series 2001 Bonds have been satisfied and discharged.

It is to be understood that the rights of the holders of the Bonds and the enforceability of the Bonds and the Ordinance may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Very truly yours,

BOWLES RICE McDAVID GRAFF & LOVE LLP

Bowles Rice McDavid Graff & Love LLP

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2400 Cranberry Square
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(304) 594-1000

December 28, 2011

West Virginia Water Development Authority
180 Association Drive
Charleston, West Virginia 25301

West Virginia Bureau for Public Health
Room 702
350 Capitol Street
Charleston, West Virginia 25301

West Virginia Infrastructure and
Jobs Development Council
180 Association Drive
Charleston, West Virginia 25301

Re: $8,830,000 City of Martinsburg Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011 A

Ladies and Gentlemen:

We have delivered our bond counsel opinion of even date herewith, a copy of which is attached. You may rely upon this opinion as if specifically addressed to you.

Very truly yours,

BOWLES RICE MCDAVID GRAFF & LOVE LLP

Bowles Rice McDavid Graff & Love LLP

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December 28, 2011

Assured Guaranty Municipal Corp.
31 West 52nd Street
New York, New York 10019

Crews & Associates, Inc.
300 Summers Street, Suite 930
Charleston, West Virginia 25301

Re: $8,830,000 City of Martinsburg Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011 A

Ladies and Gentlemen:

We have delivered our bond counsel opinion of even date herewith, a copy of which is attached. You may rely upon this opinion as if specifically addressed to you.

Very truly yours,

BOWLES RICE MCDAVID GRAFF & LOVE LLP

Bowles Rice McDavid Graff & Love LLP

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December 28, 2011

CITY OF MARTINSBURG
COMBINED WATERWORKS AND SEWERAGE SYSTEM
REFUNDING REVENUE BONDS, SERIES 2011 A

City of Martinsburg
232 North Queen Street
Martinsburg, West Virginia 25401

Assured Guaranty Municipal Corp.
31 West 52nd Street
New York, New York 10019

Crews & Associates, Inc.
300 Summers Street, Suite 930
Charleston, West Virginia 25301

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance and sale by the City of Martinsburg (the "Issuer") of its $8,830,000 aggregate principal amount Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011 A (the "Bonds"). As Bond Counsel we have examined certain documents consisting of (i) the Ordinance of the Issuer enacted October 20, 2011, and put into effect following a public hearing on November 10, 2011, as supplemented by a Supplemental Resolution adopted November 10, 2011, a Second Supplemental Resolution adopted December 8, 2011, and a Third Supplemental Resolution adopted December 20, 2011 (such Ordinance, as so supplemented, the "Ordinance"); (ii) the Bond Purchase Agreement dated December 14, 2011 (the "Bond Purchase Agreement"), by and between Crews & Associates, Inc. (the "Underwriter") and the Issuer; (iii) an Official Statement dated December 14, 2011 (the "Official Statement"), and (iv) a Preliminary Official Statement dated December 9, 2011 (the "Preliminary Official Statement"), relating to the Bonds authorized by the Issuer. All capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in the Ordinance and the Bond Purchase Agreement.

Based on the foregoing and upon such other information and documents as we consider necessary for the purpose of rendering this opinion, we are of the opinion that:

1. The Bond Purchase Agreement has been duly authorized, executed and delivered by the Issuer and, assuming due authorization, execution and delivery by the Underwriter and that it is a binding agreement of the Underwriter in accordance with its terms, constitutes a binding agreement in accordance with its terms of the Issuer, except as enforcement may be limited by bankruptcy, reorganization, insolvency, moratorium or other laws and equitable principles affecting the enforcement of creditors' rights from time to time in effect.

2. The Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Ordinance is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

3. The statements contained in the Official Statement under the caption "Tax Matters" are true and accurate in all material respects and present a fair and accurate summary and description of the matters summarized and described under such caption.

4. The statements contained in the Official Statement under the captions "Additional Security for the Series 2011 A Bonds," "The Series 2011 A Bonds" (except for the statements referred to therein with respect to book-entry only system), "Financing Plan," "Appendix C - Form of Bond Ordinance," and "Appendix D - Form of Bond Counsel Opinion" insofar as such statements contained under such captions purport to summarize certain matters set forth therein and certain provisions of the Ordinance, are accurate in all material respects and present a fair summary of the matters referred to therein.

5. Each of the Ordinance, the Bond Purchase Agreement, the Bonds and other transaction documents is a legal, valid and binding obligation of the parties thereto, has been dully authorized, executed and delivered and is enforceable in accordance with its terms, assuming due authorization, execution and delivery by the parties thereto other than the Issuer and that it is a legal, valid and binding obligation of the parties thereto other than the Issuer in accordance with its terms.

6. The Bonds are payable from and secured by a valid lien on and pledge of the Gross Revenues in the manner and to the extent provided in the Ordinance on parity with the Series 2000 Bonds. The Issuer is duly authorized to pledge such Gross Revenues, and no further action on the part of the Issuer or any other party is required to perfect the same or the interest of the Bondholders therein.

Very truly yours,

BOWLES RICE MCDAVID GRAFF & LOVE LLP

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December 28, 2011

CITY OF MARTINSBURG
COMBINED WATERWORKS AND SEWERAGE SYSTEM
REFUNDING REVENUE BONDS, SERIES 2011 A

City of Martinsburg
232 North Queen Street
Martinsburg, West Virginia 25401

Ladies and Gentlemen:

We have served as bond counsel with respect to the above-referenced bonds (the "Bonds"). The initial public offering price of the Bonds maturing on September 1 in the years 2024 and 2031 (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 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 Bonds 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 that would have accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period. Holders of Discount Bonds should consult their 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 Bonds maturing on September 1 in the years 2012 through 2017, inclusive, and 2019 through 2022, inclusive (the "OIP Bonds"), will be sold with an original issue premium ("OIP"). The original issue premium will be equal to the excess of a holder's tax basis in the OIP Bonds over the amount payable at maturity, or in the case of an OIP Bond subject to redemption, the amount payable on the redemption date. Under current law, the original issue premium for an OIP Bond must be amortized on an annual basis by the holder thereof. The amount of original issue premium amortized each year will not be deductible for federal income tax purposes. Further, Section 1016 of the Code requires that the amount of annual amortization for the OIP Bonds be deducted from the holder's tax basis in such OIP Bond. This reduction in a holder's tax basis will affect the amount of capital gain or loss to be recognized by the holder when the OIP Bond is sold or redeemed. Holders of OIP Bonds should consult their tax advisors with respect to the determination and treatment of amortizable original issue premium for federal income tax purposes, and with respect to the state and local tax consequences of owning such OIP Bonds.

Very truly yours,

BOWLES RICE MCDAVID GRAFF & LOVE LLP

Bowles Rice McDavid Graff & Love LLP

STEPTOE & JOHNSON PLLC
ATTORNEYS AT LAW

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www.steptoe-johnson.com

Writer's Contact Information

December 28, 2011

Crew & Associates, Inc.
First Security Center
521 President Clinton Avenue, Suite 800
Little Rock, Arkansas 72201

Re: $8,830,000 City of Martinsburg (West Virginia) Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011 A (Tax-Exempt)

Ladies and Gentlemen:

We have acted as counsel to you, Crews & Associates, Inc. (the "Underwriters"), in connection with the issuance and sale by the City of Martinsburg (West Virginia) (the "Issuer") of its Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011 A, in the aggregate principal amount of $8,830,000 (the "Series 2011 A Bonds").

In connection with rendering this opinion, we have examined the Official Statement dated December 14, 2011, the Bond Purchase Agreement dated December 14, 2011 (the "Purchase Agreement"), and Rule 15c2-12 of the Securities and Exchange Commission promulgated under the Securities Exchange Act of 1934, as amended and presently in effect (the "Rule"). Capitalized terms used but not defined herein shall have the meanings set forth in the Purchase Agreement.

Based upon the foregoing review, we are of the opinion that the Purchase Agreement has been validly authorized, executed and delivered by the Underwriters and, assuming due authorization, execution and delivery by the Issuer, constitutes a valid and binding agreement of the Underwriters, enforceable in accordance with its terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws affecting the respective parties, the exercise of judicial discretion or the availability of equitable remedies.

It is also our opinion that the Continuing Disclosure Certificate, which provides for an undertaking for the benefit of the holders, including beneficial owners, of the Series 2011 A Bonds to provide certain annual financial information and event notices to repositories at the times and in the manner required by the Rule, satisfies as to form in all material respects the requirements of subparagraph (b)(5) of the Rule in effect as of the date hereof and applicable to Continuing Disclosure Certificates.

In addition, we are of the opinion that the Series 2011 A Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Ordinance is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

We advise you that nothing has come to our attention that would cause us to believe that the Official Statement (other than the statistical and financial data included therein, the financial statements and related notes and schedules attached thereto as of the date thereof and the information provided by the Bond Insurer) contains any untrue statement of a material fact or omitted 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 Underwriters; 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 the transcript of closing documents pertaining to the delivery of the Series 2011 A Bonds.

Respectfully submitted,

STEPTOE & JOHNSON PLLC

600 Quarrier Street
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December 28, 2011

City of Martinsburg
232 North Queen Street
Martinsburg, West Virginia 25401

Crews & Associates, Inc.
300 Summers Street, Suite 930
Charleston, West Virginia 25301

Assured Guaranty Municipal Corp.
31 West 52nd Street
New York, New York 10019

Re: City of Martinsburg Combined Waterworks and Sewerage System
Refunding Revenue Bonds, Series 2011 A

Ladies and Gentlemen:

We are counsel to the City of Martinsburg, a municipal corporation and political subdivision of the State of West Virginia, in Berkeley County, West Virginia (the "Issuer"). As such counsel, We have examined a copy of the Bond Purchase Agreement dated December 14, 2011, by and between Crews & Associates, Inc. (the "Original Purchaser") and the Issuer with respect to the above-referenced bonds (the "Bond Purchase Agreement"), the Bond Ordinance duly enacted by the Issuer on October 20, 2011, and put into effect following a public hearing on November 10, 2011, as supplemented and amended by a Supplemental Resolution adopted by the Issuer on November 10, 2011, a Second Supplemental Resolution adopted by the Issuer on December 8, 2011, and a Third Supplemental Resolution adopted by the Issuer on December 20, 2011 (collectively, the "Bond Ordinance"), and other documents, papers, agreements, instruments and certificates relating to the above-captioned Bonds of the Issuer (the "Bonds"). Terms used in said Bond Ordinance and Bond Purchase Agreement and not otherwise defined herein have the same meanings herein.

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

1. The Issuer is duly created and validly existing as a municipal corporation and political subdivision of the State of West Virginia, and the Mayor, City Manager, Recorder and members of the Council of the Issuer have been duly and properly elected or appointed as applicable, have taken the requisite oaths, and are authorized to act on behalf of the Issuer in their respective capacities.

2. The Bond Ordinance has been duly enacted and adopted by the Issuer and is in full force and effect.

3. The Issuer has complied with all requirements of the Act that must be satisfied in connection with the issuance of the Bonds.

4. No litigation is pending, or to our knowledge, threatened in any court in any way affecting the existence of the Issuer or the titles of its officers to their respective offices, or seeking to restrain or to enjoin the issuance or delivery of the Bonds, or the collection of revenues and assets of the Issuer pledged or to be pledged to pay the principal of and interest on the Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Bonds, the Bond Ordinance or the Bond Purchase Agreement, or contesting the powers of the Issuer with respect to the Bonds, the Bond Ordinance or the Bond Purchase Agreement or any transaction described in or contemplated by the Official Statement.

5. There does not exist any action, suit, proceeding or investigation pending, or to the best of our knowledge, threatened which if adversely determined, could (i) materially adversely affect (a) the financial condition of the Issuer, (b) the ability of the Issuer to perform its obligations under the Bond Ordinance, the Bond Purchase Agreement, the Bonds and other transaction documents (collectively, the "Related Documents"), (c) the security for the Bonds, (d) the transactions contemplated by the Related Documents or (e) the ability of the Issuer to maintain and operate the System.

6. The Official Statement, as amended or supplemented to the date of Closing (except as aforesaid) contains no untrue statement regarding the Issuer of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein regarding the Issuer, in light of the circumstances under which they were made, not misleading.

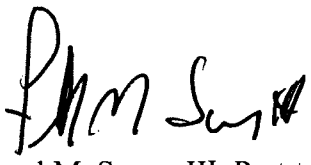
7. The statements contained in the Official Statement under the captions "The Series 2011 A Bonds," "Additional Security for the Series 2011 A Bonds," "Absence of Material Litigation," "Financing Plan," and "Appendix A" insofar as such statements contained under such captions purport to summarize certain matters set forth therein and relating to the Issuer and certain

provisions of the Bond Ordinance, are accurate and present a fair summary of the matters referred to therein.

This opinion may be relied upon by all counsel to the transaction as if specifically addressed thereto.

Very truly yours,

BOWLES RICE McDAVID GRAFF & LOVE LLP

By: 
Floyd M. Sayre, III, Partner

ASSURED GUARANTY®
MUNICIPAL

December 28, 2011

Municipal Bond Insurance Policy No. 214231-N With Respect to
$8,830,000 In Aggregate Principal Amount of
City of Martinsburg (West Virginia)
Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011A (Tax-Exempt)

Ladies and Gentlemen:

I am Counsel of Assured Guaranty Municipal Corp., a New York stock insurance company ("AGM"). You have requested my opinion in such capacity as to the matters set forth below in connection with the issuance by AGM of its above-referenced policy (the "Policy"). In that regard, and for purposes of this opinion, I have examined such corporate records, documents and proceedings as I have deemed necessary and appropriate.

Based upon the foregoing, I am of the opinion that:

1. AGM is a stock insurance company duly organized and validly existing under the laws of the State of New York and authorized to transact financial guaranty insurance business therein.

2. The Policy has been duly authorized, executed and delivered by AGM.

3. The Policy constitutes the valid and binding obligation of AGM, enforceable in accordance with its terms, subject, as to the enforcement of remedies, to bankruptcy, insolvency, reorganization, rehabilitation, moratorium and other similar laws affecting the enforceability of creditors' rights generally applicable in the event of the bankruptcy or insolvency of AGM and to the application of general principles of equity.

In addition, please be advised that I have reviewed the description of the Policy under the caption "**BOND INSURANCE – BOND INSURANCE POLICY**" in the official statement relating to the above-referenced Bonds dated December 14, 2011 (the "Official Statement"). There has not come to my attention any information which would cause me to believe that the description of the Policy referred to above, as of the date of the Official Statement or as of the date of this opinion, contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. Please be advised that I express no opinion with respect to any information contained in, or omitted from, the caption "**BOND INSURANCE – ASSURED GUARANTY MUNICIPAL CORP.**".

I am a member of the Bar of the State of New York, and do not express any opinion as to any law other than the laws of the State of New York.

Very truly yours,

Counsel

City of Martinsburg (West Virginia),
232 North Queen Street,
Martinsburg, West Virginia 25401.

Crews & Associates, Inc.,
300 Summers Street, Suite 930,
Charleston, West Virginia 25301.

Assured Guaranty Municipal Corp.

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CITY OF MARTINSBURG
COMBINED WATERWORKS AND
SEWERAGE SYSTEM REFUNDING REVENUE BONDS,
SERIES 2011 A

GENERAL CERTIFICATE OF ISSUER AND ATTORNEY ON:

1. TERMS
2. NO LITIGATION
3. GOVERNMENTAL APPROVALS, BIDDING AND AWARD OF CONTRACT
4. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS
5. CERTIFICATION OF COPIES OF DOCUMENTS
6. INCUMBENCY AND OFFICIAL NAME
7. LAND AND RIGHTS-OF-WAY
8. MEETINGS, ETC.
9. THE UNDERTAKING
10. REPRESENTATIONS REQUIRED BY BOND PURCHASE AGREEMENT
11. RATES
12. SIGNATURES AND DELIVERY
13. BOND PROCEEDS
14. PUBLICATION AND PUBLIC HEARING ON BOND ORDINANCE
15. PRIVATE USE OF FACILITIES
16. NO FEDERAL GUARANTY
17. IRS INFORMATION RETURN
18. SPECIMEN BONDS
19. CONFLICT OF INTEREST

We, the undersigned MAYOR, CITY MANAGER, and the undersigned RECORDER of the City of Martinsburg, in Berkeley County, West Virginia (the "Issuer"), and the undersigned ATTORNEY for the Issuer, hereby certify in connection with the $8,830,000 aggregate principal amount of the City of Martinsburg Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011 A (the "Bonds"), as follows:

1. TERMS: All capitalized words and terms used in this General Certificate and not otherwise defined shall have the same meaning as in the Bond Ordinance of the Issuer duly enacted October 20, 2011, and put into effect following a public hearing held on November 10, 2011, as supplemented and amended by a Supplemental Resolution duly adopted by the Issuer on November 10, 2011, a Second Supplemental Resolution duly adopted on December 8, 2011, and a Third Supplemental Resolution adopted on December 20, 2011 (collectively, the "Local Act").

2. NO LITIGATION: No controversy or litigation of any nature is now pending or threatened, restraining, enjoining or affecting in any manner the issuance, sale or

delivery of the Bonds, the refunding of the Series 2001 Bonds, the operation of the System, the receipt of the Gross Revenues or in any way contesting or affecting the validity of the Bonds or any proceedings of the Issuer taken with respect to the issuance or sale of the Bonds, the pledge or application of the Gross Revenues or any other moneys or security provided for the payment of the Bonds or the existence or the powers of the Issuer insofar as they relate to the authorization, sale and issuance of the Bonds, the refunding of the Series 2001 Bonds, the operation of the System, or such pledge or application of moneys and security or the collection of the Gross Revenues or pledge thereof.

3. GOVERNMENTAL APPROVALS: All applicable and necessary approvals, permits, exemptions, consents, authorizations, registrations and certificates required by law for the refunding of the Series 2001 Bonds, the operation of the System, including, without limitation, the imposition of rates and charges, and the issuance of the Bonds have been duly and timely obtained and remain in full force and effect.

4. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS: There has been no adverse change in the financial condition of the Issuer since the date of the Official Statement delivered in connection with the offering for sale of the Bonds. The Issuer has met all conditions prescribed in the Bond Purchase Agreement dated December 14, 2011, between the Issuer and Crews & Associates, Inc. (the "Bond Purchase Agreement") to be performed or complied with at or prior to the Closing Date.

The Issuer is in compliance with all requirements of the Series 2000 Bonds Ordinance. Other than as described below, there are no outstanding debt obligations of the Issuer which are secured by the Gross Revenues of the System. The Issuer does have outstanding its Combined Waterworks and Sewerage System Revenue Bonds, Series 2000A (West Virginia DWTRF Program), dated September 27, 2000, issued in the original aggregate principal amount of $7,564,000; its Combined Waterworks and Sewerage System Revenue Bonds, Series 2000B (West Virginia Infrastructure Fund), dated September 27, 2000, issued in the original aggregate principal amount of $3,000,000, and its Combined Waterworks and Sewerage System Revenue Bonds, Series 2000C (West Virginia Water Development Authority), dated September 27, 2000, issued in the original aggregate principal amount of $1,976,352 (collectively, the "Prior Bonds"). All payments required to be made on the Prior Bonds are current and the Issuer has met the requirements of the Series 2000 Bonds Ordinance for the issuance of the Bonds on parity with the Prior Bonds. The Issuer has obtained a certificate of an Independent Certified Public Accountant stating that the parity tests of the Prior Bonds are met.

The Bonds are on parity with the Prior Bonds with respect to liens, pledge and source of and security for payment.

5. CERTIFICATION OF COPIES OF DOCUMENTS: The copies of the below-listed documents hereto attached or delivered herewith or heretofore delivered are true, correct and complete copies of the originals of the documents of which they purport to be copies, and such original documents are in full force and effect and have not been repealed, rescinded, amended, altered, supplemented or changed in any way unless modifications appears from later documents also listed below:

Bond Ordinance
Supplemental Resolutions
City Charter
Oaths of Office of Officers and Councilmembers
Rate Ordinances
Minutes on Adoption of Rate Ordinances
Affidavits of Publication of Rate Ordinances
Minutes on Adoption of Bond Ordinance, Pubic Hearing Thereon
and Supplemental Resolutions
Affidavit of Publication of Abstract of Bond Ordinance
and Notice of Public Hearing
Consent of the West Virginia Water Development Authority as Holder of the
Series 2000 Bonds

6. INCUMBENCY AND OFFICIAL NAME: The proper corporate title of the Issuer is "City of Martinsburg." The Issuer is a municipal corporation in Berkeley County, West Virginia, and is presently existing under the laws of, and a political subdivision of, the State of West Virginia. The governing body of the Issuer is its Council consisting of a Mayor and 7 Council members all duly elected or appointed as applicable, qualified and acting, whose names and dates of commencement and termination of current terms of office are as follows:

Name	Office	Date of Commencement of Office	Date of Termination of Office
George Karos	Mayor	July 1, 2008	June 30, 2012
Gregg M. Wachtel	Council Member	July 1, 2008	June 30, 2012
Rodney Woods	Council Member	July 1, 2008	June 30, 2012
Dennis J. Etherington	Council Member	July 1, 2008	June 30, 2012
Richard Yauger	Council Member	July 1, 2008	June 30, 2012
Max G. Parkinson	Council Member	July 1, 2008	June 30, 2012
Roger Lewis	Council Member	July 1, 2008	June 30, 2012
Betty B. Gunnoe	Council Member	July 1, 2008	June 30, 2012

The duly appointed and active City Manager and Recorder of the Issuer are Mark S. Baldwin and Gena Long, respectively. The duly appointed and acting counsel to Issuer is Floyd M. Sayre, III, Bowles Rice McDavid Graff & Love LLP, Martinsburg, West Virginia.

7. LAND AND RIGHTS-OF-WAY: All land in fee simple and all rights-of-way and easements necessary for the operation and maintenance of the System have been acquired 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.

8. MEETINGS, ETC.: All actions, ordinances, resolutions, orders and agreements taken by and entered into by or on behalf of the Issuer in any way connected with the issuance of the Bonds and the refunding of the Series 2001 Bonds and the System were

authorized or adopted at regular or special meetings of the Governing Body of the Issuer duly and regularly called and held pursuant to all applicable rules of the Governing Body and all applicable statutes, including, without limitation, Chapter 6, Article 9A, of the Code of West Virginia of 1931, as amended, and a quorum of duly elected or appointed, qualified and acting members of the Governing Body was present and acting at all times during all such meetings. All notices required to be posted and/or published were so posted and/or published.

9. THE UNDERTAKING: The Issuer acknowledges and agrees that the Issuer is obligated by the Undertaking described in the Bond Purchase Agreement 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).

10. REPRESENTATIONS REQUIRED BY THE BOND PURCHASE AGREEMENT: As of the date hereof,(i) each of the representations and warranties made by the Issuer in the Bond Purchase Agreement are true and correct with the same effect as if made on the Closing Date; (ii) the Issuer has performed and complied with all agreements and conditions required by the Bond Purchase Agreement to be performed or complied with by it at or prior to the Closing Date; (iii) the Issuer has authorized, by all necessary action, the execution, delivery, receipt and due performance of the Bonds, the Undertaking, the Local Act 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 by the Bond Purchase Agreement and by the Official Statement; (iv) to our knowledge no litigation is pending, or to our knowledge threatened, to restrain or enjoin the collection of the Gross Revenues, the pledge of the Gross Revenues to the Bonds, the issuance or sale of the Bonds or in any way affecting any authority for or the validity of the Bonds or the Local Act; (v) the execution, delivery, receipt and due performance of the Bonds, the Undertaking described in the Bond Purchase Agreement, the Local Act and the other agreements contemplated by the Bond Purchase Agreement 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 the Issuer is subject or by which the Issuer's is or may be bound; and (vi) the Issuer is in compliance with all covenants in the Issuer's outstanding ordinances and resolutions which authorized bonds secured by the Gross Revenues of the System.

11. RATES: The Issuer has duly enacted rate ordinances on January 26, 2006 in Ordinance Nos. 2006-2 and 2006-3, setting rates and charges for the services of the System and said rate ordinances are in full force and effect. Such rates and charges became effective on March 13, 2006.

12. SIGNATURES AND DELIVERY: On the date hereof, the undersigned Mayor and City Manager did officially sign all of the Bonds of the aforesaid issue, consisting of seventeen Bonds, numbered AR-1 through AR-17, inclusive, each dated December 28, 2011, by their manual signatures, and the undersigned Recorder did officially cause the official seal of the Issuer to be affixed upon said Bonds and to be attested by her manual signature, and the Registrar did officially authenticate and deliver the Bonds to a representative of the Original

Purchaser of the Bonds under the Bond Purchase Agreement. Said official seal is also impressed above the signatures appearing on this certificate.

13. BOND PROCEEDS: On the date hereof, the Issuer received from the Original Purchaser the sum of $8,790,029.25, being the par amount of the Bonds, less underwriter's discount of $88,300.00 plus net reoffering premium of $48,329.25.

14. PUBLICATION AND PUBLIC HEARING ON BOND ORDINANCE: Upon enactment of the Bond Ordinance, an abstract thereof, determined by the Governing Body 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 Journal, a newspaper of general circulation in the City of Martinsburg 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 Bond 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, 2011, at 6:30 p.m., in the Council Chambers of the Martinsburg City Hall and present protests, and stating that a certified copy of the Bond Ordinance was on file at the office of the Recorder of the Issuer for review by interested parties during the office hours of the Issuer. At such hearing all objections and suggestions were heard by the Governing Body 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. 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 to assure the initial and continued tax-exempt status of the Bonds and the interest thereon. Less than 5% of the proceeds of such Bonds will be used, directly or indirectly, for any private business use, and less than 5% 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 such Bonds will be used, directly or indirectly, for any private business use which is not related to the governmental use of the proceeds of such Bonds, including the disproportionate related business use of the proceeds of such Bonds, and none of the payment of principal of, or interest on, such issue, under the terms of such issue or any underlying arrangement, is, directly or indirectly, secured by an 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 related business use of the issue of such Bonds. None of the proceeds of the issue of such 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, including related persons, other than a governmental unit, other than use as a member of the general public. All of the foregoing have been and are to be determined in accordance with and within the meaning of the Internal Revenue Code of 1986,

as amended (including any amendments and successor provisions and the rules and regulations thereunder, the "Code").

16. NO FEDERAL GUARANTY: The Bonds are not and will not be, in whole or part, directly or indirectly, federally guaranteed within the meaning of Section 149(b) of the Code.

17. IRS INFORMATION RETURN: On the date hereof, the undersigned Mayor did officially execute properly completed IRS Form 8038-G in connection with the Series 2011 Bonds and will cause each such executed Form 8038-G to be filed in a timely manner pursuant to Section 149(e) of the Code with the Internal Revenue Service Center, Ogden, Utah. The information contained in each such executed Form 8038-G is true, correct and complete.

18. SPECIMEN BONDS: Delivered concurrently herewith are true and accurate specimens of the Bonds.

19. CONFLICT OF INTEREST: No councilmember, officer or employee of the Issuer has a substantial financial interest, direct, indirect or by reason of ownership of stock in any corporation, in any contract with the Issuer or in the sale of any land, materials, supplies or services to the Issuer or to any contractor supplying the Issuer, relating to the Bonds, the Local Act and/or the refunding of the Series 2001 Bonds, including, without limitation, with respect to the Depository Bank. For purposes of this paragraph, a "substantial financial interest" shall include, without limitation, an interest amounting to more than 5% of the particular business enterprise or contract.

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WITNESS our signatures and the official seal of the CITY OF MARTINSBURG on this 28th day of December, 2011.

[CORPORATE SEAL]

SIGNATURE	OFFICIAL TITLE
	Mayor
	City Manager
	Recorder
	Counsel to Issuer

CITY OF MARTINSBURG
COMBINED WATERWORKS AND
SEWERAGE SYSTEM REFUNDING REVENUE BONDS,
SERIES 2011 A

TAX CERTIFICATE

On behalf of the City of Martinsburg, West Virginia (the "City"), the undersigned hereby certify with respect to the Issuer's $8,830,000 aggregate principal amount of Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011 A (the "Bonds") as follows:

1. The undersigned Mayor of the City hereby certifies that he, as such Mayor, along with other members of the City Council of the City (the "Council") is responsible for issuing the Bonds.

2. The Bonds are being issued to provide a portion of the funds necessary to (a) currently refund the City's Combined Waterworks and Sewerage System Revenue Bonds, Series 2001, issued and outstanding in the aggregate principal amount of $8,600,000 (the "Series 2001 Bonds,") (the "Refunding") and (b) to pay certain costs related to the issuance of the Bonds and the Refunding. The Series 2001 Bonds are being refunded to realize debt service savings.

3. The Bonds are issued on a parity with respect to liens, pledge and sources of and security for payment with the City's Combined Waterworks and Sewerage System Revenue Bonds, Series 2000A (West Virginia DWTRF Program), the City's Combined Waterworks and Sewerage System Revenue Bonds, Series 2000B (West Virginia Infrastructure Fund) and the City's Combined Waterworks and Sewerage System Revenue Bonds, Series 2000C (West Virginia Water Development Authority) (collectively, the "Prior Bonds").

4. The Bonds are being issued pursuant to a Bond Ordinance enacted by the Council on October 20, 2011, and put into effect on November 10, 2011 (the "Bond Ordinance") and a Supplemental Resolution adopted pursuant to the Bond Ordinance by the Council on November 10, 2011, a Second Supplemental Resolution adopted on December 8, 2011 and a Third Supplemental Resolution adopted on December 20, 2011 (collectively, the "Ordinance").

5. The original face amount of the Bonds less all expenses of issuing the Bonds to be paid from the proceeds thereof plus the net reoffering premium (the "Original Proceeds"), together with certain amounts held by the West Virginia Municipal Bond Commission (the "Bond Commission") relating to the Series 2001 Bonds will not exceed the amount necessary to effectuate the Refunding as approximated in the expected sources and uses of funds attached hereto as Exhibit A.

6. The sum of $8,790.029.25, being the original aggregate principal amount of the Bonds, less underwriter's discount of $88,300.00 plus net reoffering premium in the

amount of $48,329.25, will be delivered to the City at the closing on December 28, 2011 (the "Closing") and the City will make payment from such proceeds at the Closing as follows:

(a) The sum of $8,009,605.76, together with the sums of $230,419.59 and $693,324.01 in the Sinking Fund and Reserve Account, respectively, held by the Bond Commission with respect to the Series 2001 Bonds, will be transferred to and held by the Bond Commission pursuant to an Escrow Agreement dated as of December 28, 2011 (the "Escrow Agreement") between the City and the Bond Commission. Pursuant to the Escrow Agreement, the Bond Commission will hold the aforesaid $8,933,349.36 (being the total of the aforesaid sums of $8,009,605.76, $230,419.59 and $693,324.01) in the Escrow Fund (the "Escrow Fund") established pursuant to the Escrow Agreement. The amount so deposited will be disbursed on January 17, 2012 to redeem the Series 2001 Bonds, including the payment of all principal of and interest and premium on the Series 2001 Bonds. Pending such disbursement on January 17, 2012, the monies on deposit in the Escrow Fund will be invested in the Government Money Market Pool managed by the West Virginia Board of Treasury Investments. The earnings thereon are expected to be minimal and less than the yield on the Bonds and such earnings will be applied to the interest payment due on the Bonds on March 1, 2012 since the initial deposit into the Escrow Fund of $8,933,349.36 is sufficient without any of such earnings to redeem the Series 2001 Bonds, including the payment of all principal of and interest and premium on the Series 2001 Bonds on January 17, 2012, and thereby consummate the Refunding.

(b) The sum of $91,015.45 will be remitted directly to Assured Guaranty Municipal Corp. (the "Bond Insurer"). Such sum represents the premium for a policy of insurance for payment of principal of and interest on the Bonds (the "Bond Insurance").

(c) The sum of $68,998.04 is to be deposited in the Series 2011 A Bonds Cost of Issuance Fund for payment of the costs of issuance of the Bonds.

(d) The sum of $620,410.00 is to be delivered to the Bond Commission for deposit in the debt service reserve fund for the Bonds (the "Reserve Account"). Such amount is equal to maximum annual debt service on the Bonds and does not exceed an amount equal to the least of 10 percent of the stated principal amount of the Bonds, the maximum annual principal and interest requirements on the Bonds or 125 percent of the average annual principal and interest requirements on the Bonds.

7. There is currently estimated to be on deposit with the Bond Commission in the funds established for the Series 2001 Bonds cash and investments in the amount of $923,743.60. Upon defeasance of the Series 2001 Bonds at Closing, such amounts on deposit in such funds will be transferred by the Bond Commission and deposited in the Escrow Fund along with the $8,009,605.76 from the proceeds of the Bonds to effectuate the Refunding. In the event it is determined that there is on deposit with the Bond Commission cash and investments in excess of said sum of $923,743.60, any such excess will be returned to the City and immediately deposited in the Sinking Fund for the Bonds and used to pay interest on the Bonds on March 1, 2012.

8. Based upon computations of Crews & Associates, Inc. (the "Underwriter"), the yield, computed in accordance with Section 1.148-4 of the Regulations, on the Bonds is 3.3484%.

9. Except for the investment of Bond proceeds deposited in (i) the Reserve Account held by the Bond Commission with respect to the Bonds and (ii) the Escrow Fund to refund the Series 2001 Bonds which will be invested at a yield less than the yield on the Bonds, there will be no investment made with the proceeds of the Bonds.

10. Pursuant to the Ordinance, the City is obligated to make monthly payments from the Revenue Fund established under the Ordinance equal to 1/6 of the semi-annual payments of interest and 1/12 of the annual payments of principal, such payments to be deposited in the Sinking Fund established under the Ordinance for the payment of principal of and interest on the Bonds. In addition, the City will be permitted to make optional deposits into the Redemption Account in the Sinking Fund established under the Ordinance for the purpose of redeeming Bonds. The City expects that there will be no other funds that will be so used to pay debt service on the Bonds. Moneys deposited in the Sinking Fund and the Redemption Account will be spent within a thirteen-month period. The Sinking Fund and the Redemption Account will, at all times while the Bonds are outstanding, be used primarily to achieve a proper matching of revenues and debt service requirements on the Bonds during each year, and such Funds and Accounts shall be depleted at least a year except for the greater of 1/12 of the annual debt service payable from such Funds and Accounts or one year's earnings on such Funds and Accounts.

11. Payment of principal of and interest on the Bonds when due will be insured by the Bond Insurance. In reliance on the Underwriter's Certificate attached hereto as Exhibit B, dated the date hereof, the City expects that the present value of the fees in respect of the Bond Insurance is less than the present value of the interest on the Bonds reasonably expected to be saved as a result of the Bond Insurance.

12. Monies in the Reserve Account will be available to pay deficiencies in the Sinking Fund. In reliance on the Underwriter's Certificate, the City expects that the establishment and maintenance of such Reserve Account is a condition of issuance of the Bond Insurance and the Bond Insurance will assist materially in establishing a market for the Bonds and providing a source of security for bondholders. Any amounts held in the Reserve Account in excess of 10% of the principal amount of the Bonds will be invested at a yield not in excess of the yield on the Bonds.

13. Except as described above, the City has not created or established, and the undersigned does not expect to create or establish, any sinking fund, debt service fund, sinking fund, replacement fund or other similar fund which is reasonably expected to be used, directly or indirectly, for payment of debt service on the Bonds or pledged therefor. The City does not expect that moneys in the Depreciation Fund will be used or needed for payments upon the Bonds, and because such amounts may be expended for other purposes, there is no reasonable assurance that such amounts would be available to meet debt service if the City encounters financial difficulties, thus, such amounts may be invested without yield limitation. No portion of the proceeds of the Bonds will be used as a substitute for other funds that were otherwise to have

been used as a source of funds for any portion of the cost of the Refunding or for the payment of debt service on the Bonds and that have been or will be used to acquire directly or indirectly securities producing a yield in excess of the yield on the Bonds.

16. The City has covenanted in the Ordinance to determine and pay any rebate required to be paid to the United States at the time and in the amounts required under Section 148(f) of the Code.

17. For purposes of this Certificate, yield is calculated as set forth in Section 148(b) of the Code and the Treasury Regulations and generally means that discount rate which when used in computing the present value of all unconditionally payable payments representing principal and interest, and all payments for a qualified guarantee paid and to be paid with respect to the Bonds, produces an amount equal to the present value of the issue price of the Bonds.

18. Any investments which are acquired with proceeds of the Bonds shall be purchased pursuant to arm's-length transactions at prevailing market prices, shall not involve the payment of any amount for the purpose of artificially reducing the yield thereon and shall be limited to investments for which there is an established market or shall be U.S. Treasury Obligations – State and Local Government Series.

19. The Bonds are registered within the meaning of Section 149(a) of the Code.

20. The Bonds are not guaranteed directly or indirectly by the Federal Government or any Federal instrumentality within the meaning of Section 149(b) of the Code.

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

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

23. The City shall file Form 8038-G for the Bonds in a timely fashion with the Internal Revenue Service Center, Ogden, Utah 84201.

24. No more than 5% of the proceeds of the Bonds will be used (directly or indirectly) in any trade or business carried on by, and less than the lesser of 5% of the proceeds of Bonds or $5,000,000 have been or will be used to make or finance loans to, any person who is not a governmental unit. In connection with the foregoing, the City covenants and agrees that, so long as any portion of the Bonds remains outstanding, the City shall monitor the use of the property financed or refinanced with the proceeds of the Bonds and, if the City takes a "deliberate action", as described in Treasury Regulation Section 1.141-12, that causes the conditions of the private business tests or the private loan financing test to be met, then the City shall in a timely manner take the remedial action or actions described in Treasury Regulation Section 1.141-12.

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

26. The City expects that no part of the property refinanced by the Bonds will be sold or otherwise disposed of prior to the last maturity date of the Bonds.

27. The Bonds are a fixed yield issue. No interest or other amount payable on any of the Bonds (other than in the event of an anticipated contingency) is determined by reference to (or by reference to an index that reflects) market interest rate or stock or commodity prices after the date of issuance.

28. No portion of the proceeds of the Bonds will be used, directly or indirectly, to replace funds which were used, directly or indirectly, to acquire higher yielding instruments, all within the meaning of Section 148 of the Code.

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

30. The transaction contemplated herein does not represent an exploitation of the difference between taxable and tax-exempt interest rates and the execution and delivery of the Bonds are not occurring sooner than otherwise necessary, nor are the Bonds in principal amounts greater than otherwise necessary or to be outstanding longer than otherwise necessary.

31. The City has not been notified by the United States Treasury Department that its certificate with respect to arbitrage may not be relied upon.

To the best of the knowledge and belief of the undersigned, the expectations stated above are reasonable.

CITY OF MARTINSBURG

By: _____
Its: Mayor

_____
Its: City Manager

Dated: December 28, 2011

EXHIBIT A

Estimates Sources and Uses of Funds

Sources

Principal Amount of Bonds	$ 8,830,000.00	
Plus: Net Reoffering Premium	48,329.25	
Bond Proceeds		$ 8,878,329.25
Withdrawal from existing sinking and reserve funds		923,743.60
Total Sources		$ 9,802,072.85

Uses

Deposit to Escrow Account to currently refund Series 2001 Bonds	$ 8,933,349.36
Deposit to Series 2011 A Bonds Reserve Account	620,410.00
Underwriter's Discount	88,300.00
Bond Insurance Premium	91,015.45
Payment of costs of issuance	68,998.04
Total Uses	$ 9,802,072.85

EXHIBIT B

CITY OF MARTINSBURG
COMBINED WATERWORKS AND SEWERAGE SYSTEM
REFUNDING REVENUE BONDS
SERIES 2011 A

As the Underwriter of the issue of captioned bonds (the "Bonds"), we hereby certify as follows:

1. We have made a bona fide public offering of the Bonds to the public (not including bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at the initial offering prices of the Bonds listed on the inside cover of the Official Statement, dated December 14, 2011.

2. To the best of our knowledge, information and belief, at least 10% of the principal amount of the Bonds of each maturity was sold to the final purchasers thereof (not including bond houses and brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at prices not greater than such offering price.

3. The establishment and maintenance of the Reserve Account for the Bonds under the ordinance enacted by the Council of the City of Martinsburg, West Virginia, on October 20, 2011, and put into effect on November 10, 2011, as supplemented and amended by a Supplemental Resolution adopted on November 10, 2011, a Second Supplemental Resolution adopted December 8, 2011 and a Third Supplemental Resolution adopted on December 20, 2011, has been required by the Assured Guaranty Municipal Corp., the bond insurer for the Bonds, as a condition for the issuance, concurrently with the issuance of the Bonds, of a policy insuring the payment of debt service on the Bonds (the "Bond Insurance"). The Bond Insurance will assist materially in establishing a market for the Bonds and providing a source of security for bondholders.

4. The present value of the fees in respect of the Bond Insurance is less than the present value of the interest on the Bonds reasonably expected to be saved as a result of the Bond Insurance.

5. The yield on the Bonds computed in accordance with Section 1.148-4 of the Regulations is 3.3484%.

CREWS & ASSOCIATES, INC.

By: _____
Its: Authorized Officer

Dated: December 28, 2011.

WEST VIRGINIA MUNICIPAL BOND COMMISSION
Suite 401
1207 Quarrier Street, Charleston, WV 25301
(304) 558-3971 FAX: 558-1280

NEW ISSUE REPORT FORM
Date of Report: December 28, 2011

ISSUE: City of Martinsburg Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011 A

ADDRESS: 232 North Queen Street, Martinsburg, WV 25401 COUNTY: Berkeley

PURPOSE OF ISSUE: New Money ___ Refunding X Refunds issue(s) dated: September 6, 2011

ISSUE DATE December 28, 2011 CLOSING DATE: December 28, 2011

ISSUE AMOUNT: $ 8,830,000.00 RATE: 2.0% to 3.875%
1st DEBT SERVICE DUE: March 1, 2012 1st PRINCIPAL DUE: September 1, 2012
1st DEBT SERVICE AMOUNT: $ 46,315.50 PAYING AGENT: WV Municipal Bond Commission

BOND COUNSEL: Bowles Rice McDavid Graff & Love LLP
Contact Person: Camden P. Siegrist
Phone: (304) 347-1129

UNDERWRITER'S COUNSEL: Steptoe & Johnson PLLC
Contact Person: John C. Stump
Phone: (304) 353-8196

CLOSING BANK: Jefferson Security Bank
Contact Person: Sylvia Palmer
Phone: (304) 262-3155

ESCROW TRUSTEE:
Contact Person:
Phone:

KNOWLEDGEABLE ISSUE CONTACT:
Contact Person: Mark Spickler
Position: Finance Director
Phone: (304)264-2131
Email: MBSpick@aol.com

OTHER:
Contact Person:
Function:
Phone:

DEPOSITS TO MBC AT CLOSE:

By: X Wire
___ Check

___ Accrued Interest: $
___ Capitalized Interest: $
X Reserve Account: $ 620,410.00
X Other: Escrow Fund $ 8,009,605.76

REFUNDS & TRANSFERS BY MBC AT CLOSE:

By: ___ Wire
___ Check
___ IGT

___ To Escrow Trustee (MBC): $
___ To Issuer: $
___ To Cons. Invest. Fund $
X To: Escrow Fund $ 923,743.60

NOTES: On December 28, 2011, the MBC will receive a wire in the amount of $8,630,925.63 to be applied or transferred as follows: (i) $620,410.00 shall be deposited in the Series 2011 A Bonds Reserve Account; (ii) $8,009,605.76, together with $693,324.01 from the Series 2001 Bonds Reserve Account and $230,419.59 from the Series 2001 Bonds Sinking Fund, transferred to the Escrow Fund created by the Escrow Agreement between the Issuer and the MBC dated December 28, 2011; and (iii) $909.87 paid to the MBC for its fee.

FOR MUNICIPAL BOND COMMISSION USE ONLY:
Documents Required:
Transfers Required:

ASSURED GUARANTY®
MUNICIPAL

MUNICIPAL BOND INSURANCE POLICY

ISSUER: City of Martinsburg (West Virginia)

BONDS: $8,830,000 in aggregate principal amount of Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011A (Tax-Exempt)

Policy No.: 214231-N

Effective Date: December 28, 2011

Premium: $91,015.45

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
31 West 52nd Street, New York, N.Y. 10019

(212) 826-0100

DISCLOSURE, NO DEFAULT AND TAX CERTIFICATE OF ASSURED GUARANTY MUNICIPAL CORP.

The undersigned hereby certifies on behalf of Assured Guaranty Municipal Corp. ("AGM"), in connection with the issuance by AGM of its Policy No. 214231-N (the "Policy") in respect of the $8,830,000 in aggregate principal amount of the City of Martinsburg (West Virginia) Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011A (Tax-Exempt) (the "Bonds") that:

(i) the information set forth under the caption "**BOND INSURANCE – ASSURED GUARANTY MUNICIPAL CORP.**" in the official statement dated December 14, 2011, relating to the Bonds (the "Official Statement") is true and correct,

(ii) AGM is not currently in default nor has AGM ever been in default under any policy or obligation guaranteeing the payment of principal of or interest on an obligation,

(iii) the Policy is an unconditional and recourse obligation of AGM (enforceable by or on behalf of the holders of the Bonds) to pay the scheduled principal of and interest on the Bonds in the event of Nonpayment by the Issuer (as set forth in the Policy),

(iv) the insurance premium of $91,015.45 (the "Premium") is a charge for the transfer of credit risk and was determined in arm's length negotiations and is required to be paid to AGM as a condition to the issuance of the Policy,

(v) no portion of such Premium represents an indirect payment of costs of issuance, including rating agency fees, other than fees paid by AGM to maintain its ratings, which, together with all other overhead expenses of AGM, are taken into account in the formulation of its rate structure, or for the provision of additional services by us, nor the direct or indirect payment for a cost, risk or other element that is not customarily borne by insurers of tax-exempt bonds (in transactions in which the guarantor has no involvement other than as a guarantor),

(vi) AGM is not providing any services in connection with the Bonds other than providing the Policy, and except for the Premium, AGM will not use any portion of the Bond proceeds; provided, however, that AGM or its affiliates may independently provide a guaranteed investment contract for the investment of all or a portion of the proceeds of the Bonds,

(vii) except for payments under the Policy in the case of Nonpayment by the Issuer, there is no obligation to pay any amount of principal or interest on the Bonds by AGM,

(viii) AGM does not expect that a claim will be made on the Policy,

(ix) the Issuer is not entitled to a refund of the premium for the Policy in the event a Bond is retired before the final maturity date, and

(x) for Bonds which are secured by a debt service reserve fund, AGM would not have issued the Policy unless the authorizing or security agreement for the Bonds provided for a debt service reserve fund funded and maintained in an amount at least equal to, as of any particular date of computation, the reserve requirement as set forth in such agreement.

AGM makes no representation as to the nature of the interest to be paid on the Bonds or the treatment of the Policy under Section 1.148-4(f) of the Income Tax Regulations.

ASSURED GUARANTY MUNICIPAL CORP.

By: _____
Authorized Officer

Dated: December 28, 2011

NOTICE OF CLAIM AND CERTIFICATE

Assured Guaranty Municipal Corp.
31 West 52nd Street
New York, NY 10019

The undersigned, a duly authorized officer of [FULL NAME OF TRUSTEE or PAYING AGENT] (the "Trustee/Paying Agent"), hereby certifies to Assured Guaranty Municipal Corp. ("AGM"), with reference to Municipal Bond Insurance Policy No. 214231-N dated December 28, 2011 (the "Policy") issued by AGM in respect of the City of Martinsburg (West Virginia) Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011A (Tax-Exempt) (the "Bonds"), that:

(i) The Trustee/Paying Agent is the Trustee/Paying Agent under the document authorizing the issuance of the Bonds (the "Ordinance") for the Holders.

(ii) The sum of all amounts on deposit (or scheduled to be on deposit) in the [RELEVANT ACCOUNTS] and available for distribution to the Holders pursuant to the Ordinance will be $_____ _____ (the "Shortfall") less than the aggregate amount of principal and interest Due for Payment on _____ ("Scheduled Payments").

(iii) The Trustee/Paying Agent is making a claim under the Policy for the Shortfall to be applied to the payment of Scheduled Payments.

(iv) The Trustee/Paying Agent agrees that, following receipt of funds from AGM, it shall (a) hold such amounts in trust and apply the same directly to the payment of Scheduled Payments on the Bonds when due; (b) not apply such funds for any other purpose; (c) not commingle such funds with other funds held by the Trustee/Paying Agent and (d) maintain an accurate record of such payments with respect to each Bond and the corresponding claim on the Policy and proceeds thereof, and, if the Bond is required to be [SURRENDERED/PRESENTED] for such payment, shall stamp on each such Bond the legend $"[insert applicable amount] paid by AGM and the balance hereof has been canceled and reissued" and then shall deliver such Bond to AGM.

(v) The Trustee/Paying Agent, on behalf of the Holders, hereby assigns to AGM the rights of the Holders with respect to the Bonds to the extent of any payments under the Policy, including, without limitation, any amounts due to the Holders in respect of securities law violations arising from the offer and sale of the Bonds. The foregoing assignment is in addition to, and not in limitation of, rights of subrogation otherwise available to AGM in respect of such payments. Payments to AGM in respect of the foregoing assignment shall in all cases be subject to and subordinate to the rights of the Holders to receive all Scheduled Payments in respect of the Bonds. The Trustee/Paying Agent shall take such action and deliver such instruments as may be reasonably requested or required by AGM to effectuate the purpose or provisions of this clause (v).

(vi) The Trustee/Paying Agent, on its behalf and on behalf of the Holders, hereby appoints AGM as agent and attorney-in-fact for the Trustee/Paying Agent and each such Holder in any legal proceeding with respect to the Bonds. The Trustee/Paying Agent hereby agrees that, so long as AGM shall not be in default in its payment obligations under the Policy, AGM may at any time during the continuation of any proceeding by or against the Issuer under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding") direct all matters relating to such Insolvency Proceeding, including without limitation, (A) all matters relating to any claim in connection with an Insolvency

Proceeding seeking the avoidance as a preferential transfer of any payment made with respect to the Bonds (a "Preference Claim"), (B) the direction of any appeal of any order relating to any Preference Claim at the expense of AGM but subject to reimbursement as provided in the Ordinance and (C) the posting of any surety, supersedeas or performance bond pending any such appeal. In addition, the Trustee/Paying Agent hereby agrees that AGM shall be subrogated to, and the Trustee/Paying Agent on its behalf and on behalf of each Holder, hereby delegates and assigns, to the fullest extent permitted by law, the rights of the Trustee/Paying Agent and each Holder in the conduct of any Insolvency Proceeding, including, without limitation, all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding.

(vii) Payment should be made by wire transfer directed to [SPECIFY INSURANCE ACCOUNT].

Unless the context otherwise requires, capitalized terms used in this Notice of Claim and Certificate and not defined herein shall have the meanings provided in the Policy.

IN WITNESS WHEREOF, the Trustee/Paying Agent has executed and delivered this Notice of Claim and Certificate as of the _____ day of _____, _____.

By_____

Title_____

For AGM or
Fiscal Agent Use Only
Wire transfer sent on _____ By _____
Confirmation Number _____

PROCEDURES FOR PREMIUM PAYMENT
TO
ASSURED GUARANTY MUNICIPAL CORP.
("AGM")

AGM's issuance of its municipal bond insurance policy at bond closing is contingent upon payment and receipt of the premium. NO POLICY MAY BE RELEASED UNTIL PAYMENT OF SUCH AMOUNT HAS BEEN CONFIRMED. Set forth below are the procedures to be followed for confirming the amount of the premium to be paid and for paying such amount:

Confirmation of Amount to be Paid:	**Upon determination of the final debt service schedule, fax such schedule to AGM**
	Attention: Alexis Platis, Assistant Vice President
	Phone No.: (212) 261-5550
	Fax No.: (212) 408-6090

Confirm with AGM's credit analystthat you are in agreement with respect to par and premium on the transaction prior to the closing date.

Payment Date:	Date of Delivery of the insured bonds.
Method of Payment:	Wire transfer of Federal Funds.

Wire Transfer Instructions:

Bank:	The Bank of New York
ABA#:	021 000 018
Acct. Name:	Assured Guaranty Municipal Corp.
Account No.:	8900297263
Policy No.:	214231-N

CONFIRMATION OF PREMIUM WIRE NUMBER AT CLOSING

AGM will accept as confirmation of the premium payment a wire transfer number and the name of the sending bank, to be communicated on the closing date to Nicole DiMarco, Closing Coordinator - (212) 261-5593.

ASSURED GUARANTY
MUNICIPAL

December 1, 2011

VIA E-MAIL
George Karos, Mayor
City of Martinsburg (West Virginia)
232 North Queen Street
Martinsburg, West Virginia 25401

Re: Not to Exceed $8,915,000 aggregate principal amount of City of Martinsburg (West Virginia) Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011 A (Tax-Exempt) and Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011 B (Taxable)

Dear Mayor Karos:

Attached please find Assured Guaranty Municipal Corp.'s ("AGM") commitment letter (the "Commitment") in respect of the above-referenced issue. Please return one fully executed copy to Nicole DiMarco, of our office, prior to any reference to AGM as insurer of the issue being made in marketing efforts in respect of the issue.

Please note that a blacklined copy of each draft of the financing documents, opinions, preliminary and final official statements and bond proof should be delivered to AGM for review and comment.

Attached as a link to this e-mail is AGM's website, where the logo, statement of insurance, disclosure language, specimen policy, procedures for premium payment, form of opinion and form of disclosure, no default and tax certificate may be accessed and downloaded as needed. AGM will require, prior to closing, four hard copies of the final official statement.

Upon acceptance and satisfaction of the conditions of the Commitment, the following must occur in order for AGM to complete its review of applicable disclosure and financing documents in advance of the closing date, request the assignment of an insured rating for the Bonds, and timely issue its insurance policy:

- The financing schedule and a distribution list should be forwarded to the attention of the Closing Coordinator listed below.

- A copy of (i) the preliminary official statement and the final official statement, each of which shall include the disclosure provided by AGM and the specimen policy and any other references to AGM, and (ii) the Bonds, together with the legend to be affixed to such Bonds, must be delivered to the Closing Coordinator by fax or e-mail in order that AGM may confirm its accuracy.

- Once determined, the underwriters' final pricing numbers, including the final debt service schedule for the Bonds, should be delivered to the credit analyst and Closing Coordinator responsible for the transaction by fax and/or e-mail in order that AGM may confirm the premium to be paid for the insurance policy and request the assignment of an insured rating for the Bonds.

- A copy of either (i) the final pricing wire with CUSIP numbers shown or CUSIP wire evidencing the CUSIP numbers assigned to the Bonds; or (ii) the letter from the CUSIP Service Bureau listing the CUSIP numbers assigned to the Bonds should be delivered to the Closing Coordinator listed below by fax and/or email in order that AGM may request the assignment of an insured rating for the Bonds.

Assured Guaranty Municipal Corp.
31 West 52nd Street
New York, NY 10019
main 1 212 826 0100
fax 1 212 688 3101
info@assuredguaranty.com
www.assuredguaranty.com

AGM will deliver to Bond Counsel at the pre-closing, assuming the requirements of the Commitment have been met, an opinion of counsel as to the validity of the insurance policy, a disclosure, no default and tax certificate and the executed original insurance policy. Prior to the closing, AGM will obtain rating letters from the rating agencies indicated in the official statement. Note that any questions with regard to rating agency fees should be directed to the respective rating agency.

Please include the following people on the Distribution List for this transaction:

Elliot Schreiber, Counsel	Telephone:	(212) 339-0869
	Telecopier:	(212) 857-0518
	E-Mail:	ESchreiber@assuredguaranty.com
Alexis Platis, Assistant Vice President	Telephone:	(212) 261-5550
	Telecopier:	(212) 408-6090
	E-Mail:	APlatis@assuredguaranty.com
Nicole DiMarco, Closing Coordinator	Telephone:	(212) 261-5593
	Telecopier:	(212) 581-3268
	E-Mail:	NDiMarco@assuredguaranty.com

As a post-closing condition, AGM shall receive one original and two copies of the final closing transcript of proceedings. Such closing transcript may be in the form of either hard copies or three CD-ROMs.

AGM looks forward to working with you on this transaction.

Very truly yours,

Elliot Schreiber
Counsel

ec: Carmen P. Siegrist Esq., Bowles Rice McDavid Graff & Love, PLLC
Gregory B. Issacs, Crews & Associates, Inc.
John C. Stump, Esq., Steptoe & Johnson PLLC

ASSURED GUARANTY
MUNICIPAL

MUNICIPAL BOND INSURANCE COMMITMENT

ASSURED GUARANTY MUNICIPAL CORP. ("AGM") hereby commits to issue its Municipal Bond Insurance Policy (the "Policy") relating to whole maturities of the debt obligations described in Exhibit A attached hereto (the "Bonds"), subject to the terms and conditions set forth in this Commitment or added hereto (the "Commitment"). For the avoidance of doubt, each of the Exhibits attached hereto is an integrated part of this Commitment. To keep this Commitment in effect after the Expiration Date set forth in Exhibit A attached hereto, a request for renewal must be submitted to AGM prior to such Expiration Date. AGM reserves the right to refuse wholly or in part to grant a renewal.

THE MUNICIPAL BOND INSURANCE POLICY SHALL BE ISSUED IF THE FOLLOWING CONDITIONS ARE SATISFIED:

1. The transaction documents to be executed and delivered in connection with the issuance and sale of the Bonds shall not contain any untrue or misleading statement of a material fact and shall not fail to state a material fact necessary in order to make the information contained therein not misleading.

2. No event shall occur which would permit any underwriter or purchaser of the Bonds, otherwise required, not to be required to underwrite or purchase the Bonds on the date scheduled for the issuance and delivery thereof ("Closing Date").

3. On the date hereof and on the Closing Date, there shall have been no material adverse change in or affecting the Issuer or the Bonds (including, without limitation, the security for the Bonds or the proposed debt service schedule of the Bonds), any disclosure document relating to the Bonds (the "Official Statement"), the financing documents to be executed and delivered with respect to the Bonds, the legal opinions to be executed and delivered in connection with the issuance and sale of the Bonds, or any other information submitted to AGM with respect to the referenced transaction, or the Bonds, from that previously delivered or otherwise communicated to AGM.

4. The Bonds shall contain no reference to AGM, the Policy or the insurance evidenced thereby except as may be approved by AGM. BOND PROOFS SHALL HAVE BEEN APPROVED BY AGM PRIOR TO PRINTING. The Bonds shall bear a Statement of Insurance in the form provided by AGM.

5. AGM shall be provided with:

(a) Executed copies of all financing documents, the Official Statement and the various legal opinions delivered in connection with the issuance and sale of the Bonds (which shall be dated the Closing Date and which, except for the opinions of counsel relating to the adequacy of disclosure, shall be addressed to AGM or accompanied by a letter of such counsel permitting AGM to rely on such opinion as if such opinion were addressed to AGM), including, without limitation, the approving opinion of bond counsel. Each of the foregoing shall be in form and substance acceptable to AGM. Copies of all drafts of such documents prepared subsequent to the date of the Commitment (blacklined to reflect all revisions from previously reviewed drafts) shall be furnished to AGM for review and approval. Final drafts of such documents shall be provided to AGM at least three (3) business days prior to the issuance of the Policy, unless AGM shall agree to some shorter period.

(b) Evidence of wire transfer in federal funds of an amount equal to the insurance premium, unless alternative arrangements for the payment of such amount acceptable to AGM have been made prior to the delivery date of the Bonds.

(c) Standard & Poor's Rating Service and Moody's Investors Service Inc. will separately present bills for their respective fees relating to the Bonds. Payment of such bills by the Issuer should be made directly to such rating agency. Payment of the rating fee is not a condition to release of the Policy by AGM.

6. Promptly after the closing of the Bonds, AGM shall receive three completed sets of executed documents (one original and either (i) two photocopies (each unbound) or (ii) two compact discs).

7. The Official Statement shall contain the language provided by AGM and only such other references to AGM or otherwise as AGM shall supply or approve. AGM SHALL BE PROVIDED WITH FOUR PRINTED COPIES OF THE OFFICIAL STATEMENT.

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy. Nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation or sale would be unlawful, prior to registration or qualification under the securities laws of such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED DECEMBER 9, 2011

NEW ISSUE-BOOK ENTRY ONLY

Ratings: See "RATINGS" herein

In the opinion of Bond Counsel, under existing laws, regulations, rulings and judicial decisions of the United States of America, as presently written and applied, interest on the Series 2011 A Bonds, including any original issue discount properly allocable to an owner thereof, is excludable from gross income of the holders thereof for federal income tax purposes, and interest on the Series 2011 A Bonds will not be treated as a preference item for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, interest paid to corporate holders of the Series 2011 A Bonds may be indirectly subject to alternative minimum tax under certain circumstances. In the opinion of Bond Counsel under existing laws, regulations, rulings and judicial decisions of the United States of America, the interest on the Series 2011 B Bonds is included in gross income of the owners thereof for federal income tax purposes. Further, in the opinion of Bond Counsel, under existing laws of the State of West Virginia, the Series 2011 A Bonds and the Series 2011 B Bonds, and the interest thereon, are exempt from taxation by the State of West Virginia. See "TAX MATTERS" herein.

$8,900,000*

CITY OF MARTINSBURG (WEST VIRGINIA)

COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS, SERIES 2011 A (TAX-EXEMPT);

AND

$20,000*

COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS, SERIES 2011 B (TAXABLE)

Dated: December 28, 2011

Due: September 1, as shown below

The Series 2011 A Bonds and the Series 2011 B Bonds (collectively, the "Series 2011 Bonds") are issuable only as fully registered bonds without coupons in denominations of $5,000 and integral multiples thereof for any year of maturity. All of the Series 2011 Bonds initially will be maintained under a book-entry system under which The Depository Trust Company, New York, New York ("DTC"), will act as securities depository. Purchases of the Series 2011 Bonds will be in book-entry form only. Semiannual interest on the Series 2011 Bonds is payable March 1, 2012, and each March 1 and September 1 thereafter. So long as the Series 2011 Bonds are maintained under a book-entry system, payments of the principal of and premium, if any, and interest on the Series 2011 Bonds will be made when due by the West Virginia Municipal Bond Commission, Charleston, West Virginia, as Paying Agent (the "Paying Agent"), to DTC in accordance with the Ordinance and the Supplemental Resolutions, and the Paying Agent will have no obligation to make any payments to any beneficial owner of any Series 2011 Bonds. See "THE SERIES 2011 BONDS - Book-Entry Only System." The Series 2011 Bonds are subject to redemption prior to maturity as described herein.

Proceeds of the Series 2011 Bonds will be used, together with other funds available therefor, to: (i) refund all or a portion of the City's Combined Waterworks and Sewerage System Revenue Bonds, Series 2001; (ii) provide funds in the amount of $_____, to be deposited in the Series 2011 A Bonds Reserve Account; and (iii) pay certain costs of issuance of the Series 2011 Bonds and related costs.

The Series 2011 Bonds are payable from and further secured by the Gross Revenues derived from the existing combined waterworks and sewerage system of the City and any extensions, improvements and betterments thereto on parity with the Prior Bonds, as hereinafter defined, and any additional parity bonds that may hereafter be issued by the City as permitted by the Ordinance, as hereinafter defined, and the Series 2011 Bonds are also payable from funds on deposit in the respective Sinking Fund and with respect to the Series 2011 A Bonds, the Series 2011 A Reserve Account. The Series 2011 Bonds do not constitute an 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 principal or premium, if any, of and the interest on the Series 2011 Bonds, except from the Gross Revenues and such funds on deposit. Neither the full faith and credit nor the taxing power of the City shall be deemed to be pledged to, nor shall any tax be levied for, the payment or the principal of or the premium, if any, or interest on the Series 2011 Bonds. The Series 2011 B Bonds are not insured and do not have a debt service reserve fund.

The scheduled payment of principal of and interest on the Series 2011 A Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series 2011 A Bonds by **ASSURED GUARANTY MUNICIPAL CORP.**

ASSURED GUARANTY®
MUNICIPAL

The City has designated the Series 2011 A Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b) of the Internal Revenue Code of 1986, as amended.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision. The Series 2011 Bonds are offered when, as and if issued and received by the Underwriter, subject to prior sale, to withdrawal or modification of the offering without notice and to the unqualified approval of legality by Bowles Rice McDavid Graff & Love LLP, Charleston, West Virginia, Bond Counsel. Bowles Rice McDavid Graff & Love LLP, Martinsburg, West Virginia, Counsel to the City, will pass upon certain legal matters for the City. Steptoe & Johnson PLLC, Charleston, West Virginia, as counsel to the Underwriter, will pass upon certain legal matters for the Underwriter. It is expected that the Series 2011 Bonds will be available for delivery in New York, New York on or about December 28, 2011.

Crews&Associates
Member First Security Bancorp

Dated: December ___, 2011

*Preliminary, subject to change.

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES OR YIELDS***

Series 2011 A Bonds
$_____ Serial Bonds

Maturity Date (Sept 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP
2012	$	%	%		
2013	$	%	%		
2014	$	%	%		
2015	$	%	%		
2016	$	%	%		
2017	$	%	%		
2018	$	%	%		
2019	$	%	%		
2020	$	%	%		
2021	$	%	%		
2022	$	%	%		
2023	$	%	%		
2024	$	%	%		
2025	$	%	%		
2026	$	%	%		
$___,000.00* ____% Series 2011 Term Bonds due September 1, 2031				**___,000.00 at ____%**	

Series 2011 B Bonds

Maturity Date (Sept 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP
2012	$	%	%		

CITY OF MARTINSBURG, WEST VIRGINIA

MAYOR
George Karos

COUNCIL MEMBERS
Gregg Wachtel – Council Member-At-Large
Rodney Woods – Council Member-At-Large
Dennis J. Etherington – Council Member Ward 1
Richard Yauger - Council Member Ward 2
Max Parkinson - Council Member Ward 3
Roger Lewis - Council Member Ward 4
Betty Gunnoe - Council Member Ward 5

CITY MANAGER
Mark Baldwin

RECORDER
Gena Long

BOND COUNSEL
Bowles Rice McDavid Graff & Love LLP
Charleston, West Virginia

UNDERWRITER'S COUNSEL
Steptoe & Johnson PLLC
Charleston, West Virginia

ISSUER'S COUNSEL
Bowles Rice McDavid Graff & Love LLP
Martinsburg, West Virginia

AUDITORS
Cox Nichols Hollida, CPAs and Consultants, LLP
Martinsburg, West Virginia

UNDERWRITER
Crews & Associates, Inc.
Charleston, West Virginia

DEPOSITORY BANK
Jefferson Security Bank

REGISTRAR
United Bank, Inc.

This Preliminary 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 Series 2011 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 Martinsburg, West Virginia, or the Underwriter to give any information or to make any representations, other than as contained in this Preliminary 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 Martinsburg 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 Underwriter. The information and any expression of opinion herein are subject to change without notice, and neither the delivery of this Preliminary 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 Martinsburg, West Virginia, as it relates to the System, since the date hereof. This Preliminary Official Statement is submitted in connection with the sale of securities referred to herein, and may not be reproduced or used, in whole or in part, for any other purposes.

The information contained in this Preliminary Official Statement has been obtained by the Underwriter from sources believed to be reliable, but the accuracy or completeness of such information is not guaranteed by, and should not be construed as a promise by the Underwriter. The presentation of such information is intended to show recent historic information and is not intended to indicate future or continuing trends. No representation is made that the past experience, as shown by such financial and other information, will necessarily continue or be repeated in the future. This Preliminary Official Statement contains, in part, estimates and matters of opinion, whether or not expressly stated to be such, which are not intended as statements or representations of fact or certainty, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Preliminary Official Statement nor any sale made hereunder shall, under and circumstances, create any implication that there has been no change in the affairs of the Issuer.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2011 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The Underwriter has gathered the information in this Official Statement from sources it believes to be reliable, including primarily the City. The Underwriter does not guarantee this information as to its completeness or its accuracy.

By its purchase of the Series 2011 Bonds, an investor is acknowledging that it has reviewed all the information it deems necessary to make an informed decision, and that it is not relying on any representation of the Underwriter or any of its officers, representatives, agents or directors in reaching its decision to purchase the Series 2011 Bonds.

The investor, by its purchase of the Series 2011 Bonds, acknowledges its consent for the Underwriter to rely upon the investor's understanding of and agreement to the preceding two paragraphs as such relates to the disclosure and fair dealing obligations that may be applicable to the Underwriter under applicable securities laws and regulations.

Forward-Looking Statements

This Preliminary Official Statement, and particularly the information contained in the captions "FINANCING PLAN" and "THE SYSTEM," contains statements relating to future results that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Preliminary Official Statement, the words "estimated," "forecasted," "intended," "expected," "anticipated," "projected" and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. For a discussion of certain of such risks and possible variations in results, see the information under "RISK FACTORS."

The following sentence has been provided by the Underwriter for inclusion in this Preliminary Official Statement: The Underwriter has reviewed the information in this Preliminary Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The Series 2011 Bonds will not be registered under the Securities Act of 1933, as amended, or any state securities law, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency has determined or confirmed the accuracy of this Preliminary Official Statement.

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "Bond Insurance" and "Appendix F- Specimen Municipal Bond Insurance Policy".

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OFFICIAL STATEMENT

$8,900,000*
CITY OF MARTINSBURG (WEST VIRGINIA)
COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS, SERIES 2011 A (TAX-EXEMPT);
AND
$20,000*
COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS, SERIES 2011 B (TAXABLE)

INTRODUCTION

This Official Statement, including the cover page and appendices, is provided for the purpose of setting forth certain information concerning the City of Martinsburg, West Virginia (the "City"), the City's combined waterworks and sewerage system hereinafter described and the City's $8,900,000* in aggregate principal amount of Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011 A (Tax-Exempt) (the "Series 2011 A Bonds") and $20,000* in aggregate principal amount of Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011 B (Taxable) (the "Series 2011 B Bonds" and, collectively, with the Series 2011 A Bonds, the "Series 2011 Bonds"). The Series 2011 Bonds are being issued pursuant to the Constitution and laws of the State of West Virginia (the "State"), specifically Chapter 8, Article 20 and Chapter 13, Article 2E of the Code of West Virginia of 1931, as amended (the "Act"), and an ordinance enacted by the Council of the City on October 20, 2011 (the "Original Ordinance"), as supplemented and amended by supplemental resolutions adopted by the Council of the City pursuant to the Original Ordinance (the "Supplemental Resolutions" and together with the Original Ordinance, the "Ordinance").

The proceeds of the Series 2011 Bonds, together with other funds available therefor, will be used as follows: (i) to refund all or a portion of the City's Combined Waterworks and Sewerage System Revenue Bonds, Series 2001 (the "Refunded Bonds"); (ii) to provide funds in the amount of $_____, to be deposited in the Series 2011 A Bonds Reserve Account; and (iii) to pay certain costs of issuance of the Series 2011 Bonds and related costs.

The Series 2011 Bonds are payable from and secured by the Gross Revenues, as defined in the Ordinance, derived from the existing combined waterworks and sewerage system of the City and any extensions, improvements or betterments thereto (the "System") on parity with the Prior Bonds, as hereinafter defined, and any additional parity bonds that may hereafter be issued by the City as permitted by the Ordinance (the Series 2011 Bonds, the Prior Bonds and any such additional parity bonds are collectively referred to herein as the "Bonds"), and the Series 2011 Bonds are also payable from funds on deposit in the respective Sinking Funds and Reserve Accounts therein. The Series 2011 Bonds do not constitute an 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 Series 2011 Bonds or premium, if any, or the interest thereon except from such Gross Revenues and such funds on deposit.

*Preliminary, subject to change.

Pursuant to the Ordinance and the ordinances enacted with respect to other Bonds outstanding payable from the Gross Revenues, 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 produce for each fiscal year Gross Revenues (as defined in the Ordinance), sufficient to (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the Series 2011 Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2011 Bonds, including the Prior Bonds; provided that, in the event that amounts equal to or in excess of the reserve requirements are on deposit, respectively, in the Series 2011 A Bonds Reserve Account and reserve accounts for obligations on a parity with the Series 2011 Bonds, including the Prior Bonds, are funded at least at the requirement therefor, such balance each year need only equal at least 110% of the maximum amount required in any year for payment of principal of and interest on the Series 2011 Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2011 Bonds, including the Prior Bonds. See "ADDITIONAL SECURITY FOR THE SERIES 2011 BONDS - Rate Covenant."

The Series 2011 Bonds will be dated, will mature, will bear interest and will be subject to redemption prior to maturity as more fully described on the cover page and under the heading "THE SERIES 2011 BONDS" herein. The Series 2011 Bonds initially will be maintained under a book-entry system. So long as the Series 2011 Bonds are maintained under a book-entry system, the manner of payment, the denominations, the transfer and exchange of ownership and the method of providing notice of redemption to the owners of the Series 2011 Bonds shall be determined as described under the "BOOK-ENTRY ONLY SYSTEM" herein. If the book-entry system is discontinued, principal of, interest, and premium, if any, on the Series 2011 Bonds will be payable by the West Virginia Municipal Bond Commission, Charleston, West Virginia, as paying agent (the "Paying Agent"), to the owners thereof at the addresses appearing in the books kept by United Bank, Inc., Charleston, West Virginia, as registrar (the "Registrar"). For further information describing the method of payment and other matters in the event the book-entry system is discontinued, see "THE SERIES 2011 BONDS" herein.

For a description of the exclusion of interest on (i) the Series 2011 A Bonds from gross income for federal and state income tax purposes; and (ii) the Series 2011 B Bonds from gross income for state income tax purposes see "TAX MATTERS" herein.

The City may issue additional bonds on a parity with the Series 2011 Bonds for the purpose of financing the cost of the construction or acquisition of additions, improvements and betterments to the System and/or refunding one or more or all series of bonds subject, in each case, to certain tests and conditions provided for by the Ordinance. See "ADDITIONAL SECURITY FOR THE SERIES 2011 BONDS - Additional Parity Bonds."

The Series 2011 Bonds are offered when, as and if issued and received on behalf of the underwriter appearing on the cover page hereof (the "Underwriter"), subject to prior sale, to withdrawal or modification of the offering without notice and to the unqualified approval of the legality by Bowles Rice McDavid Graff & Love LLP, Charleston, West Virginia, Bond Counsel. Bowles Rice McDavid Graff & Love LLP, Martinsburg, West Virginia, as counsel for the City, will pass upon certain legal matters for the City. Steptoe & Johnson PLLC, Charleston, West Virginia, as counsel to the Underwriter, will pass upon certain legal matters for the Underwriter.

Brief descriptions of the Series 2011 Bonds, the System, the City and certain provisions of the Ordinance and the Act, as defined in the Ordinance and hereinbefore, 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, 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 Series 2011 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 shall have the respective meanings given them in the Ordinance. Copies of the Ordinance and other applicable documents may be obtained from the City or, during the period of offering the Series 2011 Bonds, from the Underwriter.

FINANCING PLAN

Estimated Sources and Uses of Funds

Sources of Funds:	
Principal Amount of Bonds	$*
Transfer from Bond Fund	$
Transfer from Debt Service Reserve Fund	$
Less: Original Issue Discount	( )
Total Sources	$
Uses of Funds:	
Prepayment Fund	$
Underwriter's Discount	$
Series 2011 A Bonds Reserve Account	$
Costs of Issuance [1]	
Total Uses	$

(1) Includes legal and financing fees and other miscellaneous expenses relating to the issuance of the Series 2011 Bonds.

* Preliminary, subject to change.

THE SERIES 2011 BONDS

General

The Series 2011 Bonds shall be dated as of the date provided in a Supplemental Resolution and shall bear interest from the interest payment date next preceding the date of authentication or, if authenticated after the Record Date but prior to the applicable interest payment date or on such interest payment date, from such interest payment date or, if no interest on such Series 2011 Bonds has been paid, from the date thereof; provided however, that, if, as shown by the records of the Registrar, interest on such Series 2011 Bonds shall be in default, Series 2011 Bonds issued in exchange for Series 2011 Bonds surrendered for transfer or exchange shall bear interest from the date to which interest has been paid in full on the initial

Series 2011 Bonds surrendered. The Series 2011 Bonds will bear interest from their date, payable semiannually on each March 1 and September 1, commencing March 1, 2012, upon original issuance, at the rates per annum and will mature on the dates and in the amounts set forth on the cover page of this Official Statement.

The Series 2011 Bonds will be issued as fully registered bonds without coupons in denominations of $5,000 and integral multiples thereof for any year of maturity. The Series 2011 Bonds initially shall be maintained under a book-entry system; Beneficial Owners shall have no right to receive physical possession of the Series 2011 Bonds and payments of principal or redemption price of and interest on the Series 2011 Bonds will be made as described herein under "BOOK-ENTRY ONLY SYSTEM." If the book-entry system is discontinued, interest on the Series 2011 Bonds will be payable by check or draft made payable and mailed to the owners thereof at the addresses appearing in the books kept by the Registrar as of the 15th day of the month preceding such interest payment date (the "Record Date"). If the book-entry system is discontinued, principal of and premium, if any, on the Series 2011 Bonds will be payable to the owner thereof upon surrender thereof at the office of the Paying Agent.

So long as the Series 2011 Bonds are maintained under a book-entry system, transfers of ownership interests in the Series 2011 Bonds will be made as described herein under "BOOK--ENTRY ONLY SYSTEM." If the book-entry system is discontinued, ownership of any Series 2011 Bond may be transferred upon surrender thereof to the Registrar, together with a written instrument of transfer satisfactory to the Registrar, duly executed by the registered owner or his duly authorized attorney or legal representative. Upon any such transfer of a Series 2011 Bond, there will be issued another Series 2011 Bond or Series 2011 Bonds, at the option of the transferee, of the same aggregate principal amount, series, maturity and interest rate as said Series 2011 Bond. For every exchange or transfer of Series 2011 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. The party requesting such transfer shall pay any service charge of the Registrar and any applicable tax or other governmental charge.

Optional Redemption

The Series 2011 A Bonds maturing on or after September 1, 2018, at the option of the City, will be subject to redemption prior to maturity, as a whole or in part at any time on or after September 1, 2017, at par, plus accrued interest to the date fixed for redemption:

Period During Which Redeemed
(both dates inclusive)

Redemption Dates	**Redemption Price**

If fewer than all of the Series 2011 A Bonds shall be called for optional redemption, the particular maturities of the Series 2011 A Bonds to be redeemed shall be selected by the City in such manner as it shall determine. So long as the Series 2011 A Bonds are maintained under a book-entry system, the selection of individual ownership interests in the Series 2011 A Bonds to be credited with any partial redemption shall be made as described herein under "BOOK-ENTRY ONLY SYSTEM."

The Series 2011 B Bonds are not subject to Optional Redemption.

Mandatory Redemption

The Series 2011 A Bonds maturing September 1, 20__, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2011 A Bonds Sinking Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the mandatory redemption date, on October 1, 20___, and on each October 1 thereafter to and including October 1, 20___, in annual principal amounts as follows:

Year	Amount
201___	$ __,000
201_	__,000
201_ (Maturity)	__,000

The principal amount of Series 2011 A Bonds maturing October 1, 20__, delivered to or purchased by the Trustee shall reduce pro tanto the principal amount of Series 2011 A Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

Notice of Redemption

So long as the Series 2011 Bonds are maintained under a book-entry system, notice of the call for any redemption of the Series 2011 Bonds shall be given as described below under "BOOK-ENTRY ONLY SYSTEM." At any other time, notice to the registered owner of any redemption shall be given by the Registrar not less than 30 nor more than 60 days prior to the date fixed for redemption by registered or certified mail at the address appearing in the Register. Failure to receive such notice or any defect in the mailing thereof shall not affect the validity of any proceedings for the redemption of the Series 2011 Bonds; and failure to mail such notice shall not affect the validity of any such proceedings for any Series 2011 Bond with respect to which no such failure has occurred. Notice of redemption having been given in the manner hereinabove and in the Ordinance described and moneys necessary therefor having been deposited with the Paying Agent, the Series 2011 Bonds specified in such notice shall on the date fixed for redemption be deemed paid, and interest thereon shall cease to accrue.

BOOK-ENTRY ONLY SYSTEM

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

The Depository Trust Company

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2011 Bonds. The Series 2011 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2011 Bond will be issued for each maturity, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has an investment grade rating from Standard & Poor's of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at **www.dtcc.com** and www.dtc.org.

3. Purchases of the Series 2011 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2011 Bonds on DTC's records. The ownership interest of each actual purchaser of the Series 2011 Bonds ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2011 Bonds, except in the event that use of the book-entry system for the Series 2011 Bonds is discontinued.

4. To facilitate subsequent transfers, all the Series 2011 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2011 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2011 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts the Series 2011 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or

regulatory requirements as may be in effect from time to time. [Beneficial Owners of the Series 2011 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2011 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2011 Bonds documents. For example, Beneficial Owners of the Series 2011 Bonds may wish to ascertain that the nominee holding the Series 2011 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]

6. Redemption notices shall be sent to DTC. If less than all of the Series 2011 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2011 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Bondholders as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2011 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds on the Series 2011 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Registrar or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Series 2011 Bonds at any time by giving reasonable notice to the City or the Registrar. Under such circumstances, in the event that a successor depository is not obtained, Series 2011 Bonds are required to be printed and delivered.

10. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2011 Bonds will be printed and delivered to DTC.

BOND INSURANCE

BOND INSURANCE POLICY

Concurrently with the issuance of the Series 2011 A Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Series 2011 A Bonds (the

"Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Series 2011 A Bonds when due as set forth in the form of the Policy included as an appendix to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

ASSURED GUARANTY MUNICIPAL CORP.

AGM is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Assured Guaranty Municipal Holdings Inc. ("Holdings"). Holdings is an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. No shareholder of AGL, Holdings or AGM is liable for the obligations of AGM.

AGM's financial strength is rated "AA-" (stable outlook) by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") and "Aa3" (negative outlook) by Moody's Investors Service, Inc. ("Moody's"). An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On November 30, 2011, S&P published a Research Update in which it downgraded AGM's financial strength rating from "AA+" to "AA-". At the same time, S&P removed the financial strength rating from CreditWatch negative and changed the outlook to stable. AGM can give no assurance as to any further ratings action that S&P may take. Reference is made to the Research Update, a copy of which is available at www.standardandpoors.com, for the complete text of S&P's comments.

The most recent rating action by Moody's on AGM took place on December 18, 2009, when Moody's issued a press release stating that it had affirmed the "Aa3" insurance financial strength rating of AGM, with a negative outlook. Reference is made to the press release, a copy of which is available at www.moodys.com for the complete text of Moody's comments. Moody's is in the process of reviewing AGL and its subsidiaries and there can be no assurance as to any ratings action that Moody's may take with respect to AGM.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2010, as amended by its Form 10-K/A; its Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2011 and June 30, 2011, each as amended by its Form 10-Q/A; and its Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2011.

Capitalization of AGM

At September 30, 2011, AGM's consolidated policyholders' surplus and contingency reserves were approximately $3,105,604,840 and its total net unearned premium reserve was approximately $2,207,101,966, in each case, in accordance with statutory accounting principles.

AGM's statutory financial statements for the fiscal year ended December 31, 2010 and for the quarterly periods ended March 31, 2011, June 30, 2011 and September 30, 2011, which have been filed with the New York State Department of Financial Services and posted on AGL's website at http://www.assuredguaranty.com, are incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2010, as amended by Amendment No. 1 on Form 10-K/A (filed by AGL with the SEC on March 1, 2011 and October 31, 2011, respectively);

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011, as amended by Amendment No. 1 on Form 10-Q/A (filed by AGL with the SEC on May 10, 2011 and November 14, 2011, respectively);

(iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2011, as amended by Amendment No. 1 on Form 10-Q/A (filed by AGL with the SEC on August 9, 2011 and November 14, 2011, respectively); and

(iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2011 (filed by AGL with the SEC on November 14, 2011).

All information relating to AGM included in, or as exhibits to, documents filed by AGL pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AGM or one of its affiliates may purchase a portion of the Bonds or any uninsured bonds offered under this Official Statement and may hold such Bonds or uninsured bonds for investment or may sell or otherwise dispose of such Bonds or uninsured bonds at any time or from time to time.

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE".

ADDITIONAL SECURITY FOR THE SERIES 2011 BONDS

The Series 2011 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 Series 2011 Bonds except from said sources.

Outstanding Prior Bonds

The City has outstanding the following bonds payable from the Gross Revenues of the System that are on parity with the Series 2011 Bonds, being the City's: (i) Combined Waterworks and Sewerage System Revenue Bonds, Series 2000 A (West Virginia DWTRF Program), dated September 27, 2000, originally issued in the aggregate principal amount of $7,564,000, of which approximately $4,437,692 is currently outstanding (the "Series 2000 A Bonds"), (ii) Combined Waterworks and Sewerage System Revenue Bonds, Series 2000 B (West Virginia Infrastructure Fund), dated September 27, 2000, originally issued in the aggregate principal amount of $3,000,000, of which approximately $1,832,114 is currently outstanding (the "Series 2000 B Bonds"), and (iii) Combined Waterworks and Sewerage System Revenue Bonds, Series 2000 C (West Virginia Water Development Authority), dated September 27, 2000, originally issued in the aggregate principal amount of $1,976,352, of which approximately $1,789,593 is currently outstanding (the "Series 2000 C Bonds" and, together with the Series 2000 A Bonds and the Series 2000 B Bonds, the "Prior Bonds").

Sources of Payment

The payment of the debt service on the Series 2011 Bonds shall be secured forthwith equally and ratably by a first lien on and pledge of the Gross Revenues derived from the System, on parity with the Prior Bonds and any additional parity bonds that may hereafter be issued by the City as permitted by the Ordinance, and the Series 2011 Bonds are also payable from the funds on deposit

in the respective Sinking Fund, and 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 Bonds and to make the payments into the respective Sinking Funds and all other payments provided for in the Ordinance, and the funds in the respective Sinking Funds and the Reserve Account therein, are irrevocably pledged to the payment of the principal of, premium, if any, and interest on the Series 2011 Bonds as the same become due and for the other purposes provided in the Ordinance.

The Series 2011 B Bonds are not insured and do not have a debt service reserve fund.

Rate Covenant

Prior to the issuance of the Series 2011 Bonds, equitable rates or charges for the use of and service rendered by the System have been established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Recorder, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from said System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the Series 2011 Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2011 Bonds, including the Prior Bonds; provided that, in the event that amounts equal to or in excess of the reserve requirements are on deposit, respectively, in the Series 2011 A Bonds Reserve Account and reserve accounts for obligations on a parity with the Series 2011 Bonds, including the Prior Bonds, are funded at least at the requirement therefor, such balance each year need only equal at least 110% of the maximum amount required in any year for payment of principal of and interest on the Series 2011 Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2011 Bonds, including the Prior Bonds.

The Issuer has obtained any and all approvals of rates and charges required by State law and has taken any other action required to establish and impose such rates and charges, with all requisite appeal periods having expired without successful appeal. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth and approved and described in the water rate ordinance enacted by the Issuer on January 26, 2006 and the sewer rate ordinance enacted by the City on January 26, 2006.

So long as the Series 2011 Bonds are outstanding, the Issuer covenanted to fix and collect rates, fees and other charges for the use of the System and to take all such actions necessary to provide funds sufficient to produce the required sums set forth in the Bond Legislation. In the event the schedule of rates and charges initially established for the System in connection with the Series 2011 Bonds shall prove to be insufficient to produce the required sums set forth in the Bond Legislation, the Issuer covenanted and agreed that it will, to the extent and in the manner authorized by law, immediately adjust and increase such schedule of rates and charges and take all such actions necessary to provide funds sufficient to produce the required sums set forth in the Bond Legislation.

Series 2011 A Bonds Reserve Account

$_____ of proceeds of the Series 2011 A Bonds will be deposited in the Series 2011 A Bonds Reserve Account.

In the event of a transfer from the Series 2011 A Bonds Reserve Account to the Series 2011 A Bonds Sinking Fund as aforesaid, the City shall restore the balance to the Series 2011 A Bonds Reserve Account in an amount up to the Series 2011 A Bonds Reserve Requirement, and the City shall replenish the Series 2011 A Bonds Reserve Account with the first Gross Revenues available after all required payments have been made in full in the order set forth in the Ordinance.

The Series 2011 B Bonds are not insured and do not have a debt service reserve fund.

Application of Revenues

See APPENDIX C – FORM OF BOND ORDINANCE - Section 5.03 - pages C-___ to C-___.

Enforcement of Collections

See APPENDIX C – FORM OF BOND ORDINANCE – Section 7.13 – pages C-___ to C-___.

Additional Parity Bonds

See APPENDIX C – FORM OF BOND ORDINANCE – Section 7.07 – pages C-___ to C-___.

THE SYSTEM

Annual Water Usage History by Source - City of Martinsburg

Year Ended June 30	Residential Gallons	Commercial Gallons	Resale Gallons	Total
2011	295,238,000	192,581,000	98,741,000	586,560,000
2010	295,611,000	196,989,000	117,182,000	609,782,000
2009	303,886,000	208,194,000	133,531,000	645,613,000
2008	353,788,000	182,254,000	160,974,000	697,016,000
2007	329,085,000	220,401,000	190,466,000	739,952,000

Daily Water Consumption History by Source (MGD)- City of Martinsburg

Year Ended June 30	Residential Gallons	Commercial Gallons	Resale Gallons	Total
2011	.81	.53	.27	1.61
2010	.81	.54	.32	1.67
2009	.83	.54	.36	1.73
2008	.97	.50	.44	1.91
2007	.90	.60	.52	2.02

Customer History

Water Customer Count by Type - City of Martinsburg

Year Ended June 30	Residential	Commercial	Resale	Total
2011	5,598	702	111	6,411
2010	5,596	722	101	6,419
2009	5,596	722	101	6,419
2008	5,571	721	98	6,390
2007	5,483	799	1	6,283

Sewer Customer Count by Type - City of Martinsburg

Year Ended June 30	Residential	Commercial	Total
2011	5,263	707	5,970
2010	5,224	719	5,943
2009	5,279	731	6,010
2008	5,317	744	6,061
2007	5,305	737	6,042

Major Water Users - Top 10	**Gallons Nov. 2010 - Oct. 2011**	**Revenue**	
Berkeley County PSWD	92,469,000	$	292,202
City Hospital	22,460,000	$	166,964
Martins' Landing Apartments	14,722,000	$	117,504
Berkeley County Board of Education	8,054,000	$	45,888
Holiday Inn	5,464,000	$	41,278
*Essroc (Capital Cement)	4,965,000	$	-
Frederick Plaza Land Trust	4,285,000	$	32,560
Foxcroft Apartments	3,183,000	$	24,410
Ten South Management	3,010,000	$	22,677
Giant Food Stores	2,859,000	$	22,014
Hampton Inn	2,565,000	$	19,840

*Contract with the City for water at no cost (water source).

Water Source

The City currently uses the following sources for its supply:

Source	Gallons/day	Pumping Method
Kilmer Spring	4 to 6 million	Gravity
Big Spring	5 million	Deep Well

Wholesale Contracts

Berkeley County PSWD purchases water from the City. Through multiple accounts, Berkeley PSWD purchased over 92 million gallons in the fiscal year ending June 30, 2011 at a value of $292,635.

Certain City Officers and Personnel

Mark Baldwin has been Martinsburg's City Manager since December 31, 1996. He has over twenty three years experience as the chief executive officer of full service communities. He holds a Bachelor and Masters degree in Public Administration with additional Municipal Administration training.

Mark Spickler has served as Martinsburg's Finance Director since May 21, 1990. He holds a Bachelor's degree in accounting from Shepherd College in Shepherdstown, WV.

Stephen Knipe has served as Martinsburg's Utilities Director since June 12, 1975. He has both public and private sector experience and over sixteen years management experience in sewer operations and five years management experience in combined water and sewer operations.

Twenty-one (21) persons are employed in the Water Department and nine (9) persons are employed in the Sewer Department. None of the City employees are union members. The City considers its historical and current relationship with employees assigned to the system to be good.

Rates

Water System Rates and Charges

The current schedule of water rates and charges has been in place since March 13, 2006. The City Council passed an ordinance modifying the previously prevailing schedule of water rates and charges on January 26, 2006. The following table sets for the current water rates and charges.

All Metered Customers and Bulk Sales	Rates per 1000 gallons
First 2,000 gallons used monthly Or 4,000 gallons used bi-monthly Or 6,000 gallons used quarterly	$6.75
Next 31,333 gallons used monthly Or 62,666 gallons used bi-monthly Or 94,000 gallons used per quarterly	$5.93
Over 33,333 gallons used monthly Or 66,666 gallons used bi-monthly Or 100,000 gallons used quarterly	$4.62
Rates for Resale to other Systems	
Rate per 1,000 gallons	$3.16

Minimum Charges

No bill will be rendered for less than the following amounts, according to the size of meter installed, to-wit:

Meter Size	Monthly	Bi-Monthly	Quarterly
5/8-inch meter	$13.50	$27.00	$40.50
3/4-inch meter	$20.25	$40.50	$60.75
1-inch meter	$33.75	$67.50	$101.25
1-1/4-inch meter	$49.28	$98.56	$147.84
1-1/2-inch meter	$67.50	$135.00	$202.50
2-inch meter	$108.00	$216.00	$324.00
3-inch meter	$202.50	$405.00	$607.50
4-inch meter	$337.50	$675.00	$1,012.50
6-inch meter	$675.00	$1,350.00	$2,025.00
8-inch meter	$1,080.00	$2,160.00	$3,240.00

Reconnection Charge

Whenever the supply of water is turned off for violations of rules, non-payment of bills or fraudulent use of water; the reconnection charge shall be $25.00 per occurrence.

Service Connection Charge

The service connection charge for each new service connection to the water system shall be $500.00.

Delayed Payment Penalty

The above tariff is net. On all current usage billings not paid in full within twenty (20) days of the date of bill, 10% will be added to the net current amount unpaid. The delayed payment penalty is not interest and is only to be collected once for each bill where it is appropriate.

Disconnection for Non-Payment

If any bill is not paid within 30 days from the date of the bill, the customer will be discontinued and will not be restored until all part due bills have been paid in full, together with all penalty charges, subject to applicable rules of the Public Service Commission of West Virginia.

Capital Improvement Fee

Capital Improvement Fees are fees collected to fund future water capital improvement projects.

On or after March 13, 2006, a Capital Improvement Fee shall be applicable to each residential and commercial connection made to the City's water system of an unserved structure of facility upon the request for City service. The Capital Improvement Fees are due as of the date of the issuance of a building permit by the City of Martinsburg and the issuance of a final water availability letter issued by the City. Any building permit applications which have been submitted for an unserved structure of facility and are awaiting review and final approval or are in the process of review and final approval but which have not resulted in the issuance of a permit as of the date this ordinance becomes effective are subject to the terms of this ordinance.

The Capital Improvement Fee shall be paid in accordance with the following Water System Capital Improvement Fee Schedule by Meter Size:

Meter Size		Factor ADF@ 293 gpd	$ per gal. 4.44	CIF
5/8-inch		1	293	$1,301
3/4-inch		1.1	322	$1,431
1-inch		1.4	350	$1,554
1-1/2-inch		1.8	450	$1,998
2-inch	Standard	2.9	725	$3,219
	Compound	2.5	625	$2,775
3-inch	Standard	11	2750	$12,210
	Compound	16	4000	$17,760
4-inch	Standard	14	3500	$15,540
	Compound	25	6250	$27,750
6-inch	Standard	21	5250	$23,310
	Compound	50	12500	$55,500
8-inch	Standard	29	7250	$32,190
	Compound	80	20000	$88,800

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

Sewer System Rates and Charges

The current schedule of water rates and charges has been in place since March 13, 2006. The City Council passed an ordinance modifying the previously prevailing schedule of sewer rates and charges on January 26, 2006. The following table sets for the current sewer rates and charges.

Rates - All Metered Customers Except Customers in the Wheatland Service Area	Rates per 1,000 gallons
First 2,000 gallons used monthly Or 4,000 gallons used bi-monthly Or 6,000 gallons used quarterly	$3.85
Next 31,333 gallons used monthly Or 62,666 gallons used bi-monthly Or 94,000 gallons used per quarterly	$3.38
Over 33,333 gallons used monthly Or 66,666 gallons used bi-monthly Or 100,000 gallons used quarterly	$2.63

Minimum Charges – All metered customers except customers in the Wheatland service area

No bill will be rendered for less than the following amounts:

Monthly	$7.70
Bi-Monthly	$15.40
Quarterly	$23.10

Rates - All Wheatland service area customers
First 2,000 gallons used monthly

Or 4,000 gallons used bi-monthly Or 6,000 gallons used quarterly	$6.05
Next 31,333 gallons used monthly Or 62,666 gallons used bi-monthly Or 94,000 gallons used per quarterly	$5.67
Over 33,333 gallons used monthly Or 66,666 gallons used bi-monthly Or 100,000 gallons used quarterly	$5.44

Minimum Charges – All Wheatland service area customers

No bill will be rendered for less than the following amounts:

Monthly	$12.10
Bi-Monthly	$24.20
Quarterly	$36.30

Rates – Unmetered Customers (Flat Rate)

Monthly	$27.22
Bi-Monthly	$54.44
Quarterly	$81.67

Disconnection/Reconnection/Administrative Charge

Whenever water service has been disconnected for non-payment of sewer bills in conjunction with a water service termination agreement with the Berkeley County Public Service Water District, a disconnection fee of $10.00 shall be charged; or in the event the delinquent sewer bill is collected by the water district, an administrative fee of $10.00 shall be charged.

Whenever water service has been previously disconnected or otherwise withheld for non-payment of a sewer bill in conjunction with a water service termination agreement with the Berkeley County Public Service Water District, is reconnected, a reconnection fee of $10.00 shall be charged.

Service Connection Charge

The service connection charge for each new connection to the sewer system shall be $500.00

Delayed Payment Penalty

The above tariff is net. On all current usage billings not paid in full within twenty (20) days of the date of bill, 10% will be added to the net current amount unpaid. The delayed payment penalty is not interest and is only to be collected once for each bill where it is appropriate.

Capital Improvement Fee

Capital Improvement Fees are fees collected to fund future sewer capital improvement projects.

On or after March 13, 2006, a Capital Improvement Fee shall be applicable to each residential and commercial connection made to the City's sewer system of an unserved structure of facility upon the request for City service. The Capital Improvement Fees are due as of the date of the issuance of a building permit by the City of Martinsburg and the issuance of a final sewer

availability letter issued by the City. Any building permit applications which have been submitted for an unserved structure of facility and are awaiting review and final approval or are in the process of review and final approval but which have not resulted in the issuance of a permit as of the date this ordinance becomes effective are subject to the terms of this ordinance.

The Capital Improvement Fee shall be paid in accordance with the following Sewer System Capital Improvement Fee Schedule by Meter Size:

Meter Size		Factor ADF@ 293 gpd	$ per gal. 9.04	CIF
5/8-inch		1	250	$2,260
3/4-inch		1.1	275	$2,486
1-inch		1.4	350	$3,164
1-1/2-inch		1.8	450	$4,068
2-inch	Standard	2.9	725	$6,554
	Compound	2.5	625	$5,650
3-inch	Standard	11	2750	$24,860
	Compound	16	4000	$36,160
4-inch	Standard	14	3500	$31,640
	Compound	25	6250	$56,500
6-inch	Standard	21	5250	$47,460
	Compound	50	12500	$113,000
8-inch	Standard	29	7250	$65,540
	Compound	80	20000	$180,800

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

Public Service Commission

The tariffs, rates, joint rates, tolls and schedules of municipality utilities are not subject to the general authority of the West Virginia Public Service Commission (the "PSC") to enforce, originate, establish, change and promulgate rates and charges. However, such rates and charges shall be just, reasonable, applied without unjust discrimination or preference, and based primarily on the costs of providing such services. Municipal utility rates and charges shall become effective not sooner than forty-five (45) days after adoption. Notice of intent to effect a rate change shall be specified on the monthly bill sent to the customers. Such rates and charges shall be filed with the PSC, together with such information showing the basis of such rates and charges and such other information as the PSC considers necessary.

The PSC shall review and approve or modify such rates upon the filing of a petition, within thirty (30) days of the adoption of the ordinance changing said rates or charges, (1) by any customer aggrieved by the changed rates or charges, who presents to the PSC a petition signed by not less than twenty-five percent (25%) of the customers served by a municipal utility or (2) by any customer or group of customers who presents a petition alleging discrimination between said customer or group of customers and other customers of the municipal utility, accompanied by evidence of discrimination. Upon the filing of a petition or sufficient showing of discrimination, the PSC shall suspend the adoption of the rate change contained in the ordinance for a period of one hundred twenty (120) days from the date said rates or charges would otherwise go into effect or until an order approving, disapproving or modifying the rate change is issued.

The PSC shall have general supervision of all municipal utilities. The PSC may ascertain the quality and quantity of water and shall have power to order such improvements as will best promote the public interests.

Billing and Collections

The City renders a monthly bill to commercial and other high volume customers of the System. Residential customers are billed once every three 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 termination notices and termination of service 30 days after the initial due date. Service on a delinquent account remains terminated until payment of the account is made. A reconnection charge of $25.00 is required to reinstate a previously delinquent account.

The City has a policy of writing off accounts determined to be uncollectable. 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	**Doubtful Accounts***	**A/R - Write-Offs**
FY 2010-2011	$ 878,403	$ 1,581
FY 2009-2010	$ 795,190	$ 2,528
FY 2008-2009	$ 714,990	$ 6,059

* Provision for doubtful accounts consists mostly of A/R that are more than a year old.
Amount is cumulative; approximately $80,000 is added each year.
FY 2010-2011 represents an accumulation of nearly 11 years of Doubtful Accounts.

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 Expenditures

The City Manager, City Finance Department and Department Heads prepare draft budgets for System operations within their respective departments. The City budget is compiled from these and other draft budgets by the City Manager and Finance Director and submitted to the City Council on or before March 10th of each year. The budget is required by Charter to indicate operating expenditures and capital expenditures proposed for the ensuing fiscal year, detailed by office, department and agency in terms of their respective work programs, and the method of financing such expenditures. The total of proposed expenditures may not exceed the total estimated income. Prior to March 28th of each year, but following a public hearing, City Council is required to adopt the budget. Supplemental appropriations, or a reduction of appropriations, may be made by 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, the City Manager and the Department Head approve purchase orders and payments are approved by the City Manager prior to disbursement of funds

by the City Finance Department. Separate accounting records are kept by the Finance Department for the Water and Sewer Departments.

Method of Accounting

The City maintains its accounts pertaining to the system on an accrual basis and in accordance with the guidelines of the West Virginia Public Service Commission. 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.

Summary of Historical Revenues and Expenses

Summary Statement of Income and Expense
(Fiscal Year Ended June 30)
Water

	2011	2010	2009	2008	2007
Operating Revenues	$3,640,839	$3,526,579	$3,652,189	$4,576,165	$4,136,528
Operating Expenses	$2,280,816	$2,129,568	$2,210,644	$2,054,680	$2,057,029
Depreciation Expense	577,394	569,965	566,471	560,387	573,695
Taxes	44,445	48,740	53,103	48,948	43,000
Total Operation Expenses	$2,902,655	$2,748,273	$2,830,218	$2,664,015	$2,673,724
Total Operation Income	$738,184	$778,306	$821,971	$1,912,150	$1,462,804
Other Income	$139,173	$127,653	$167,005	$285,707	$325,149
Interest on Long Term Debt	693,762	716,461	741,174	767,515	792,351
Amortization of Premium on debt	15,778	16,217	17,104	17,947	18,754
Total Interest Charges	$709,540	$732,678	$758,278	$785,462	$811,105
Net Income	$167,817	$173,281	$230,698	$1,412,395	$976,848

Summary Statement of Income and Expense
(Fiscal Year Ended June 30)
Sewer

	2011	2010	2009	2008	2007
Operating Revenues	$1,890,168	$1,866,724	$1,869,132	$2,068,344	$2,091,471
Operating Expenses	$1,281,509	$1,121,924	$1,256,536	$1,094,535	$1,291,824
Depreciation Expense	171,385	171,943	173,898	172,767	168,141
Taxes	22,515	21,163	24,235	21,915	19,930
Total Operation Expenses	$1,475,409	$1,315,030	$1,454,669	$1,289,217	$1,479,895
Total Operation Income	$414,759	$551,694	$414,463	$779,127	$611,576
Other Income	$40,962	$48,807	$56,011	$88,070	$78,112
Interest on Long Term Debt	0	0	8,962	26,224	60,986
Amortization of Debt Discount & Expense	0	0	1,471	2,858	4,165
Total Interest Charges	$0	$0	$10,433	$29,082	$65,151
Net Income	$455,721	$600,501	$460,041	$838,115	$624,537

Summary Statement of Income and Expense
(Fiscal Year Ended June 30)
Water & Sewer

	2011	2010	2009	2008	2007
Operating Revenues	$5,531,007	$5,393,303	$5,521,321	$6,644,509	$6,227,999
Operating Expenses	$3,562,325	$3,251,492	$3,467,180	$3,149,215	$3,348,853
Depreciation Expense	748,779	741,908	740,369	733,154	741,836
Taxes	66,960	69,903	77,338	70,863	62,930
Total Operation Expenses	$4,378,064	$4,063,303	$4,284,887	$3,953,232	$4,153,619
Total Operation Income	$1,152,943	$1,330,000	$1,236,434	$2,691,277	$2,074,380
Other Income	$180,135	$176,460	$223,016	$373,777	$403,261
Interest on Long Term Debt	693,762	716,461	750,136	793,739	853,337
Amortization of Debt Discount & Expense	15,778	16,217	18,575	20,805	22,919
Total Interest Charges	$709,540	$732,678	$768,711	$814,544	$876,256
Net Income	$623,538	$773,782	$690,739	$2,250,510	$1,601,385

Coverage Ratios

The following table presents the historical debt service coverage ratios for the Prior Bond and the Bonds for the fiscal years ended and ending June 30, 2007 through June 30, 2011:

Historical Coverage Ratios

	2011	2010	2009	2008	2007
Total Operating Revenues	$5,452,493	$5,118,216	$5,336,312	$5,217,559	$5,440,324
Total Operating Expenses	($4,378,064)	($4,063,303)	($4,284,887)	($3,953,232)	($4,153,619)
Operating Income	1,074,429	1,054,913	1,051,425	1,264,327	1,286,705
Plus Depreciation & Interest Income	928,914	918,368	963,385	1,106,931	1,145,097
Cash Available for Debt Service	$2,003,343	$1,973,281	$2,014,810	$2,371,258	$2,431,802
Debt Service requirement	$1,478,748	$1,478,748	$1,947,333	$1,944,173	$1,939,318
Coverage	135.47%	133.44%	103.46%*	121.97%	125.39%

*The City defeased the Series 1995 Bonds in Fiscal Year 2009.

Projected Coverage Ratios ***(without the benefit of refunding)***	**2012**	**2013**	**2014**
Total Operating Revenues	$ 5,170,000	$ 5,180,000	$ 5,190,000
Total Operating Expenses	$ 4,170,000	$ 4,175,000	$ 4,180,000
Operating Income	$ 1,000,000	$ 1,005,000	$ 1,010,000
Plus Depreciation & Interest Income	$ 935,000	$ 940,000	$ 945,000
Cash Available for Debt Service	$ 1,935,000	$ 1,945,000	$ 1,955,000
Debt Service Requirement	$ 1,474,319	$ 1,472,390	$ 1,470,638
Coverage	131%	132%	133%

Retirement System

In October 2005, the City elected to participate in the West Virginia Public Employees Retirement System, which is a cost-sharing multi-employer pension plan. Please see the City's 2010 Audit, beginning at page 45, for a complete description of the City's pension plan and history of contributions.

ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth for each fiscal year the amounts payable from Revenues as principal of and interest on the Series 2011 Bonds and the Prior Bonds.

Pro Forma Debt

Fiscal Year	Series 2000A	Series 2000B	Series 2000C	Series 2001	Series 2011*	Total
2012	459,800	200,018	128,930	646,995	61,068	1,476,268
2013	459,800	200,018	128,930	-	572,845	1,475,086
2014	459,800	200,018	128,930	-	639,290	1,473,203
2015	459,800	200,018	128,930	-	639,550	1,470,601
2016	459,800	200,018	128,930	-	638,746	1,471,429
2017	459,800	200,018	128,930	-	636,760	1,470,670
2018	459,800	200,018	128,930	-	638,598	1,469,142
2019	459,800	200,018	128,930	-	639,255	1,471,717
2020	459,800	200,018	128,930	-	638,583	1,468,623
2021	459,800	200,018	128,930	-	636,528	1,469,873
2022	114,950	50,004	128,930	-	638,373	975,259
2023	-	-	128,930	-	639,203	809,555
2024	-	-	128,930	-	633,958	807,805
2025	-	-	128,930	-	632,713	805,055
2026	-	-	128,930	-	635,249	806,180
2027	-	-	128,930	-	631,530	806,055
2028	-	-	128,930	-	630,725	804,680
2029	-	-	128,930	-	632,828	806,930
2030	-	-	128,930	-	628,963	802,805
2031	-	-	128,930	-	629,130	802,305
2032	-	-	128,930	-	628,223	800,305
2033	-	-	128,930	-	-	128,930
2034	-	-	128,930	-	-	128,930
2035	-	-	128,930	-	-	128,930
2036	-	-	128,930	-	-	128,930
2037	-	-	128,930	-	-	128,930
2038	-	-	128,930	-	-	128,930
2039	-	-	128,930	-	-	128,930
Total	4,712,950	2,050,184	3,610,040	646,995	12,702,113	24,646,055

* Preliminary, subject to change

BOND ORDINANCE

See APPENDIX C – FORM OF BOND ORDINANCE, for the Bond Ordinance enacted by the City on October 20, 2011. The Ordinance includes, inter alia, a description of the intended uses of the proceeds of the Series 2011 Bonds, the System's application of revenues and flow of funds, general covenants imposed upon the City and the System as a result of the issuance of the Series 2011 Bonds and defaults and remedies associated with the issuance of the Series 2011 Bonds.

RISK FACTORS

An investment in the Series 2011 Bonds is subject to a number of significant risk factors. The following is a discussion of certain risks that could affect payments to be made with respect to the Series 2011 Bonds. Such discussion is not, and is not intended to be, exhaustive, should be read in conjunction with all other parts of this Preliminary Official Statement, and should not be considered as a complete description of all risks that could affect such payments. Prospective purchasers of the Series 2011 Bonds should analyze carefully the information contained in this Preliminary Official Statement, including the Appendices hereto, and additional information in the form of the complete documents summarized herein, copies of which are available as described in this Preliminary Official Statement.

Market for the Bonds

There can be no assurance that a secondary market for the Series 2011 Bonds will develop or, if developed, that such a market could be sustained. The Underwriter assumes no obligation to establish or maintain such a market and is not obligated to repurchase any of the Series 2011 Bonds at the request of the owner thereof. No rating has been assigned to the Series 2011 Bonds, and the absence of a rating could adversely affect the ability of an owner to sell the Series 2011 Bonds or the price received upon such sale.

Certain Matters Relating to Enforceability

The remedies available upon a default under the Ordinance and the Series 2011 Bonds will, in many respects, be dependent upon judicial actions, which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including the United States Bankruptcy Code, the remedies specified in the Ordinance may not be readily available or may be limited. The various legal opinions to be delivered in connection with the issuance of the Series 2011 Bonds will be expressly subject to the qualification that the enforceability of the Ordinance and the Series 2011 Bonds is limited by bankruptcy, reorganization, insolvency, moratorium and other similar laws affecting the rights of creditors and by the exercise of judicial discretion in appropriate cases.

TAX MATTERS

In the opinion of Bowles Rice McDavid Graff & Love LLP, Charleston, West Virginia, 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 Series 2011 A Bonds [including any original issue discount properly allocable to an owner thereof] is excludable from gross income of the holders thereof for federal income tax purposes and will not be treated as a preference item 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.

The City has designated the Series 2011 A Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b) 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 institution's interest expense allocable to interest on the Series 2011 A Bonds.

The Code imposes certain requirements as a condition to exclusion from gross income of the interest on the Series 2011 A Bonds for federal income tax purposes, including a requirement that the City rebate to the United States Treasury certain arbitrage earnings. The City will covenant or certify that it will comply with all applicable requirements of the Code. Failure of the City to comply with such requirements could result in interest on the Series 2011 A Bonds being included in gross income for federal income tax purposes from the date of issue.

Prospective purchasers of the Series 2011 A Bonds should be aware that ownership of the Series 2011 A 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, certain S corporations with "excess net passive income," foreign corporations subject to the branch profits tax, life insurance companies and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the Series 2011 A Bonds. Bond Counsel does not express any opinion regarding such collateral tax consequences. Prospective purchasers of the Series 2011 A Bonds should consult their tax advisors regarding collateral federal income tax consequences.

In the opinion of Bowles Rice McDavid Graff & Love LLP, Charleston, West Virginia, Bond Counsel, interest on the Series 2011 B Bonds is included in gross income of the owners thereof for federal income tax purposes pursuant to the Code.

Bond Counsel is further of the opinion that under the laws of the State of West Virginia, as presently written and applied, the Series 2011 A Bonds and the Series 2011 B Bonds and the interest thereon are exempt from taxation by the State of West Virginia or any county or municipality thereof.

[Original Issue Premium

"Acquisition Premium" is the excess of the cost of a bond over the stated redemption price of such bond at maturity or, for bonds that have one or more earlier call dates, the amount payable at the next earliest call date. The Series 2011 A Bonds that mature _____ (collectively, the "Premium Bonds") are being initially offered and sold to the public at an Acquisition Premium. For federal income tax purposes, the amount of Acquisition Premium on each bond the interest on which is excludable from gross income for federal income tax purposes ("tax-exempt bonds") must be amortized and will reduce the bondholder's adjusted basis in that bond. However, no amount of amortized Acquisition Premium on tax-exempt bonds may be deducted in determining bondholder's taxable income for federal income tax purposes. The amount of any Acquisition Premium paid on the Premium Bonds, or on any of the Bonds, that must be amortized during any period will be based on the "constant yield" method, using the original bondholder's basis in such bonds and compounding semiannually. This amount is amortized ratably over that semiannual period on a daily basis.

Holders of any Series 2011 A Bonds, including any Premium Bonds, purchased at an Acquisition Premium should consult their own tax advisors as to the actual effect of such Acquisition Premium with respect to their own tax situation and as to the treatment of Acquisition Premium for State of West Virginia tax purposes.

Original Issue Discount

The Series 2011 A Bonds maturing _____ (the "Discount Bonds") are being offered and sold to the public at an original issue discount ("OID") from the amounts payable at maturity thereon. OID is the excess of the stated redemption price of a bond at maturity (the face amount) over the "issue price" of such bond. The issue price is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of bonds of the same maturity are sold pursuant to that initial offering. For federal income tax purposes, OID on each bond will accrue over the term of the bond, and for the Discount Bonds, the amount of accretion will be based on a single rate of interest, compounded semiannually (the "yield to maturity"). The amount of OID that accrues during each semi-annual period will do so ratably over that period on a daily basis. With respect to an initial purchaser of a Discount Bond at its issue price, the portion of OID that accrues during the period that such purchaser owns the Discount Bond is added to such purchaser's tax basis for purposes of determining gain or loss at the maturity, redemption, sale or other disposition of that Discount Bond and thus, in practical effect, is treated as stated interest, which is excludable from gross income for federal income tax purposes.

Holders of Discount Bonds should consult their own tax advisors as to the treatment of OID and the tax consequences of the purchase of such Discount Bonds other than at the issue price during the initial public offering and as to the treatment of OID for State of West Virginia tax purposes.]

APPROVAL OF LEGALITY

Legal matters incident to the authorization, sale and issuance of the Series 2011 Bonds are subject to the unqualified approving opinion of Bowles Rice McDavid Graff & Love LLP, Charleston, West Virginia, Bond Counsel. Bowles Rice McDavid Graff & Love LLP, Martinsburg, West Virginia, as counsel for the City, will pass upon certain legal matters for the City. Steptoe & Johnson PLLC, Charleston, West Virginia, as counsel to the Underwriter, will pass upon certain legal matters for the Underwriter.

ABSENCE OF MATERIAL LITIGATION

There is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court, public board or body, now pending or, to the best knowledge of the 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 effect on the City's financial position or on the validity of the Series 2011 Bonds, the Ordinance or any agreement to which the City is a party and which is a part of the issuance of the Series 2011 Bonds.

NEGOTIABLE INSTRUMENTS

Pursuant to State law, the Series 2011 Bonds are and have all the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia. See "THE SERIES 2011 BONDS - General."

UNDERWRITING

The Series 2011 Bonds are being purchased by the Underwriter named on the cover of this Official Statement. The Purchase Contract provides that the Underwriter will purchase all the Series 2011 Bonds, if any are purchased, at a purchase price equal to the initial public offering

prices set forth on the cover page hereof less an Underwriter's discount of $_____ plus accrued interest. The obligation to make such purchase is subject to the terms and conditions set forth in the Purchase Contract, including the approval of certain legal matters by counsel. The Underwriter may change the initial public offering prices from time to time. The Underwriter may offer and sell Series 2011 Bonds to certain dealers (including dealers depositing Series 2011 Bonds into investment trusts) and certain dealer banks acting as agents at prices lower than the public offering prices stated on the cover page hereof.

FINANCIAL STATEMENTS

Included herein as Appendix B are the audited financial statements of the City as of and for the twelve-month period ended June 30, 2010, dated December 22, 2010, of Cox, Hollida Price LLP, certified public accountants.

CONTINUING DISCLOSURE

The City has agreed in the Ordinance to execute and deliver contemporaneously with the issuance of the Series 2011 Bonds, in accordance with the Continuing Disclosure Certificate, which shall be delivered in substantially the form attached hereto as Appendix D, for the benefit of the Registered Owners of the Series 2011 Bonds to provide certain financial and operating information of the System (the "Annual Information") not later than one hundred fifty (150) days following the end of the fiscal year of the System, commencing in 2012. The Annual Information and each notice of material events will be filed electronically by the City with the Electronic Municipal Markets Access system ("EMMA").

This continuing disclosure obligation is being undertaken by the City to assist the Underwriter in complying with Rule 15c2-12 promulgated by the SEC. The City has agreed to give notice in a timely manner to EMMA of any failure to supply the requested information. However, any such failure will not constitute a default under the terms of the Series 2011 Bonds. Registered Owners may contact the Recorder of the City at 232 North Queen Street, Martinsburg, West Virginia 25401 for more information. Under the Continuing Disclosure Certificate, the sole remedy for such failure is to seek an order for specific performance. See "APPENDIX E – FORM OF CONTINUING DISCLOSURE CERTIFICATE."

RATINGS

Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") is expected to assign the Series 2011 A Bonds an insured rating of "AA-" (stable outlook) based upon the issuance of the municipal bond insurance policy by AGM at the time of delivery of the Bonds.

The Series 2011 B Bonds are not rated.

MISCELLANEOUS

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

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representation of fact. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or owners of any of the Series 2011 Bonds. The City has authorized the execution and distribution of this Official Statement.

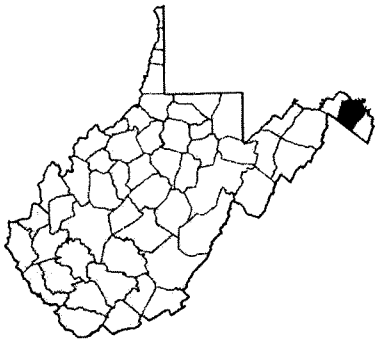
CITY OF MARTINSBURG, WEST VIRGINIA

By: _____
Mayor

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY OF MARTINSBURG AND BERKELEY COUNTY, WEST VIRGINIA

Berkeley County, West Virginia



(Sources for this Appendix are primarily sourced from the latest U.S. Census and the STATS Indiana.)

Berkeley County is located in West Virginia since the state was formed in 1863. The county was originally established in the state of Virginia in 1772. Its county seat is Martinsburg.

The County is part of the Washington-Baltimore metropolitan area and is one of three counties in the Hagerstown-Martinsburg, MD-WV Metropolitan Statistical Area. The County has enjoyed several decades of population growth due to its proximity to the DC area.

Geography

According to the U.S. Census Bureau, the county has a total area of 322 square miles (834 km²), of which 322 square miles is land and 0 square miles (0.14%) is water.

Major highways

- *Interstate 77*
- *U.S. Highway 19*
- *U.S. Highway 52*
- *U.S. Highway 460*
- *West Virginia Route 10*
- *West Virginia Route 20*
- *West Virginia Route 44*
- *West Virginia Route 71*

Adjacent counties

- *Raleigh County (north)*
- *Summers County (northeast)*
- *Giles County, Virginia (east)*
- *Bland County, Virginia (south)*
- *Tazewell County, Virginia (southwest)*
- *McDowell County (west)*
- *Wyoming County (northwest)*

Social Characteristics	Estimate	Percent	U.S.	Margin of Error
Average household size	2.37	(X)	2.60	+/-0.04
Average family size	2.95	(X)	3.19	+/-0.08
Population 25 years and over	43,675			+/-118
High school graduate or higher	(X)	78.5	84.6%	(X)
Bachelor's degree or higher	(X)	16.4	27.5%	(X)
Civilian veterans (civilian population 18 years and over)	5,907	12.2	10.1%	+/-387
With a Disability	(X)	(X)	(X)	(X)
Foreign born	716	1.2	12.4%	+/-177
Male, Now married, except separated (population 15 years and over)	13,258	55.5	52.3%	+/-587
Female, Now married, except separated (population 15 years and over)	12,928	48.2	48.4%	+/-676
Speak a language other than English at home (population 5 years and over)	1,507	2.6	19.6%	+/-281
Household population	60,669			+/-615
Group quarters population	(X)	(X)	(X)	(X)

Economic Characteristics	Estimate	Percent	U.S.	Margin of Error
In labor force (population 16 years and over)	24,204	48.5	65.0%	+/-811
Mean travel time to work in minutes (workers 16 years and over)	22.8	(X)	25.2	+/-1.2
Median household income (in 2009 inflation-adjusted dollars)	31,478	(X)	51,425	+/-1,574
Median family income (in 2009 inflation-adjusted dollars)	41,080	(X)	62,363	+/-1,999
Per capita income (in 2009 inflation-adjusted dollars)	17,943	(X)	27,041	+/-724
Families below poverty level	(X)	16.8	9.9%	+/-1.9
Individuals below poverty level	(X)	23.7	13.5%	+/-1.8

Housing Characteristics	Estimate	Percent	U.S.	Margin of Error
Total housing units	30,323			+/-263
Occupied housing units	25,632	84.5	88.2%	+/-505
Owner-occupied housing units	18,862	73.6	66.9%	+/-557
Renter-occupied housing units	6,770	26.4	33.1%	+/-457
Vacant housing units	4,691	15.5	11.8%	+/-466
Owner-occupied homes	18,862			+/-557
Median value (dollars)	71,200	(X)	185,400	+/-3,223
Median of selected monthly owner costs				
With a mortgage (dollars)	759	(X)	1,486	+/-34
Not mortgaged (dollars)	233	(X)	419	+/-8

ACS Demographic Estimates	Estimate	Percent	U.S.	Margin of Error
Total population	61,451			*****
Male	29,418	47.9	49.3%	+/-120
Female	32,033	52.1	50.7%	+/-120
Median age (years)	41.4	(X)	36.5	+/-0.3
Under 5 years	3,634	5.9	6.9%	+/-54
18 years and over	48,499	78.9	75.4%	+/-91
65 years and over	10,824	17.6	12.6%	+/-57
One race	60,814	99.0	97.8%	+/-163
White	56,647	92.2	74.5%	+/-111
Black or African American	3,515	5.7	12.4%	+/-137
American Indian and Alaska Native	62	0.1	0.8%	+/-53
Asian	410	0.7	4.4%	+/-45
Native Hawaiian and Other Pacific Islander	0	0.0	0.1%	+/-119
Some other race	180	0.3	5.6%	+/-111
Two or more races	637	1.0	2.2%	+/-163
Hispanic or Latino (of any race)	386	0.6	15.1%	*****

Source: U.S. Census Bureau, 2005-2009 American Community Survey
*Explanation of Symbols: '***' - The median falls in the lowest interval or upper interval of an open-ended distribution. A statistical test is not appropriate. '*****' - The estimate is controlled. A statistical test for sampling variability is not appropriate. 'N' - Data for this geographic area cannot be displayed because the number of sample cases is too small. '(X)' - The value is not applicable or not available.*

People QuickFacts	Mercer County	West Virginia
Population, 2010	62,264	1,852,994
Population, percent change, 2000 to 2010	1.1%	2.5%
Population, 2000	62,980	1,808,344
Persons under 5 years old, percent, 2009	5.9%	5.8%
Persons under 18 years old, percent, 2009	21.1%	21.2%
Persons 65 years old and over, percent, 2009	17.1%	15.9%
Female persons, percent, 2009	52.1%	51.0%
White persons, percent, 2010 (a)	91.6%	93.9%
Black persons, percent, 2010 (a)	6.1%	3.4%
American Indian and Alaska Native persons, percent, 2010 (a)	0.2%	0.2%
Asian persons, percent, 2010 (a)	0.5%	0.7%
Native Hawaiian and Other Pacific Islander, percent, 2010 (a)	Z	Z
Persons reporting two or more races, percent, 2010	1.4%	1.5%
Persons of Hispanic or Latino origin, percent, 2010 (b)	0.8%	1.2%
White persons not Hispanic, persons, 2010	91.1%	93.2%
Living in same house 1 year ago, pct 1 yr old & over, 2005-2009	86.7%	87.4%
Foreign born persons, percent, 2005-2009	1.2%	1.3%
Language other than English spoken at home, pct age 5+, 2005-2009	2.5%	2.3%
High school graduates, percent of persons age 25+, 2005-2009	78.5%	81.6%
Bachelor's degree or higher, pct of persons age 25+, 2005-2009	16.4%	17.1%
Veterans, 2005-2009	5,907	171,080
Mean travel time to work (minutes), workers age 16+, 2005-2009	22.8	25.1
Housing units, 2009	30,296	893,771
Homeownership rate, 2005-2009	73.6%	74.3%
Housing units in multi-unit structures, percent, 2005-2009	10.4%	12.2%
Median value of owner-occupied housing units, 2005-2009	$71,200	$91,400
Households, 2005-2009	25,632	746,419
Persons per household, 2005-2009	2.37	2.37
Per capita money income in past 12 months (2009 dollars) 2005-2009	$17,943	$20,891
Median household income, 2009	$32,098	$37,423
Persons below poverty level, percent, 2009	21.3%	17.8%

Business QuickFacts	Mercer County	West Virginia
Private nonfarm establishments, 2008	1,388	39,641[1]
Private nonfarm employment, 2008	19,419	592,022[1]
Private nonfarm employment, percent change 2000-2008	-5.6%	6.1%[1]
Nonemployer establishments, 2008	3,150	90,727
Total number of firms, 2007	3,671	120,395
Black-owned firms, percent, 2007	3.5%	S
American Indian and Alaska Native owned firms, percent, 2007	F	S
Asian-owned firms, percent, 2007	F	1.1%
Native Hawaiian and Other Pacific Islander owned firms, percent, 2007	F	0.0%
Hispanic-owned firms, percent, 2007	S	0.7%
Women-owned firms, percent, 2007	32.8%	28.1%
Manufacturers shipments, 2007 ($1000)	252,489	25,080,573
Merchant wholesaler sales, 2007 ($1000)	D	11,036,467
Retail sales, 2007 ($1000)	765,556	20,535,829
Retail sales per capita, 2007	$12,455	$11,340
Accommodation and food services sales, 2007 ($1000)	85,356	2,553,256
Building permits, 2009	31	2,235
Federal spending, 2008	574,095	18,602,429[1]

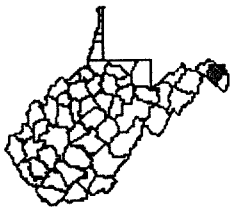
Geography QuickFacts	Mercer County	West Virginia
Land area, 2000 (square miles)	420.43	24,077.73
Persons per square mile, 2010	148.1	77.0
FIPS Code	055	54
Bluefield, WV-VA Micro Area		

1: Includes data not distributed by county.

Overview for Berkeley County, WV

Part of: Hagerstown-Martinsburg MD-WV, Metropolitan Area

STATS Indiana



Berkeley County is one of 55 counties in West Virginia. It has 321.1 sq. miles in land area and a population density of 329.0 per square mile. In the last three decades of the 1900s its population grew by 108.8%. On the 2000 census form, 98.7% of the population reported only one race, with 4.7% of these reporting African-American. The population of this county is 1.5% Hispanic (of any race). The average household size is 2.53 persons compared to an average family size of 2.99 persons.

In 2010 health care and social assistance was the largest of 20 major sectors. It had an average wage per job of $49,658. Per capita income grew by 6.2% between 1999 and 2009 (adjusted for inflation).

People & Income Overview (By Place of Residence)	**Value**	**Rank in State**	**Industry Overview (2010)** (By Place of Work)	**Value**	**Rank in State**
Population (2010)	105,635	2	Covered Employment	28,227	8
Growth (%) since 1990	78.3%	1	Avg wage per job	$38,462	15
Households (2009)	38,157	3	Manufacturing - % all jobs in County	4.8%	35
Labor Force (persons) (2010)	44,737	3	Avg wage per job	$42,798	23
Unemployment Rate (2010)	9.5	34	Transportation & Warehousing - % all jobs in County	0.6%	53
Per Capita Personal Income (2009)	$30,059	23	Avg wage per job	$52,296	6
Median Household Income (2009)	$51,243	3	Health Care, Social Assist. - % all jobs in County	18.9%	8
Poverty Rate (2009)	10.6	54	Avg wage per job	$49,658	3
H.S. Diploma or More - % of Adults 25+ (ACS 2005-2009)	83.8	16	Finance and Insurance - % all jobs in County	2.3%	24
Bachelor's Deg. or More - % of Adults 25+ (ACS 2005-2009)	18.9	8	Avg wage per job	$42,413	6

USA Counties IN Profile provides current federal statistics on a variety of demographic and economic indicators. Read "About the Profile" for the best understanding of the data, ranks and computations. This profile is produced by **STATS Indiana**, a web service of the Indiana Business Research Center at the Indiana University Kelley School of Business. Major support for this effort is provided by the State of Indiana.

Updated: July 11, 2011 at 12:21

Households and Housing for Berkeley County, WV

Part of: Hagerstown-Martinsburg MD-WV, Metropolitan Area

STATS Indiana

Households in 2009	Number	Rank in State	Pct All Hhlds in County	Pct All Hhlds in State
Total Households	38,157	3	100.0%	100.0%
Family Households	25,871	2	67.8%	66.5%
Married with Children	8,574	2	22.5%	18.7%
Married without Children	11,217	4	29.4%	32.8%
Single Parents	3,554	2	9.3%	8.0%
Other	2,526	4	6.6%	7.0%
Non-family Households	12,286	5	32.2%	33.5%
Living Alone	10,027	5	26.3%	28.6%
Average Household Size	2.55	4		
Average Family Household Size	3.17	5		

Source: US Census Bureau, American Community Survey, 2005-2009 5 Year Estimates

Housing Units in 2009	Number	Rank in State	Pct All HU in County	Pct All HU in State
2009 Housing Units (Census Estimate)	44,752	3		
Total Housing Units	42,588	3	100.0%	100.0%
Occupied	38,157	3	89.6%	84.3%
Owner Occupied	28,850	2	67.7%	62.6%
Renter Occupied	9,307	5	21.9%	21.7%
Vacant	4,431	6	10.4%	15.7%
For seasonal or recreational use	1,089	12	2.6%	4.6%

Source: US Census Bureau, American Community Survey, 2005-2009 5 Year Estimates

Residential Building Permits in 2010	Units	Pct Dist. in County	Pct Dist. in State	Cost ($000)
Total Permits Filed	400	100.0%	100.0%	$63,925
Single Family	400	100.0%	75.0%	$63,925
Two Family	0	0.0%	1.2%	$0
Three & Four Family	0	0.0%	3.2%	$0
Five Families and More	0	0.0%	20.6%	$0

Source: US Census Bureau

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Updated: July 11, 2011 at 12:21

Income and Poverty for Berkeley County, WV

Part of: Hagerstown-Martinsburg MD-WV, Metropolitan Area

STATS Indiana

Median Income	Number	Rank in State	Percent of State
Median household income in 2009	$51,243	3	136.9%
Median household income in 2000 (adj. for inflation)	$49,437	3	131.5%
5-year percent change 2000 to 2009	3.7%	10	

Source: US Census Bureau

Per Capita Personal Income	Number	Rank in State	Percent of State
Per capita income - 2009	$30,059	23	93.7%
Per capita income - 1999 (adj. for inflation)	$28,308	10	104.4%
Per capita income - 1989 (adj. for inflation)	$26,867	5	115.9%
Per capita income - 1979 (adj. for inflation)	$22,943	12	105.3%
10-year % change	6.2%	54	
20-year % change	11.9%	55	
30-year % change	31.0%	49	

Source: US Bureau of Economic Analysis

Personal Income in 2009 ($000)	Number	5-Year % Change (adj*)	Rank in % Change
Total Earnings by Place of Work	$1,775,139	6.9%	24
Minus: Contributions for government social insurance	$205,210	-2.8%	17
Personal contributions for government social insurance	$108,606	16.4%	30
Employer contributions for government social insurance	$96,604	-18.0%	10
Plus: Adjustment for residence	$619,850	30.8%	14
Equals: **Net Earnings by Place of Residence**	$2,189,779	13.9%	17
Plus: Dividends, rent, interest	$352,899	23.4%	5
Plus: Transfer payments	$579,034	34.5%	1
Equals: **Personal Income by Place of Residence**	$3,121,712	18.3%	6

Source: US Bureau of Economic Analysis (*adj = Adjusted for Inflation)

Poverty Estimates	Number	Rank in State	5-Year % Change	Rank in % Change
Poverty rate in 2009	10.6	54	--	--
In 2000	10.4	51	1.9%	48
Poverty rate for children under 18 in 2009	15.6	53	--	--
In 2000	15.5	50	0.6%	51

Source: US Census Bureau

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Updated: July 11, 2011 at 12:21

Labor for Berkeley County, WV

Part of: Hagerstown-Martinsburg MD-WV, Metropolitan Area

STATS Indiana

Labor Force Annual Averages in 2010	Number	% of State	State	Rank in State
Total Labor Force	44,737	5.72%	782,340	3
5-year % change	1.8%	-	-2.5%	8
10-year % change	13.0%	-	-3.3%	3
Employed	40,502	5.70%	711,068	3
5-year % change	-4.2%	-	-6.9%	12
10-year % change	6.1%	-	-7.0%	4
Unemployed	4,235	5.94%	71,272	2
5-year % change	153.1%	-	82.6%	2
10-year % change	197.0%	-	61.2%	2
Unemployment Rate	9.5	104.40%	9.1	34
5-year % change	150.0%	-	85.7%	2
10-year % change	163.9%	-	65.5%	5

Source: US Bureau of Labor Statistics

Educational Attainment: ACS 2005-2009	Number	Percent of Population 25+	Rank of % in State	State % of Population 25+
Total Population 25 and Older	66,369	100.0%		100.0%
Less Than 9th Grade	3,203	4.8%	43	6.9%
9th to 12th, No Diploma	7,523	11.3%	34	11.5%
High School Graduate (incl. equiv.)	26,112	39.3%	45	41.4%
Some College, No Degree	12,668	19.1%	11	17.3%
Associate Degree	4,322	6.5%	13	5.7%
Bachelor's Degree	7,927	11.9%	9	10.4%
Graduate, Professional or Doctorate Degree	4,614	7.0%	9	6.7%

Source: US Census Bureau, American Community Survey, 2005-2009 5-Year Estimates

Educational Attainment: Census 2000	Number	Percent of Population 25+	Rank of % in State	State % of Population 25+
Total Population 25 and Older	50,092	100.0%		100.0%
Less Than 9th Grade	4,041	8.1%	41	10.0%
9th to 12th, No Diploma	7,200	14.4%	35	14.8%
High School Graduate (incl. equiv.)	20,223	40.4%	34	39.4%
Some College, No Degree	8,806	17.6%	12	16.6%
Associate Degree	2,262	4.5%	17	4.3%
Bachelor's Degree	4,560	9.1%	12	8.9%
Graduate or Professional Degree	3,000	6.0%	8	5.9%

Source: US Census Bureau

Workers Living in County in 2000	Number	Rank in State	Pct Dist. in County	Rank of Pct Dist.
Total	35,659	5	100.0%	
Working in County	20,031	7	56.2%	32
Working Elsewhere	15,628	1	43.8%	24

Source: US Census Bureau (Includes only domestic commuting for workers over 16 years old.)

People Working in County in 2000	Number	Rank in State	Pct Dist. in County	Rank of Pct Dist.
Total	25,311	8	100.0%	
Living in County	20,031	7	79.1%	13
Living Elsewhere	5,280	10	20.9%	42

Source: US Census Bureau (Includes only domestic commuting for workers over 16 years old.)

Commuting Flows in 2000	Number	Rank in State	Pct Dist.
Gross Flow (Living Elsewhere + Working Elsewhere)	20,908	3	100%
Net Flow (Living Elsewhere - Working Elsewhere)	-10,348	55	
Largest Single Inflow : Jefferson County, WV	1,725		8.3%
Largest Single Outflow :Washington County, MD	4,696		22.5%

Source: US Census Bureau (Includes only domestic commuting for workers over 16 years old.)

USA Counties IN Profile provides current federal statistics on a variety of demographic and economic indicators. Read "About the Profile" for the best understanding of the data, ranks and computations. This profile is produced by **STATS Indiana**, a web service of the Indiana Business Research Center at the Indiana University Kelley School of Business. Major support for this effort is provided by the State of Indiana.

Updated: July 11, 2011 at 12:21

BLS Covered Employment for Berkeley County, WV

Part of: Hagerstown-Martinsburg MD-WV, Metropolitan Area

STATS Indiana

Annual Covered Employment and Wages Over Time (NAICS)	Establishments	Jobs	Average Wage Per Job (*adj)	Rank in State	Pct of State Avg Wage
2010	1,880	28,227	$38,462	16	102.1%
2009	1,876	28,437	$39,495	13	105.3%
2008	1,901	29,661	$38,330	13	105.2%
2007	1,923	29,924	$37,656	14	105.0%
2006	1,889	29,973	$37,513	11	106.0%
2005	1,802	28,743	$37,152	11	106.2%
2004	1,718	28,001	$37,151	10	105.9%
2003	1,664	26,994	$37,107	9	106.9%
2002	1,620	26,583	$36,267	12	104.6%
2001	1,554	26,447	$35,381	15	102.7%
2000	1,531	25,802	$35,390	12	103.8%
10-Year Change	349	2,425	$3,072		
10-Year Percent Change	22.8%	9.4%	8.7%		

Source: US Bureau of Labor Statistics(BLS) ***adj** = Adjusted for Inflation; **D** = Non-Discloseable Data; **N/A** = Not Available; Note: Average wage may not match published numbers due to rounding.

Annual Industry Distribution of Jobs and Avg. Wage in 2010 (NAICS)	Establishments	Jobs	Pct Dist. in County	Annual Average Wage Per Job	Rank in State
Total Covered Employment and Wages	1,880	28,227	100.0%	$38,462	15
Private	1,764	19,748	70.0%	$31,892	32
Agri., forestry, hunting	17	D	D	D	N/A
Mining	1	D	D	D	N/A
Construction	219	914	3.2%	$39,435	20
Manufacturing	47	1,366	4.8%	$42,798	23
Wholesale trade	70	885	3.1%	$45,456	14
Retail trade	257	3,719	13.2%	$22,239	20
Transportation, warehousing	57	170	0.6%	$52,296	6
Utilities	6	D	D	D	N/A
Information	38	1,336	4.7%	$41,241	17
Finance and Insurance	107	641	2.3%	$42,413	6
Real Estate, rental, leasing	85	338	1.2%	$26,932	17
Professional, technical services	176	1,225	4.3%	$51,486	12
Mgmt. of companies, enterprises	12	125	0.4%	$55,622	12
Administrative, waste services	105	1,049	3.7%	$25,803	16
Educational services	45	111	0.4%	$36,742	6
Health care, social assistance	190	5,322	18.9%	$49,658	3
Arts, entertainment, recreation	36	293	1.0%	$19,669	10
Accommodation and food services	184	2,594	9.2%	$13,535	9
Other services, exc. public admin.	169	564	2.0%	$25,085	20
Public administration	60	2,889	10.2%	$64,262	1

Source: US Bureau of Labor Statistics(BLS) **D** = Not shown to avoid disclosure of confidential information. **N/A** = This item is not available. Note: Average wage may not match published numbers due to rounding.

BEA Employment and Earnings for Berkeley County, WV

Part of: Hagerstown-Martinsburg MD-WV, Metropolitan Area

STATS Indiana

BEA Major Sectors (NAICS) in 2009 (by place of work)		Earnings ($000)	Avg Earnings Per Job	Rank in State	Jobs	Pct Dist. in County	Pct Dist. in State
	Total by place of work	$1,775,139	$44,584	9	39,816	100.0%	100.0%
	Wage and Salary	$1,193,545	$38,665	10	30,869	77.5%	81.0%
	Proprietors	$198,582	$22,195	14	8,947	22.5%	19.0%
	Farm	$1,919	$2,597	3	739	1.9%	2.3%
	Nonfarm	$196,663	$23,960	18	8,208	20.6%	16.7%
	Farm	$6,964	$7,816	1	891	2.2%	2.5%
	Nonfarm	$1,768,175	$45,425	10	38,925	97.8%	97.5%
	Private	$1,066,711	$35,583	30	29,978	75.3%	80.1%
	Forestry, fishing, etc. *	D	N/A	N/A	D	D	0.4%
21	Mining	D	N/A	N/A	D	D	4.9%
22	Utilities	D	N/A	N/A	D	D	0.7%
23	Construction	$115,447	$42,491	14	2,717	6.8%	5.5%
31-33	Manufacturing	$94,573	$60,199	17	1,571	3.9%	5.8%
42	Wholesale Trade	$58,909	$53,798	12	1,095	2.8%	2.8%
44-45	Retail Trade	$110,546	$24,847	28	4,449	11.2%	11.6%
48 49	Trans. and warehousing	D	N/A	N/A	D	D	2.7%
51	Information	$70,491	$46,869	11	1,504	3.8%	1.3%
52	Finance and insurance	$39,775	$39,420	11	1,009	2.5%	3.1%
53	Real Estate and rental and leasing	$17,781	$11,479	20	1,549	3.9%	2.7%
54	Professional, technical services	$117,182	$52,360	8	2,238	5.6%	4.2%
55	Management of companies, enterprises	$7,111	$51,529	15	138	0.3%	0.6%
56	Administrative and waste services	$53,699	$26,414	10	2,033	5.1%	4.4%
61	Educational services	$8,606	$23,011	5	374	0.9%	1.3%
62	Health care, social assistance	$200,700	$46,674	7	4,300	10.8%	13.1%
71	Arts, entertainment, and recreation	$10,063	$12,501	24	805	2.0%	1.7%
72	Accommodation and food services	$47,273	$17,444	9	2,710	6.8%	7.4%
81	Other services, exc. public admin.	$60,969	$26,882	13	2,268	5.7%	5.9%
NA	Gov. and gov. enterprises	$701,464	$78,402	1	8,947	22.5%	17.4%

Source: US Bureau of Economic Analysis(BEA)

D = Not shown to avoid disclosure of confidential information, but the estimates for this item are included in the totals.

L = Less than 10 jobs, but the estimates for this item are included in the totals.

N/A = Not available or not applicable.

* = "Other" consists of the number of jobs held by U.S. residents employed by international organizations and foreign embassies and consulates in the United States.

APPENDIX B

FINANCIAL STATEMENTS OF MARTINSBURG

MUNICIPALITY OF MARTINSBURG

Martinsburg, West Virginia

FINANCIAL STATEMENTS

For the year ended June 30, 2010

CoxHollidaPrice LLP
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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Municipality of Martinsburg, West Virginia
SCHEDULE OF FUNDS INCLUDED IN REPORT
June 30, 2010

GOVERNMENTAL FUND TYPES

Major Funds

General
Coal Severance Tax
Tax Increment Financing (TIF) Project

Nonmajor Funds

Code Enforcement
Community Development
Computer System
Crime Prevention
Crown American
Drug Enforcement
Drug Law Enforcement Grant
Economic Development
Fire/EMS
General Development
Hotel Tax
Housing and Urban Development
Market House
Police Levy
Retirement
Shade Tree
Tax Increment Financing
Train Station
Unemployment Compensation

BUSINESS – TYPE FUNDS

Major Funds

Water and Sewer
Sanitation

Nonmajor Funds

Parking System

FIDUCIARY FUND TYPES

Policemen's Pension and Relief
Firemen's Pension and Relief
Other Post Employment Benefits

Municipality of Martinsburg, West Virginia
CITY OFFICIALS
June 30, 2010

Elected Officials:		Term Expires
Mayor	George Karos	06/30/12
City Council		
	Rodney Woods	06/30/12
	Betty Gunnoe	06/30/12
	Roger Lewis	06/30/12
	Max Parkinson	06/30/12
	Dennis Etherington	06/30/12
	Gregg Wachtel	06/30/12
	Richard Yauger	06/30/12
Appointed Officials:		
City Recorder	Sharon Flick	Reappointed annually
City Treasurer	Max Parkinson	Reappointed annually
Police Judge	Steve Kershner	Reappointed annually
Police Judge (Alternate)	David Alter	Reappointed annually
Police Judge (Alternate)	Robert Trumble	Reappointed annually

201 E. Burke Street
Martinsburg, WV 25401
Phone 304.263.0891
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CoxHollidaPrice LLP
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

The Honorable Mayor and Council
Municipality of Martinsburg
Martinsburg, West Virginia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Municipality of Martinsburg, West Virginia (Municipality), as of and for the year ended June 30, 2010, which collectively comprise the Municipality's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Municipality's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Municipality of Martinsburg, West Virginia as of June 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principals generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated December 22, 2010 on our consideration of the Municipality's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis, employees' retirement system and budgetary comparison information on pages 8 through 16, 54 through 55 and 56 through 57, are not a required part of the basic financial statements but are supplemental information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Municipality of Martinsburg, West Virginia's basic financial statements. The introductory section and combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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 also not a required part of the basic financial statements of the Municipality. The combining nonmajor fund financial statements and schedule of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

CoxHollidaPrice LLP

Martinsburg, WV

December 22, 2010

Municipality of Martinsburg, West Virginia
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

Our discussion and analysis of the City of Martinsburg's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2010. Please read it in conjunction with the City's financial statements, which begins on page 17.

FINANCIAL HIGHLIGHTS

The City's net assets increased by $1.1 million as a result of this year's operations. While net assets of our business-type activities increased by $1.2 million, or nearly 4.1 percent, net assets of our governmental activities decreased by $0.1 million as a result of operations, or nearly 0.2 percent.

During the year, the City had expenses for governmental programs that were $11.4 million more than the $5.3 million generated by governmental program revenues, which includes fees for services and intergovernmental aid. This compares to last year when expenses exceeded governmental revenues by $11.5 million. The remaining cost of governmental activities was financed with City taxes, which totaled $10.1 million this year, and other general revenues, which totaled $1.2 million this year.

In the City's business-type activities, revenues increased to $7.4 million while expenses decreased to $6.2 million.

Total cost of the City's programs increased by $0.3 million, or nearly 1.3 percent.

The general fund ended the year with a fund balance of $8.0 million.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 17 through 19) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 20. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the City as a Whole

Our analysis of the City as a whole begins on page 10. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. You can think of the City's net assets—the difference between assets and liabilities—as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's roads to assess the overall health of the City.

USING THIS ANNUAL REPORT (Continued)

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

Governmental activities—Most of the City's basic services are reported here, including the police, fire, public works, and parks departments, and general administration. Property taxes, business and occupation taxes, and state and federal grants finance most of these activities.

Business-type activities—The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer system, its sanitation and recycling program, and its parking facilities are reported here.

Reporting the City's Most Significant Funds

Our analysis of the City's major funds begins on page 13. The fund financial statements begin on page 20 and provide detailed information about the most significant funds—not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds—governmental and proprietary—use different accounting approaches.

Governmental funds—Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.

Proprietary funds—When the City charges customers for the services it provides—whether to outside customers or to other units of the City—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

The City as Trustee

The City is the trustee, or fiduciary, for its employees' pension plans and other post employment benefit plans. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 28 and 29. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE CITY AS A WHOLE

The City's combined net assets increased $1.1 million from a year ago—increasing from $75.4 million to $76.5 million. In contrast, last year net assets increased by $0.2 million. Looking at the net assets and net expenses of governmental and business-type activities separately provides more detail about these changes. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the City's governmental and business-type activities.

Table 1
Net Assets
(in Millions)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	$19.7	$15.2	$11.7	$11.0	$31.4	$26.2
Capital assets	32.8	33.9	37.5	37.8	70.3	71.7
Total assets	52.5	49.1	49.2	48.8	101.7	97.9
Long-term debt outstanding	5.9	2.1	17.3	18.1	23.2	20.2
Other liabilities	0.7	1.0	1.3	1.3	2.0	2.3
Total liabilities	6.6	3.1	18.6	19.4	25.2	22.5
Net assets:						
Invested in capital assets, net of debt	32.8	33.9	19.8	19.4	52.6	53.3
Restricted for debt and construction	3.0	-	3.2	3.3	6.2	3.3
Reserved	0.6	0.6	-	-	0.6	0.6
Unrestricted	9.5	11.5	7.6	6.7	17.1	18.2
Total net assets	$45.9	$46.0	$30.6	$29.4	$76.5	$75.4

Net assets of the City's governmental activities decreased by 0.2 percent ($45.9 million compared to $46.0 million). Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements—decreased from $11.5 million at June 30, 2009, to $9.5 million at the end of this year.

The net assets of our business-type activities increased by 4.1 percent ($30.6 million compared to $29.4 million). This increase, however, cannot be used to make up for any decrease reported in governmental activities. The City generally can only use these net assets to finance the continuing operations of the water and sewer, sanitation, and parking operations.

THE CITY AS A WHOLE (Continued)

Table 2
Changes in Net Assets

(in Millions)	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues						
Program revenues:						
Charges for services	$ 3.5	$ 3.1	$ 7.0	$ 6.7	$10.5	$ 9.8
Operating grants	1.7	1.5	0.0	0.0	1.7	1.5
Capital grants and contributions	0.1	0.1	0.2	0.2	0.3	0.3
General revenues:						
Property taxes	2.0	1.7	0.0	0.0	2.0	1.7
Business and occupation tax	6.8	6.9	0.0	0.0	6.8	6.9
Utility services tax	0.7	0.7	0.0	0.0	0.7	0.7
Other taxes	0.6	0.6	0.0	0.0	0.6	0.6
Other general revenues	1.2	1.1	0.2	0.2	1.4	1.3
Total revenues	16.6	15.7	7.4	7.1	24.0	22.8
Expenses						
Program expenses:						
General government	3.5	3.5	0.0	0.0	3.5	3.5
Public safety	9.8	9.6	0.0	0.0	9.8	9.6
Highways and streets	2.0	2.0	0.0	0.0	2.0	2.0
Culture and recreation	0.5	0.5	0.0	0.0	0.5	0.5
Payments to other entities	0.7	0.5	0.0	0.0	0.7	0.5
Rental operation	0.1	0.1	0.0	0.0	0.1	0.1
Economic development	0.1	0.0	0.0	0.0	0.1	0.0
Interest on long-term debt	0.0	0.0	0.7	0.8	0.7	0.8
Water and sewer	0.0	0.0	4.0	4.2	4.0	4.2
Sanitation and recycling	0.0	0.0	1.3	1.2	1.3	1.2
Parking facilities	0.0	0.0	0.2	0.2	0.2	0.2
Total expenses	16.7	16.2	6.2	6.4	22.9	22.6
Increase in net assets	(0.1)	(0.5)	1.2	0.7	1.1	0.2
Beginning net assets	46.0	46.5	29.4	28.7	75.4	75.2
Ending net assets	$45.9	$46.0	$30.6	$29.4	$76.5	$75.4

The City's total revenues increased by 5.3 percent ($1.2 million). The total cost of all programs and services increased by 1.3 percent ($0.3 million) with no new programs added this year. With total revenues growing more than total expenses this year, the City was able to cover this year's costs. Our analysis below separately considers the operations of governmental and business-type activities.

THE CITY AS A WHOLE (Continued)

Governmental Activities

Revenues for the City's governmental activities increased by 5.7 percent ($0.9 million), while total expenses increased by 3.1 percent ($0.5 million). The factors driving these results include the following:

The City has received an annual entitlement grant under the Community Development Block Grant program since fiscal year 2004. The amount of the grant for this year was $394,543, and next year it is $420,025. City Council has approved a multi-year project for stormwater diversion using approximately $600,000 of these funds, with the City providing additional funds. An additional grant was awarded to the City for stormwater diversion in the amount of $105,460 under the American Recovery and Reinvestment Act (ARRA). Project construction began in 2010 and is expected to be completed by 2011.

The City also secured funding for the HOME Consortium in the Eastern Panhandle of West Virginia. This includes federal funding under the HOME Investment Partnership Program and the American Dream Downpayment Initiative, which has aided in the development of a program to expand affordable housing for area residents. The amount of the grant for this year was $574,987, and next year it is $572,939.

In October 2005, the City elected to participate in the West Virginia Public Employees Retirement System (PERS). PERS members are required to contribute 4.5% of their salary and the City 11% of the covered payroll. Effective July 1, 2010, the City's contribution rate increases to 12.5%. Although the City has incurred additional costs, City Council believes participation in PERS is an attractive benefit for the City's current and future employees.

During 2009, the City hired six additional employees in the fire department under the Staffing for Adequate Fire and Emergency Response (SAFER) program. Under this program, the City receives funding from the Department of Homeland Security over five years to pay a portion of their salaries and benefits. The percentage of federal funding decreases each year until the fifth year, when there is no federal funding, and the City pays all of the costs.

Effective July 1, 2008, the City adopted the provisions of GASB No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Previously, the expense for post employment health care benefits were recognized as the City paid the premiums. However, in accordance with the provisions of GASB No. 45, an additional long-term liability and expense of approximately $0.7 million is recorded in governmental activities each year to recognize the cost of providing these other post employment benefits (OPEB).

In June 2010, the City issued Tax Increment Financing (TIF) Revenue Bonds in the amount of $3.1 million to fund a portion of the North Martinsburg Access Project. The project includes the design and construction of streets, improvements, and other infrastructure located within the City's development district, which is centered along the locations for the Raleigh Street extension and Lutz Avenue. The bond issue is secured by the incremental property tax revenues generated within the development district.

THE CITY AS A WHOLE (Continued)

Governmental Activities (Continued)

The cost of all governmental activities this year was $16.7 million compared to $16.2 million last year. However, as shown in the Statement of Activities on page 19, the amount that our taxpayers ultimately financed for these activities through City taxes was only $10.1 million because some of the cost was paid by those who directly benefited from the programs ($3.5 million) or by other governments and organizations that subsidized certain programs with grants and contributions ($1.8 million). Overall, the City's governmental program revenues, including intergovernmental aid and fees for services, increased in 2010 from $4.7 million to $5.3 million. The City paid for the remaining "public benefit" portion of governmental activities with $10.1 million in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and miscellaneous revenue.

Business-type Activities

Revenues of the City's business-type activities (see Table 2) increased by 4.2 percent ($7.4 million in 2010 compared to $7.1 million in 2009) and expenses decreased by 3.1 percent ($6.2 million in 2010 compared to $6.4 million in 2009). The factors driving these results include:

Effective July 1, 2009, City Council approved an ordinance to increase rates for both standard and dumpster collections of garbage by the City in order to make the service self-supporting. All of the City's activities related to its sanitation and recycling program are reported with business-type activities in the Sanitation Fund to comply with the definition of an enterprise fund contained in GASB Statement No. 34.

As discussed previously, the City has elected to participate in the West Virginia Public Employees Retirement System (PERS). PERS members can elect to purchase prior service years at any time. When this occurs, the City must pay the employer's share for those years occurring after December 31, 1988. While there were no payments this year for prior service years, approximately $3,000 was paid from proprietary funds last year for the purchase of prior service years. Although the City has incurred additional costs with these measures, City Council believes these changes will allow for greater retention and attraction of employees.

THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on page 20) reported a combined fund balance of $18.8 million, which exceeds last year's total of $14.1 million. The primary reasons for the increase in combined fund balance mirror the governmental activities analysis highlighted on page 12. In addition, these other items about the governmental funds should be noted:

The City has provided funding in the amount of $750,000 for expansion of the Berkeley 2000 recreation center. The City is utilizing a portion of its hotel tax collections over several years to cover the cost of this project. In 2007, $100,000 was paid from the Hotel Tax Fund toward this project. In addition, advances totaling $650,000 were made from the General Development Fund to pay for construction costs as they were incurred. These advances will be repaid from the Hotel Tax Fund as future hotel tax collections are made. Repayments began in 2008 and will continue until the total amount of these advances has been repaid.

THE CITY'S FUNDS (Continued)

General Fund Budgetary Highlights

Over the course of the year, the City Council revised the City budget several times. These budget amendments fall into several categories. The first category includes amendments that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in March 2009). The second category includes changes that the Council made during the year for any additional grants received after the budget was prepared. In addition, the Council revised the budget to take into account certain revenues that exceeded the original estimated amounts and other revenues that were less than the original estimated amounts. Finally, the Council approved several increases in appropriations to prevent budget overruns.

Even with these adjustments, the actual charges to appropriations (expenditures) were $5.5 million below the final budget amounts. This variance can be attributed to several departments that were not fully staffed during the year, as well as approved equipment purchases, street paving, and other projects that were not completed at the end of the year. There were also several grant programs included in the budget which were not completed by the end of the year.

On the other hand, resources available for appropriation were $0.7 million above the final budgeted amount. The majority of this variance came from fees charged for building permits and business and occupation tax, which were greater than expected because a developer forfeited incentives related to the City's economic development program when the property was sold this year. Fees for building permits were also greater than budgeted because a substantial building project was begun in the City before the end of the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the City had $70.3 million invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, and water and sewer lines. (See Table 3 below.) This amount represents a net decrease (including additions and deductions) of $1.4 million, or 2.0 percent, below last year.

Table 3
Capital Assets at Year-end
(Net of Depreciation, in Millions)

	Governmental Activities		Business-type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Land	$ 1.4	$ 1.4	$ 0.6	$ 0.6	$ 2.0	$ 2.0
Buildings and improvements	8.9	9.1	36.5	36.9	45.4	46.0
Equipment	3.3	3.7	0.4	0.3	3.7	4.0
Infrastructure	19.2	19.7	0.0	0.0	19.2	19.7
Totals	$32.8	$33.9	$37.5	$37.8	$70.3	$71.7

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Capital Assets (Continued)

This year's major additions included (in millions):

Sidewalk improvements and lighting on John Street, paid for with a federal grant and matching funds from the City	$ 0.1
Computer equipment for use in the police department, paid for with City funds	$ 0.1
Stormwater diversion project, paid for with Community Development Block Grant and American Recovery and Reinvestment Act (ARRA) funds	$ 0.1

Debt

At year-end, the City had $20.8 million in bonds and notes outstanding versus $18.4 million last year—an increase of 13.0 percent—as shown in Table 4.

Table 4
Outstanding Debt at Year-end
(in Millions)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenue bonds and notes (backed by specific fee revenues)	$ 3.1	$ 0.0	$17.7	$18.4	$20.8	$18.4

With respect to governmental activities, the debt resulted from issuing Tax Increment Financing (TIF) revenue bonds for capital improvements within the City's development district. These bonds are secured by the incremental property tax revenues generated within the development district.

With respect to business-type activities, the debt resulted mainly from issuing revenue bonds for the construction of two water filtration plants and other water system improvements. These bonds are secured by revenues derived from the combined water and sewer system.

Other obligations include accrued vacation pay and sick leave of $1.8 million and a net OPEB obligation of $1.4 million at June 30, 2010. More detailed information about the City's long-term liabilities is presented in the notes to the financial statements.

ECONOMIC FACTORS

The City's elected and appointed officials considered many factors when setting the fiscal-year 2010 budget, tax rates, and fees that will be charged for the business-type activities. One of those factors is the economy. The City's population growth during 1990–2000 averaged annual gains of .64 percent. Berkeley County's population growth during 1970-2000 averaged annual gains of 2.78 percent. The County's increasing population has a direct impact on the City's economic growth.

ECONOMIC FACTORS (Continued)

Recently the City of Martinsburg has been recognized as its own metropolitan area separate from the Washington, DC/Baltimore, MD area. Therefore, it receives an annual entitlement grant of approximately $400,000 under the Community Development Block Grant program. Recent developments in infrastructure improvements (water, sewer and highways) and growth through annexation (most recently 740 acres of commercially zoned property) will allow the City the potential to continue to grow economically. The City is experiencing economic growth due to its proximity to the Washington, DC/Baltimore, MD area, yet offers the benefits of small town living.

In November 2002 the residents of the State of West Virginia approved the use of Tax Increment Financing (TIF) which will be a useful tool in helping to fund future economic development. The State approved the City's application for Tax Increment Financing to fund a portion of the project to extend Raleigh Street in the City, which would encourage development in that area and expand the City's tax base. In 2010, the City issued TIF bonds in the amount of $3,100,000 to begin the project.

In June 2008 the citizens of Martinsburg in a special election renewed the excess levy for five years to continue additional funding for the police department. In addition, the City received a COPS Grant in the amount of $150,000 under the Universal Hiring Program and a Transportation Enhancement Grant in the amount of $149,600 for sidewalk improvements. The City has also been awarded a grant to hire two additional police officers beginning next year under the COPS Hiring Recovery Program. The amount of this grant is $357,074 over a three-year period.

The City has also been awarded several grants to fund other future projects. They include a Transportation Enhancement Grant in the amount of $300,000 for town square improvements. An additional grant has been awarded to the City for town square improvements in the amount of $329,000 under the American Recovery and Reinvestment Act 2009 (ARRA). The City was also awarded a $400,000 grant to renovate an existing bridge within the City. The City has already provided 20 percent matching funds for each of these grants. Another ARRA grant in the amount of $77,100 was awarded to improve energy efficiency at City Hall.

Although the economy has slowed down, the City of Martinsburg is very optimistic about its potential for economic growth in the future. The increasing population, infrastructure improvements, annexation, TIF, and procurement of grants and other funding sources are all positive indicators for economic recovery and continued growth in the City of Martinsburg.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Director at City Hall, 232 North Queen Street, Martinsburg, West Virginia.

Municipality of Martinsburg, West Virginia
STATEMENT OF NET ASSETS
June 30, 2010

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
ASSETS			
Current:			
Cash	$ 13,384,305	$ 4,060,420	$ 17,444,725
Receivables, net of allowances:			
Taxes	2,015,438	-	2,015,438
Accounts	583,553	1,027,494	1,611,047
Other	114,903	43	114,946
Internal balances	7,260	(7,260)	-
Due from:			
Other governments	490,017	1,633	491,650
Inventory, at cost	-	69,542	69,542
Prepaid expenses:			
Deposits	-	16,475	16,475
Net investment in direct financing lease	-	22,607	22,607
Total current assets	16,595,476	5,190,954	21,786,430
Restricted:			
Reserved for bond retirement	91,899	2,037,445	2,129,344
Reserved for depreciation	-	2,289,735	2,289,735
Reserved for construction	2,991,267	123,067	3,114,334
Reserved for capital improvements	-	1,034,153	1,034,153
Total restricted assets	3,083,166	5,484,400	8,567,566
Capital assets:			
Land	1,402,767	594,644	1,997,411
Buildings and improvements	12,172,717	503,866	12,676,583
Machinery and equipment	7,646,178	1,506,918	9,153,096
Infrastructure	36,107,227	-	36,107,227
Transmission and distribution plant	-	30,794,037	30,794,037
Treatment and disposal plant	-	16,717,331	16,717,331
Construction in progress	118,755	262,234	380,989
Less: accumulated depreciation	(24,668,032)	(12,878,118)	(37,546,150)
Net capital assets	32,779,612	37,500,912	70,280,524
Other:			
Unamortized bond discount	109,000	207,757	316,757
Net investment in direct financing lease	-	805,005	805,005
Total assets	$ 52,567,254	$ 49,189,028	$ 101,756,282

The accompanying notes are an integral part of this statement.

Municipality of Martinsburg, West Virginia
STATEMENT OF NET ASSETS (CONTINUED)
June 30, 2010

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
LIABILITIES AND NET ASSETS			
Liabilities:			
Current liabilities (payable from current assets):			
Accounts payable	$ 291,643	$ 151,388	$ 443,031
Compensated absences	70,000	15,000	85,000
Deferred license fees and deposits	52,400	-	52,400
Other accrued expenses	298,820	144,781	443,601
Total current liabilities (payable from current assets)	712,863	311,169	1,024,032
Current liabilities (payable from restricted assets):			
Revenue bonds payable	-	772,588	772,588
Accrued revenue bond/note interest payable	-	188,535	188,535
Construction accounts payable	38,722	24,807	63,529
Total current liabilities (payable from restricted assets)	38,722	985,930	1,024,652
Long-term liabilities (net of current portion):			
Compensated absences	1,332,123	369,039	1,701,162
Net OPEB obligation	1,431,586	-	1,431,586
Revenue bonds payable	3,100,000	16,914,399	20,014,399
Total long-term liabilities	5,863,709	17,283,438	23,147,147
Total liabilities	6,615,294	18,580,537	25,195,831
Net Assets:			
Invested in capital assets, net of related debt	32,779,612	19,813,925	52,593,537
Restricted for debt and construction	3,056,819	3,194,665	6,251,484
Reserved for long-term loans receivable	70,348	-	70,348
Reserved for compensated absences	488,264	-	488,264
Reserved for claims	78,334	-	78,334
Unrestricted	9,478,583	7,599,901	17,078,484
Total net assets	45,951,960	30,608,491	76,560,451
Total liabilities and net assets	$ 52,567,254	$ 49,189,028	$ 101,756,282

The accompanying notes are an integral part of this statement.

Municipality of Martinsburg, West Virginia
STATEMENT OF ACTIVITIES
For the year ended June 30, 2010

		PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL
Governmental activities:							
General government	$ 3,493,096	$ 409,456	$ 926,490	$ -	$ (2,157,150)	$	$ (2,157,150)
Public safety	9,786,510	3,013,835	680,553	15,840	(6,076,282)		(6,076,282)
Highways and streets	2,025,124	-	-	85,764	(1,939,360)		(1,939,360)
Culture and recreation	453,817	-	-	-	(453,817)		(453,817)
Payments to other entities	652,029	-	45,776	-	(606,253)		(606,253)
Rental operation	143,011	70,449	-	-	(72,562)		(72,562)
Benefit payments	1,386				(1,386)		(1,386)
Economic development	81,074	-	-	-	(81,074)		(81,074)
Total governmental activities	16,636,047	3,493,740	1,652,819	101,604	(11,387,884)		(11,387,884)
Business-type activities:							
Water and sewer	4,711,008	5,157,059	-	151,249		597,302	597,302
Sanitation and recycling	1,336,794	1,733,443	-	-		396,649	396,649
Parking systems	173,670	166,172	-	-		(7,498)	(7,498)
Total business-type activities	6,221,470	7,056,674	-	151,249		986,453	986,453
Total entity	$ 22,857,517	$ 10,550,414	$ 1,652,819	$ 252,853	(11,387,884)	986,453	(10,401,431)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					2,025,690		2,025,690
Business and occupation tax					6,779,361		6,779,361
Alcoholic beverages tax					125,704		125,704
Utility services tax					698,950		698,950
Coal severance tax					73,596		73,596
Other taxes					369,528		369,528
Investment earnings					275,944	205,892	481,836
Miscellaneous					970,865		970,865
Gain on disposition of capital assets					8,813	2,250	11,063
Total general revenues					11,328,451	208,142	11,536,593
Change in net assets					(59,433)	1,194,595	1,135,162
Total net assets at beginning of year					46,011,393	29,413,896	75,425,289
Total net assets at end of year					$ 45,951,960	$ 30,608,491	$ 76,560,451

The accompanying notes are an integral part of this statement

Municipality of Martinsburg, West Virginia
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2010

	GENERAL FUND	COAL SEVERANCE TAX	TAX INCREMENT FINANCING (TIF) PROJECT	OTHER GOVERNMENTAL FUNDS	TOTALS
ASSETS					
Current:					
Cash	$ 6,244,808	$ 260,878	$ -	$ 6,878,619	$ 13,384,305
Receivables, net of allowances:					
Taxes	1,823,722	-	-	159,175	1,982,897
Accounts	62,606	-	-	520,947	583,553
Other	109,270	-	80	5,553	114,903
Due from:					
Other funds	93,078	-	-	406,400	499,478
Other governments	376,183	20,285	-	93,549	490,017
Total current assets	8,709,667	281,163	80	8,064,243	17,055,153
Restricted:					
Reserved for bond retirement	-	-	-	91,899	91,899
Reserved for construction	-	-	2,991,267	-	2,991,267
Total restricted assets	-	-	2,991,267	91,899	3,083,166
Total assets	8,709,667	281,163	2,991,347	8,156,142	20,138,319
LIABILITIES AND FUND EQUITY					
Liabilities:					
Current liabilities (payable from current assets):					
Accounts payable	240,780	-	-	50,863	291,643
Compensated absences	70,000	-	-	-	70,000
Deferred taxes, license fees and deposits	87,354	-	-	34,979	122,333
Other accrued expenses	272,960	-	-	25,860	298,820
Due to other funds	24,958	-	-	467,260	492,218
Total current liabilities (payable from current assets)	696,052	-	-	578,962	1,275,014
Current liabilities (payable from restricted assets):					
Construction accounts payable	-	-	38,722	-	38,722
Total liabilities	696,052	-	38,722	578,962	1,313,736
Fund balances:					
Reserved for debt and construction	-	-	2,952,625	104,194	3,056,819
Reserved for long-term loans receivable	-	-	-	70,348	70,348
Reserved for compensated absences	-	-	-	488,264	488,264
Reserved for claims	-	-	-	78,334	78,334
Unreserved	8,013,615	281,163	-	6,836,040	15,130,818
Total fund balances	8,013,615	281,163	2,952,625	7,577,180	18,824,583
Total liabilities and fund balances	$ 8,709,667	$ 281,163	$ 2,991,347	$ 8,156,142	

Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	32,779,612
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	211,474
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(5,863,709)
Net assets of governmental activities	$ 45,951,960

The accompanying notes are an integral part of this statement.

Municipality of Martinsburg, West Virginia
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the year ended June 30, 2010

	GENERAL FUND	COAL SEVERANCE TAX	TAX INCREMENT FINANCING (TIF) PROJECT	OTHER GOVERNMENTAL FUNDS	TOTALS
Revenues:					
Taxes (including interest and penalties)	$ 9,836,988	$ 71,326	$ -	$ 1,539,462	$ 11,447,776
Licenses and permits	409,456	-	-	-	409,456
Intergovernmental:					
Federal	1,272,021	-	-	103,889	1,375,910
State	378,516	-	-	-	378,516
Local	-	-	-	-	-
Charges for services	693,107	-	-	506,828	1,199,935
Fines and forfeits	400,785	-	-	-	400,785
Rent received	-	-	-	70,449	70,449
Interest	127,927	5,048	346	142,623	275,944
Miscellaneous	932,169	-	1	56,821	988,991
Total revenues	14,050,969	76,374	347	2,420,072	16,547,762
Expenditures:					
General government	3,354,777	-	-	44,819	3,399,596
Public safety	7,291,720	-	-	1,539,900	8,831,620
Highways and streets	1,313,439	-	-	118,438	1,431,877
Culture and recreation	348,921	-	-	-	348,921
Payments to other entities	361,138	7,025	-	257,250	625,413
Airport	26,616	-	-	-	26,616
Rental operation	-	-	-	75,505	75,505
Benefit payments	-	-	-	1,386	1,386
Economic development	-	-	38,722	42,354	81,076
Debt service:					
Bond issuance costs	-	-	109,000	-	109,000
Total expenditures	12,696,611	7,025	147,722	2,079,652	14,931,010
Excess (deficiency) of revenues over expenditures:	1,354,358	69,349	(147,375)	340,420	1,616,752
Other financing sources (uses):					
Operating transfers in	-	-	-	378,170	378,170
Operating transfers (out)	(378,170)	-	-	-	(378,170)
Bonds issued	-	-	3,100,000	-	3,100,000
Total other financing sources (uses)	(378,170)	-	3,100,000	378,170	3,100,000
Net change in fund balance	976,188	69,349	2,952,625	718,590	4,716,752
Fund balance at beginning of year	7,037,427	211,814	-	6,858,590	14,107,831
Fund balance at end of year	$ 8,013,615	$ 281,163	$ 2,952,625	$ 7,577,180	$ 18,824,583

The accompanying notes are an integral part of this statement.

Municipality of Martinsburg, West Virginia
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the year ended June 30, 2010

Net change in fund balances - total governmental funds		$ 4,716,752
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlays	$ 549,707	
Depreciation expense	(1,679,754)	
Amount depreciation expense exceeds capital outlays in the current period.		(1,130,047)
In the statement of activities, only the gain or loss on the disposition of capital assets is reported, whereas in the governmental funds, the proceeds from the disposition of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets, less accumulated depreciation.		(9,314)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds. Deferred revenues increased by this amount in the current period.		38,168
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of log-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		(2,991,000)
Expenses in the statement of activities that do not require the use of current financial resources are not reported as expenditures in governmental funds. Long-term liabilities increased by this amount in the current period for these items.		(683,992)
Change in net assets of governmental activities		$ (59,433)

The accompanying notes are an integral part of this statement.

Municipality of Martinsburg, West Virginia
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
June 30, 2010

	Water and Sewer	Sanitation	Parking System	Total
ASSETS				
Current:				
Cash	$ 2,866,258	$ 669,328	$ 524,834	$ 4,060,420
Receivables, net of allowances:				
Accounts	788,383	222,644	16,467	1,027,494
Other	43	-	-	43
Due from other governments	602	1,031	-	1,633
Inventory, at cost	69,542	-	-	69,542
Prepaid expenses:				
Deposits	16,475	-	-	16,475
Net investment in direct financing lease	22,607	-	-	22,607
Total current assets	3,763,910	893,003	541,301	5,198,214
Restricted:				
Reserved for bond retirement	2,037,445	-	-	2,037,445
Reserved for depreciation	2,289,735	-	-	2,289,735
Reserved for construction	123,067	-	-	123,067
Reserved for capital improvements	1,034,153	-	-	1,034,153
Total restricted assets	5,484,400	-	-	5,484,400
Capital Assets:				
Land	81,445	7,000	506,199	594,644
Buildings and improvements	-	335,305	168,561	503,866
Machinery and equipment	-	1,319,929	186,989	1,506,918
Transmission and distribution	30,794,037	-	-	30,794,037
Treatment and disposal plant	16,717,331	-	-	16,717,331
Construction in progress	262,234	-	-	262,234
Less: accumulated depreciation	(11,499,843)	(1,090,106)	(288,169)	(12,878,118)
Net capital assets	36,355,204	572,128	573,580	37,500,912
Other:				
Unamortized bond discount	207,757	-	-	207,757
Net investment in direct financing lease	805,005	-	-	805,005
Total assets	$ 46,616,276	$ 1,465,131	$ 1,114,881	$ 49,196,288

The accompanying notes are an integral part of this statement.

Municipality of Martinsburg, West Virginia
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS (CONTINUED)
June 30, 2010

	Water and Sewer	Sanitation	Parking System	Total
LIABILITIES AND NET ASSETS				
Liabilities:				
Current liabilities (payable from current assets):				
Accounts payable	$ 102,381	$ 47,833	$ 1,174	$ 151,388
Compensated absences	10,000	5,000	-	15,000
Other accrued expenses	115,882	26,021	2,878	144,781
Due to other funds	5,818	-	1,442	7,260
Total current liabilities (payable from current assets)	234,081	78,854	5,494	318,429
Current liabilities (payable from restricted assets):				
Revenue bonds payable	772,588	-	-	772,588
Accrued revenue bond/note interest payable	188,535	-	-	188,535
Construction accounts payable	24,807	-	-	24,807
Construction account due to other funds	-	-	-	-
Total current liabilities (payable from restricted assets)	985,930	-	-	985,930
Long-term liabilities (net of current portion):				
Compensated absences	235,739	131,388	1,912	369,039
Revenue bonds payable	16,914,399	-	-	16,914,399
Total long-term liabilities	17,150,138	131,388	1,912	17,283,438
Total liabilities	18,370,149	210,242	7,406	18,587,797
Net assets:				
Invested in capital assets, net of related debt	18,668,217	572,128	573,580	19,813,925
Restricted for debt and construction	3,194,665	-	-	3,194,665
Unrestricted	6,383,245	682,761	533,895	7,599,901
Total net assets	28,246,127	1,254,889	1,107,475	30,608,491
Total liabilities and net assets	$ 46,616,276	$ 1,465,131	$ 1,114,881	$ 49,196,288

The accompanying notes are an integral part of this statement.

Municipality of Martinsburg, West Virginia
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - PROPRIETARY FUNDS
For the year ended June 30, 2010

	Water and Sewer	Sanitation	Parking System	Total
OPERATING REVENUES:				
Charges for services:				
Sales and services to customers	$ 5,062,194	$ 1,733,398	$ -	$ 6,795,592
Meters and permits	-	-	125,927	125,927
Fines and penalties	-	-	39,759	39,759
Miscellaneous	94,865	2,295	486	97,646
Total operating revenues	5,157,059	1,735,693	166,172	7,058,924
OPERATING EXPENSES:				
Personnel services	1,984,572	687,580	145,562	2,817,714
Contractual services	103,157	1,595	4,625	109,377
Materials and supplies	299,387	485,987	5,116	790,490
Utilities	404,827	11,533	4,125	420,485
Depreciation	741,908	68,813	9,534	820,255
Maintenance	202,472	46,236	1,173	249,881
General and administrative	242,005	35,050	3,535	280,590
Total operating expenses	3,978,328	1,336,794	173,670	5,488,792
Operating income (loss)	1,178,731	398,899	(7,498)	1,570,132
Nonoperating revenues (expenses):				
Interest income	176,460	18,562	10,870	205,892
Interest expense and fiscal charges	(716,460)	-	-	(716,460)
Amortization expense	(16,218)	-	-	(16,218)
Total nonoperating revenue (expenses)	(556,218)	18,562	10,870	(526,786)
Income (loss) before contributed capital	622,513	417,461	3,372	1,043,346
Contributed capital	151,249	-	-	151,249
Change in net assets	773,762	417,461	3,372	1,194,595
Total net assets at beginning of year	27,472,365	837,428	1,104,103	29,413,896
Total net assets at end of year	$ 28,246,127	$ 1,254,889	$ 1,107,475	$ 30,608,491

The accompanying notes are an integral part of this statement.

Municipality of Martinsburg, West Virginia
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the year ended June 30, 2010

	Water and Sewer	Sanitation	Parking System	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	$ 5,104,252	$ 1,674,913	$ 160,512	$ 6,939,677
Cash payments for goods and services	(1,250,507)	(584,763)	(19,701)	(1,854,971)
Cash payments for employee services	(2,023,764)	(678,330)	(143,067)	(2,845,161)
Net cash provided (used) by operations	1,829,981	411,820	(2,256)	2,239,545
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets	(362,942)	(129,267)	-	(492,209)
Proceeds from disposition of capital assets	-	2,250	-	2,250
Principal paid on revenue bonds and long-term notes	(754,855)	-	-	(754,855)
Decrease in bond retirement reserve	107,261	-	-	107,261
Interest paid on revenue bonds	(720,903)	-	-	(720,903)
Lease payments received	21,492	-	-	21,492
Contributed capital	151,249	-	-	151,249
Net cash used by capital and related financing activities	(1,558,698)	(127,017)	-	(1,685,715)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on cash and investments	176,460	18,562	10,870	205,892
Net cash provided by investing activities	176,460	18,562	10,870	205,892
Net increase (decrease) in cash and cash equivalents	447,743	303,365	8,614	759,722
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	5,865,470	365,963	516,220	6,747,653
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 6,313,213	$ 669,328	$ 524,834	$ 7,507,375

The accompanying notes are an integral part of this statement.

Municipality of Martinsburg, West Virginia
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (CONTINUED)
For the year ended June 30, 2010

	Water and Sewer	Sanitation	Parking System	Total
Operating income (loss)	$ 1,178,731	$ 398,899	$ (7,498)	$ 1,570,132
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	741,908	68,813	9,534	820,255
Proceeds from disposition of capital assets	-	(2,250)	-	(2,250)
Decrease (increase) in accounts receivable	(51,590)	(58,530)	(5,602)	(115,722)
Decrease (increase) in due from other governments	672	1,006	-	1,678
Decrease in inventory	2,084	-	-	2,084
Decrease in prepaid expenses and deposits	150	-	-	150
Increase (decrease) in accounts payable	(1,565)	(5,368)	(1,127)	(8,060)
Increase in other accrued expenses	2,995	1,131	583	4,709
Increase (decrease) in due to other funds	(1,217)	-	(58)	(1,275)
Increase (decrease) in compensated absences	(42,187)	8,119	1,912	(32,156)
Net cash provided (used) by operating activities	$ 1,829,981	$ 411,820	$ (2,256)	$ 2,239,545

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Noncash investing, capital, and financing transactions:				
Construction of capital assets financed by accounts payable	$ 24,807	$ -	$ -	$ 24,807

The accompanying notes are an integral part of this statement.

Municipality of Martinsburg, West Virginia
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2010

	Policemen's Pension and Relief	Firemen's Pension and Relief	Other Post Employment Benefits	Total
ASSETS				
Cash	$ 516,246	$ 201,257	$ 204,158	$ **921,661**
Investments	4,553,350	1,628,191	-	**6,181,541**
Total assets	$ 5,069,596	$ 1,829,448	$ 204,158	$ **7,103,202**
LIABILITIES AND NET ASSETS				
Liabilities:	$ -	$ -	$ -	$ -
Net assets:				
Net assets held in trust for pension benefits and other purposes	5,069,596	1,829,448	204,158	**7,103,202**
Total liabilities and net assets	$ 5,069,596	$ 1,829,448	$ 204,158	$ **7,103,202**

The accompanying notes are an integral part of this statement.

Municipality of Martinsburg, West Virginia
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
For the year ended June 30, 2010

	Policemen's Pension and Relief	Firemen's Pension and Relief	Other Post Employment Benefits	Total
ADDITIONS:				
Contributions:				
Employer	$ 340,893	$ 413,488	$ 100,000	$ 854,381
Plan members	200,625	144,475	-	345,100
Insurance premium tax allocation	361,435	291,979	-	653,414
Total contributions	902,953	849,942	100,000	1,852,895
Investment income:				
Net depreciation in fair value of investments	368,220	171,261	-	539,481
Interest	117,374	40,208	2,842	160,424
Total investment income (loss)	485,594	211,469	2,842	699,905
Total additions	1,388,547	1,061,411	102,842	2,552,800
DEDUCTIONS:				
Benefits	766,528	905,381	-	1,671,909
Administrative expense	30,475	16,850	-	47,325
Total deductions	797,003	922,231	-	1,719,234
Change in net assets	591,544	139,180	102,842	833,566
Net assets held in trust for pension benefits and other purposes:				
Beginning of year	4,478,052	1,690,268	101,316	6,269,636
End of year	$ 5,069,596	$ 1,829,448	$ 204,158	$ 7,103,202

The accompanying notes are an integral part of this statement.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Municipality of Martinsburg, West Virginia (Municipality) is a charter city in which citizens elect the mayor at large and seven council members. The Municipality engages in a comprehensive range of services, including general government administration, public safety and administration of justice, water and sewer services, sanitation, transportation, planning, community development and recreation, cultural and historic activities.

The accounting policies and the presentation of the financial report of the Municipality have been designed to conform to the generally accepted accounting principles as applicable to government units, in accordance with the Governmental Accounting Standards Board (GASB). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so.

The Municipality follows the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* for financial reporting. Certain significant components of the Statement include the following:

A Management Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations.

Financial statements prepared using full accrual accounting for all of the City's activities, including infrastructure.

Fund financial statements that focus on major funds.

The City elected to implement the general provisions of the Statement beginning July 1, 2002. As permitted by GASB No. 34, infrastructure assets acquired prior to that date were not reported until July 1, 2006.

These financial statements present all fund types of the Municipality and its component unit. This blended component unit, although a legally separate entity, is in substance part of the Municipality's operations. The Martinsburg Parking Authority is reported as a blended component unit as an enterprise fund.

Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the Municipality as a whole) and fund financial statements. Under this reporting model, the focus is on both the Municipality as a whole and the fund financial statements, including the major funds of the governmental and business - type categories, as well as the fiduciary funds, (by fund type) and the component units. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the government - wide Statement of Net Assets, both the governmental and business - type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected in a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements (Continued)

The government - wide Statement of Activities reflects both the gross and net cost per functional category (general government, public safety, highways and streets, culture and recreation, etc.) that are otherwise being supported by general government revenues (property, business and occupation taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants and contributions. The program revenues must be directly associated with the function (general government, public safety, highways and streets, culture and recreation, etc.) or a business - type activity. Program revenues include 1) charges to customers for applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported as general revenues. The operating grants include operating - specific and discretionary (either operating or capital) grants while the capital grants column reflects capital - specific grants and contributions.

In the fund financial statements, financial transactions and accounts of the Municipality are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self - balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The fund statements are presented on a current financial resources and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government - wide statements' governmental column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the governmental column of the government - wide financial statements.

The Municipality's fiduciary funds are presented in the fund financial statements by type (pension). Since, by definition, these assets are being held for the benefit of a third party (pension participants) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government - wide statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The following is a brief description of the specific funds used by the Municipality:

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental funds are reported using the current financial resource measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within a current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Municipality considers revenues to be available if they are collected within sixty days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements (Continued)

General Fund

The general fund is the primary operating fund of the Municipality. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service and interest income.

Special Revenue Funds

Special revenue funds account for revenue derived from specific sources (other than major capital projects) that are restricted by legal and regulatory provisions to finance specific activities. The special revenue funds, except for the coal severance tax fund, are considered non - major funds for reporting purposes. The coal severance tax fund is used to administer the state grant monies received for community improvements.

Capital Projects Funds

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital assets which are not financed by proprietary funds.

Debt Service Funds

Debt service funds are used to account for financial resources to be used for the repayment of long-term debt which is not financed by proprietary funds.

Proprietary Funds

Proprietary funds are used to account for operations that are financed in a manner similar to private business enterprises where the intent is that the cost of providing goods and services to the general public, on a continuing basis, be financed or recovered primarily through user charges. The Municipality's proprietary funds account for the operations of water, sewer and sanitation activities. The water and sewer fund was created to account for the Municipality's water and wastewater services to the public. The sanitation fund accounts for revenues and expenses for garbage services of the Municipality. The parking fund, the Municipality's blended component unit, accounts for operations of parking facilities.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the Municipality in a trustee capacity or as an agent for individuals, private organizations and other governments. The fiduciary funds of the Municipality are pension and other post employment benefit (OPEB) trust funds. For accounting measurement purposes, the pension trust funds account for the assets of the Municipality's police and fire pension plans, and the OPEB trust fund accounts for the assets of the Municipality's other post employment benefit plans. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operation. Fiduciary funds are not included in the government - wide financial statements.

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet in the funds statements. Long-term assets and long term liabilities are included in the government-wide statements. Operating statements of the governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

The government-wide statements of net assets and statements of activities, all proprietary funds, private purpose trust funds, and pension trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these activities are either included on the statement of net assets or on the statement of fiduciary net assets. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The statements of net assets, statements of activities, and financial statements of the proprietary funds and fiduciary funds (except for agency funds) are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned, and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

Budgets and Budgetary Accounting

All municipalities within West Virginia are required by statute to prepare annual budgets (levy estimates) on prescribed forms and submit these for approval to the State Tax Commissioner. The annual budget for the general fund is prepared on a basis generally consistent with generally accepted accounting principles. 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.

Encumbrances

Encumbrance accounting, under which purchase orders are issued but are not considered expenditures until liabilities for payments are incurred, is not employed as an extension of the formal budgetary process.

Segment Information – Enterprise Funds

The Municipality issued revenue bonds to finance improvements to its water and sewer distribution and treatment systems. Because the water and sewer fund, an individual fund that accounts entirely for the government's water and sewer distribution and treatment activities, is a segment and is reported as a separate fund in the statement of net assets and statement of revenues, expenses and changes in net assets - proprietary funds and part of the financial statements, segment disclosures herein are not required.

Estimates

The preparation of financial statements in conformity with accounting standards generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Inventories

The Municipality considers inventories of materials and supplies utilized in governmental fund type 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 proprietary fund type operations, however, are considered expended at the time of consumption. Therefore, balances on hand at year-end are valued at cost (first-in, first-out) and are presented in the Municipality's financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital outlays are recorded as expenditures of the general and special revenue funds and as assets in the government-wide financial statements to the extent the Municipality's capitalization threshold of $5,000 is met. Depreciation is recorded on general fixed assets on a government-wide basis using the straight-line method and the following estimated useful lives:

Land	No Depreciation
Buildings	25 - 50 years
Improvements	10 - 20 years
Infrastructure	50 - 100 years
Machinery & Equipment	5 -10 years

To the extent that the Municipality's capitalization threshold of $5,000 is met, capital outlays of the proprietary funds are recorded as fixed assets and depreciated over their estimated useful lives on both the funds basis and the government-wide basis using the straight-line method and the following estimated useful lives:

Land	No Depreciation
Buildings	25 - 50 years
Improvements	10 - 20 years
Infrastructure	50 - 100 years
Machinery & Equipment	5 -10 years

All fixed assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated. The Municipality has capitalized infrastructure assets from 1980 to current as permitted by GASB.

Maintenance, repairs and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings or equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts, and any resulting gain or loss is included in the results of operations.

Debt Discount and Expense

Bond debt discounts, and deferred debt acquisition fees related to the proprietary funds are being amortized by the bonds outstanding method over the life of the related bond issues.

Capitalized Interest

The Municipality capitalizes net interest costs and interest earned as part of constructing various water and sewer projects when material. No interest was capitalized for the fiscal year ending June 30, 2010.

Compensated Absences

Compensated absences are those for which employees have a right to receive consideration for expected future absences. The liability has been calculated using the vesting method, in which amounts for employees who currently are eligible to receive termination payments and for other employees who are expected to become eligible in the future to receive such payments upon termination are included. The projected liability as of June 30, 2010 was $1,786,162.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Charges

The Municipality allocates to several funds a percentage of the salaries, wages and related costs of personnel who perform services for such funds but are paid out of the general fund. The services are billed on a periodic basis to the appropriate funds at the time the services are performed.

Statement of Cash Flows

For the purpose of the Statement of Cash Flows, proprietary funds consider all highly liquid investments (including restricted assets) with an original maturity of 3 months or less when purchased to be cash equivalents.

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 becomes delinquent on October first; 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 per 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 $100 of assessed valuation: On Class I property, twelve and five-tenths cents ($.125); on Class II property, twenty-five cents ($.25); and on Class IV property, fifty cents ($.50). 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 rates levied by the Municipality per $100 of assessed valuation for each class of property for the fiscal year ended June 30, 2010, were as follows:

Class of Property	Assessed Valuations for Tax Purposes	Current Expense	Excess Levy
Class I	$ -	$ 7.19	$ 5.25
Class II	$ 359,290,706	$ 14.38	$ 10.50
Class IV	$ 486,431,363	$ 28.76	$ 21.00

Allowance for Doubtful Accounts

The reserve method is used to provide for possible losses in the collection of customers' accounts receivable. The allowance amounted to the following at June 30, 2010:

General fund	$ 172,048
Fire/EMS Fund	762,665
Sanitation Fund	640,569
Water and Sewer Fund	795,190
	$ 2,370,472

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Assets

The reserves for bond retirement, depreciation and construction consist of cash being held at banks and at the West Virginia Municipal Bond Commission.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long - term obligations are reported in the government - wide financial statements. All payables, accrued liabilities and long - term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term loans are recognized as a liability on the governmental fund financial statements when due.

Fund Balance Reserves

The Municipality reserves those portions of the fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or though extemal restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The Municipality applies restricted resources when an expense is incurred for the purpose for which both restricted and unrestricted net assets are available.

Contributions of Capital

Contributions of capital in the proprietary fund financial statements arise from outside contributions of capital assets, tap fees (to the extent that they exceed cost of the connection to the system), capital improvement fees, or from grants or outside contributions of resources restricted to capital acquisition and construction.

Related Organizations

The City provides financial and/or other support to the following related organizations:

Air Port Authority, Berkeley County Development Authority, Martinsburg/Berkeley County Parks and Recreation, Martinsburg/Berkeley County Convention and Visitor's Bureau, Martinsburg/Berkeley County Public Library, Berkeley County Health Department, Main Street Martinsburg, and the Eastern Panhandle Transit Authority.

CASH AND INVESTMENTS

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. Cash and restricted accounts consisted of the following at June 30, 2010:

	Market Value
Unrestricted Accounts	
Petty cash	$ 1,050
Bank accounts	17,443,675
Bank accounts - Fiduciary Funds	921,661
Total	18,366,386
Restricted accounts	
Depreciation fund	2,289,735
Capital improvement fund	1,034,153
Sinking and reserve funds - Proprietary Funds	2,037,445
Construction fund - Proprietary Funds	123,067
Sinking fund - Governmental Funds	91,899
Construction fund - Governmental Funds	2,991,267
Total	8,567,566
All total	$ 26,933,952

The depreciation fund is under the control and custody of the Municipality as trustee in accordance with provisions of the water and sewer revenue bond indenture. It represents funds on deposit for the purpose of making repairs and replacements. The capital improvement fund consists of capital improvement fees collected from customers and deposited with a financial institution. These funds have been collected for the purpose of funding future water and sewer capital improvement projects. With respect to proprietary funds, the sinking and reserve funds represent funds on deposit with the West Virginia Municipal Bond Commission as trustee under the various bond resolutions. These sinking funds are to be used to pay bond interest and principal, and the reserve funds are required to be maintained over the life of the outstanding bond issues. The construction fund represents funds on deposit with a financial institution. These funds are to be used to pay the costs of the Municipality's water and sewer construction projects.

With respect to governmental funds, the sinking fund consists of incremental property tax revenue collected from properties located within the Municipality's development district and deposited with a financial institution. These funds are to be used to pay principal and interest on the 2010 Tax Increment Financing (TIF) revenue bonds. The construction fund represents funds on deposit with a financial institution for the Municipality's TIF construction projects. These funds are to be used to pay the costs of capital improvements within the Municipality's development district.

The following represents investments of the municipality at June 30, 2010:

Investment Type	Maturities	Standard & Poor's	Fair Value
Primary Government:			
State investment pool	90 day average	AAA	$ 2,037,445

CASH AND INVESTMENTS (Continued)

Investment Type	Maturities	Standard & Poor's	Fair Value
Fiduciary Funds:			
U.S. treasuries	2012 through 2021	AAA	$ 1,441,461
U.S. agencies	2010 through 2017	AAA	836,888
Domestic fixed income securities	2013 through 2014	Unknown	53,691
Domestic equities	Daily	Unknown	138,314
Mutual funds	Daily	Unknown	3,584,233
Money market funds	Daily	Unknown	126,954
Total Fiduciary Funds			$ 6,181,541

Interest Rate Risk

The municipality does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value changes arising from changing interest rates.

Concentration of Credit Risk

For the primary government, the Municipality places no limit on the amount the Municipality may invest in any one issuer.

The investment policy of the Municipality's Fiduciary Funds limits its investments in fixed income securities (other than those of the U.S. government or agencies thereof) to no more than 10% of its total assets. The equity portion of the portfolio is limited to no more than 50% of the total portfolio. In addition, no more than 5% of the portfolio may be invested in securities issued by a single company, with a maximum of 15% in any one industry.

The Fiduciary Fund investment policy also limits investments in debt securities to those having a Standard & Poor rating of A or higher. Investments in mutual funds must be in funds that require 100% of the equities of the portfolio to be securities that are listed on the New York stock exchange, the American stock exchange, or the NASDAQ National Market. Investments in equities are also required to be securities that are listed on those markets.

Credit Risk

State statutes authorize the government to invest in the State Investment Pool or the Municipal Bond Commission or to invest such funds in the following classes of securities: Obligations of the United States or any agency thereof, certificates of deposit (which mature in less than one year), general and direct obligations of the state of West Virginia, obligations of the federal mortgage association, indebtedness secured by first lien deeds of trust for property situated within this state if the payment is substantially insured or guaranteed by the federal government, pooled mortgage trusts (subject to limitations), indebtedness of any private corporation that is properly graded as in the top two or three highest rating grades, interest earning deposits which are fully insured or collateralized, and mutual funds registered with SEC which have fund assets over three hundred million dollars. The Municipality has no investment policy that would further limit its investment choices.

Custodial Risk

Custodial credit risk is the risk that in the event of a bank or counter party failure, the Municipality will not be able to recover the value of its deposits, investments, or collateral securities that are in possession of an outside party. The Municipality does not have a formal deposit policy for custodial credit risk. As of June 30, 2010, $24,955,158 of the Municipality's bank balances were covered by Federal Deposit Insurance (FDIC) in the amount of $324,080 and the remaining $24,631,078 was collateralized with securities held by the pledging financial institution in the Municipality's name.

INTERGOVERNMENTAL BALANCES AND TRANSACTIONS AND INTERFUND TRANSFERS

The composition of inter-fund balances as of June 30, 2010 is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General	Water and Sewer	$ 5,818
General	Non Major Gov't Fund	87,260
Non Major Gov't Funds	General	24,958
Non Major Gov't Fund	Non Major Gov't Fund	380,000
Non Major Gov't Fund	Parking	1,442
		$ 499,478

Payable Fund	Receivable Fund	
Non Major Gov't Fund	Non Major Gov't Fund	$ 380,000

These balances represent timing differences due to routine advances between the Municipality's Funds for both Governmental Funds and Business - Type Funds. Interfund receivables and payables are expected to be paid by year end, except for the Non-Major Governmental Fund to a Non-Major Governmental Fund, which represents an advance between funds to finance the recreation center expansion.

Transfers from the general fund were for operational support of existing programs.

Inter-fund transfers and transactions for the year ended June 30, 2010 consisted of the following:

Transfer from (Fund)	Transfer to (Fund)	Amount
General	Non Major Gov't Funds	$ 378,170

CONSTRUCTION IN PROGRESS

The Municipality is in the design phase or the construction phase of water and sewer system improvements for several new developments within the City. The total cost of these projects, estimated at $8 million, will be paid by the developers. At June 30, 2010, the Municipality had incurred costs totaling $109,750 for these projects. There was no developer contribution toward these costs this year. The developers' cumulative contribution toward these costs at June 30, 2010, was $113,248.

The Municipality is also in the planning stage for upgrading its wastewater treatment plant. The Municipality contracted with an engineering firm for approximately $180,000 to prepare a facility plan for the wastewater treatment plant. At June 30, 2010, the Municipality had incurred costs totaling $152,484 toward this project.

The Municipality has also begun a multi-year project for stormwater diversion with an estimated cost of $800,000. The project is being funded with approximately $600,000 from the Community Development Block Grant Program and $105,460 from the American Recovery and Reinvestment Act (ARRA). Additional funding will be provided by the City. Project construction began in the summer of 2010 and is expected to be completed by 2011. At June 30, 2010, $118,755 had been expended on this project.

CHANGES IN FIXED ASSETS

The following is a summary of the changes in governmental and business – type funds property, plant and equipment:

	Balance at June 30, 2009	Additions	Deletions	Balance at June 30, 2010
Governmental Activities:				
Capital assets not being depreciated:				
Land	$ 1,402,767	$ -	$ -	$ 1,402,767
Construction in progress	-	118,755	-	118,755
Total capital assets not being depreciated	1,402,767	118,755	-	1,521,522
Other capital assets:				
Buildings and improvements	12,144,353	28,364	-	12,172,717
Machinery and equipment	7,545,485	295,937	195,244	7,646,178
Infrastructure	36,000,576	106,651	-	36,107,227
Total other capital assets	55,690,414	430,952	195,244	55,926,122
Less accumulated depreciation for:				
Buildings and improvements	3,081,260	255,450	-	3,336,710
Machinery and equipment	3,802,915	703,226	185,930	4,320,211
Infrastructure	16,290,033	721,078	-	17,011,111
Total accumulated depreciation	23,174,208	1,679,754	185,930	24,668,032
Governmental activities capital assets, net	$ 33,918,973	$ (1,130,047)	$ 9,314	$ 32,779,612

Depreciation was charged to functions as follows:

Governmental activities:	
General government	$ 84,794
Public safety	597,806
Highways and streets	814,752
Culture and recreation	114,896
Rental operations	67,506
Total governmental activities depreciation expense	$ 1,679,754

CHANGES IN FIXED ASSETS

	Balance at June 30, 2009	Additions	Deletions	Balance at June 30, 2010
Business - Type Activities:				
Capital assets not being depreciated:				
Land	$ 594,644	$ -	$ -	$ 594,644
Construction in progress	109,750	152,484	-	262,234
Total capital assets not being depreciated	704,394	152,484	-	856,878
Other capital assets:				
Buildings and improvements	503,866	-	-	503,866
Machinery and equipment	1,450,722	129,267	73,071	1,506,918
Transmission and distribution plant	30,633,330	160,707	-	30,794,037
Treatment and disposal plant	16,642,773	74,558	-	16,717,331
Total other capital assets	49,230,691	364,532	73,071	49,522,152
Less accumulated depreciation for:				
Buildings and improvements	263,243	10,922	-	274,165
Machinery and equipment	1,109,756	67,425	73,071	1,104,110
Transmission and distribution plant	6,584,516	569,965	-	7,154,481
Treatment and disposal plant	4,173,419	171,943	-	4,345,362
Total accumulated depreciation	12,130,934	820,255	73,071	12,878,118
Business - type activities capital assets, net	$ 37,804,151	$ (303,239)	$ -	$ 37,500,912

Depreciation was charged to functions as follows:

Business - type activities:	
Water and sewer	$ 741,908
Sanitation and recycling	68,813
Parking system	9,534
Total governmental activities depreciation expense	$ 820,255

LONG-TERM DEBT

Governmental Activities

In 2010, the City issued Tax Increment Financing (TIF) revenue bonds to provide funds to finance the costs of capital improvements within the City's development district, which is centered along the location for the Raleigh Street extension and Lutz Avenue. The bonds do not constitute a general obligation debt, or pledge of the full faith and credit of the City. The principal and interest on the TIF revenue bonds are to be repaid solely from the property taxes generated in association with the increased assessed values of property within the development district.

The 2010 TIF bonds were issued in the amount of $3,100,000 for the North Martinsburg Access Project, which includes the design and construction of streets, improvements, and other infrastructure located within the development district. The bonds mature July 1 each year until final maturity on July 1, 2025. The bonds bear interest at 4.47%, with payments of interest due semiannually beginning July 1, 2011.

Debt service requirements for the years succeeding June 30, 2010, to maturity are as follows:

	Principal	Interest
2011	$ -	$ -
2012	60,671	207,817
2013	63,955	134,421
2014	67,184	131,485
2015	70,004	128,419
2016-2020	956,977	546,458
2021-2025	1,532,180	258,272
2026	349,029	7,737
	$ 3,100,000	$ 1,414,609

The bonds are subject to redemption prior to maturity at the option of the City on or after July 1, 2015 at the redemption price of 100%.

LONG-TERM DEBT (Continued)

The following is a summary of other long-term debt at June 30, 2010:

Governmental Activities

Other Long-Term Debt

	Balance June 30, 2009	Additions	Reductions	Balance June 30, 2010	Amounts Due within One Year
Compensated absences	$ 1,400,153	$ 1,970	$ -	$ 1,402,123	$ 70,000

Bonds Payable

Bond Issue/ Interest Rate	Maturity Date	Original Amount Issued	Amount Outstanding June 30, 2009	Additions	Reductions	Amount Outstanding June 30, 2010
2010 / 4.47%	2026	$ 3,100,000	$ -	$ 3,100,000	$ -	$ 3,100,000

Less: Current portion due in upcoming year:	-
Long-term tax increment financing revenue bonds payable at June 30, 2010 (net of current portion):	$ 3,100,000

Business - Type Activities

Other Long-Term Debt

	Balance June 30, 2009	Additions	Reductions	Balance June 30, 2010	Amounts Due within One Year
Compensated absences	$ 416,195	$ -	$ 32,156	$ 384,039	$ 15,000

Water and Sewer Bonds

Bond Issue/ Interest Rate	Maturity Date	Original Amount Issued	Amount Outstanding June 30, 2009	Additions	Reductions	Amount Outstanding June 30, 2010
2000A / 2%	2022	$ 7,564,000	$ 5,163,364	$ -	$ 359,217	$ 4,804,147
2000B / 3%	2022	3,000,000	2,112,674	-	138,184	1,974,490
2000C / 5.8%	2039	1,976,352	1,835,804	-	22,454	1,813,350
2001 / 2.75-5.13%	2031	10,750,000	9,330,000	-	235,000	9,095,000
						17,686,987
				Less: Current portion due in upcoming year:		772,588
				Long-term water and sewer revenue bonds payable at June 30, 2010 (net of current portion):		$ 16,914,399

LONG-TERM DEBT (Continued)

Revenue bond debt service requirements for the years succeeding June 30, 2010, to maturity are as follows:

	Principal	Interest
2011	$ 772,588	$ 698,393
2012	800,671	674,872
2013	824,112	650,207
2014	847,924	624,466
2015	872,122	597,620
2016-2020	4,822,870	2,523,595
2021-2025	3,487,963	1,702,703
2026-2030	3,020,737	996,907
2031-2035	1,691,928	285,531
2036-2040	546,072	82,747
	$ 17,686,987	$ 8,837,041

The bond issues are secured by a lien on the revenues derived from the system.

The covenants contained in the bonds issued include a required debt service coverage ratio of 115% for the Series 2000A, 2000B, 2000C and 2001 Bonds. The coverage calculation includes the highest future debt service year of all outstanding bonds as of June 30, 2010. As of June 30, 2010, the Municipality's water and sewer funds' debt service coverage ratio was 142%. Each of the bond issues also requires monthly deposits to the depreciation fund equal to 2½% of monthly gross revenues. For the year ended June 30, 2010, the Municipality's reserve funding was $128,926.

GRANTS

The Municipality receives financial assistance in the form of grants from numerous federal, state and local governmental agencies. The disbursements of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any unallowed disbursements resulting from such audits could become a liability of the Municipality. In the opinion of the Municipality's management, no material refunds will be required as a result of unallowed disbursements (if any), by the grantor agencies.

EMPLOYEES' RETIREMENT SYSTEM

The Municipality has established and maintains the following employees' retirement and benefit plans and funds, as authorized by West Virginia Code 8-22-1, et seq., for all eligible employees.

Deferred Compensation Plan

The Municipality offered a deferred compensation plan to all its employees until the plan was terminated in November 2007. Employees could contribute up to the maximum amount allowed by federal income tax rules and regulations. In accordance with the plan document, all participants became fully vested in their accounts when the plan was terminated and received distribution of their account balances. All balances had been distributed as of June 30, 2009.

EMPLOYEES' RETIREMENT SYSTEM (Continued)

Public Employees Retirement System

In October 2005, the Municipality elected to participate in the West Virginia Public Employees Retirement System, which is a cost-sharing multi-employer pension plan. The following is a summary of provisions under the plan. Additional information is available from the State of West Virginia.

Eligibility to participate	All full time employees, except those covered by other pension
Authority establishing contribution obligations and benefit provisions	State statute
Funding policy and contributions	PERS members are required to contribute 4.5% of their salary, and the City is required to contribute 11%. Effective July 1, 2010, the City is required to contribute 12.5%. The contribution requirements of PERS members are established and may be amended only by the State of West Virginia Legislature. The City's contributions to PERS was $174,979, $179,259 and $167,492 for the employees' share and $427,725, $418,269 and $390,813 for the employer's share for the year ended June 30, 2010, 2009 and 2008, respectively.
Period required to vest	Five years
Benefits and eligibility for distribution	A member who has attained age 60 and has earned 5 years or more of contributing service or age 55 if the sum of his/her age plus years of credited service is equal to or greater than 80. The final average salary (three highest consecutive years in the last 10) times the years of service times 2% equals the annual retirement benefit.
Deferred retirement portion	No
Provisions for:	
Cost of living	No
Death	Yes
Annual pension cost and amount contributed	The City made 100% of the required contributions of $427,725, $418,269 and $390,813 for the fiscal years ended June 30, 2010, 2009 and 2008, respectively.

PERS members can also elect to purchase prior service years at any time. Prior service is the member's period of employment with the City prior to the date that the City elected to participate in PERS. When a member purchases prior service years, the City must pay the employer's share of the contribution for those prior service years occurring after December 31, 1988. This amount is calculated on the member's salary using the applicable rates for those years, plus interest. For the year ended June 30, 2010, there were no payments made for prior service years. Any additional liability for the purchase of prior service years is not reflected in these financial statements.

EMPLOYEES' RETIREMENT SYSTEM (Continued)

Policemen's Pension and Relief Fund and Firemen's Pension and Relief Fund

The Policemen's Pension and Relief Fund (PPRF) of the Municipality covers all eligible employees of the police department paid on a full-time basis from public funds. Unless otherwise indicated, PPRF information in this note is provided as of the latest actuarial valuation dated July 1, 2010.

The Firemen's Pension and Relief Fund (FPRF) of the Municipality covers all eligible employees of the fire department paid on a full-time basis from public funds. Unless otherwise indicated, FPRF information in this note is provided as of the latest actuarial valuation dated July 1, 2010.

Actuarial valuations are required to be performed once every three years for both the PPRF and the FPRF per state statute. However, the actuarial valuations can be performed at shorter intervals at the discretion of the related boards of the PPRF and FPRF. For additional information related to basis of accounting and reported investment values, see the Summary of Significant Accounting Policies section of the notes to these financial statements.

Memberships of the Plans as of June 30, 2010, are as follows:

Group	PPRF	FPRF
Active participants	45	35
Terminated vested participants	1	-
Normal retirees currently receiving benefits	17	20
Disabled retirees currently receiving benefits	9	8
Beneficiaries currently receiving benefits	11	4
Total	83	67

These plans are defined benefit plans. The following is a summary of funding policies, contribution methods and benefit provisions:

	PPRF	FPRF
Year established and governing authority	1974 City Council Ordinance	1965 City Council Ordinance
Determination of contribution requirements	Actuarially determined	
Employer	Contribute annually an amount which, together with contributions from the members and the allocable portion of the state premium tax fund, will be sufficient to meet the normal cost of the fund and amortize any unfunded past service liability. Municipalities may utilize an alternative contribution method which allows the Municipality to contribute no less than 107% of the prior year's contribution provided the actuary certifies in writing that the fund will be solvent over the next 15 years under this method. In no event can the employer contribution be less than the normal cost as determined by the actuary.	
Plan Members	8% of covered payroll for employees hired prior to January 1, 2010, and 9.5% for employees hired on or after January 1, 2010.	

EMPLOYEES' RETIREMENT SYSTEM (Continued)

Policemen's Pension and Relief Fund and Firemen's Pension and Relief Fund (Continued)

Period required to vest	No vesting occurs; if separation from employment occurs the member is entitled to a refund of his/her contributions only.
Post-retirement benefit increases	Cost of living adjustment (COLA) after two years of retirement; benefit shall not exceed four percent per year. The current year's adjustment was calculated on the first $24,466 of the total annual benefit. The basis for a cost of living adjustment increases to $24,488 next year, and it increases each year by the COLA percentage.
Eligibility for distribution	20 years of credited service or age 65, whichever occurs first. Must be at least age 50.
Provisions for disability benefits	Yes
Death benefits	Yes
Annual required contributions	Actuarial assumptions and other information used to determine the annual required contributions (ARC) are located in the Supplementary Information section of this report.
Annual pension cost, net pension obligations and reserves	Current year annual pension costs for the PPRF and FPRF are shown in the trend information below. Annual statutory contributions were made by the Municipality.
Reserves	There are no assets legally reserved for purposes other than the payment of plan members' benefits for either plan. The Plan held no investments other than U.S. government and U.S. government guaranteed obligations whose market value exceeds 50 percent or more of net assets available for benefits.

The Municipality's annual pension cost and net pension obligation to PPRF and FPRF for the current year were as follows:

	PPRF	FPRF
Annual required contribution	$ 340,893	$ 413,488
Interest on net pension obligation	-	-
Annual pension cost	$ 340,893	$ 413,488
Contributions made	(340,893)	(413,488)
Increase in net pension obligation	$ -	$ -
Net pension obligation–beginning of year	-	-
Net pension obligation–end of year	$ -	$ -

EMPLOYEES' RETIREMENT SYSTEM (Continued)

Policemen's Pension and Relief Fund and Firemen's Pension and Relief Fund (Continued)

	Policemen's Pension and Relief Fund			Firemen's Pension and Relief Fund		
Fiscal Year	Annual Pension Cost	Percentage Contributed	Net Pension Obligation	Annual Pension Cost	Percentage Contributed	Net Pension Obligation
2006	$ 210,937	100%	-	$ 251,368	100%	-
2007	237,831	100%	-	284,674	100%	-
2008	268,155	100%	-	322,394	100%	-
2009	302,344	100%	-	365,111	100%	-
2010	340,893	100%	-	413,488	100%	-

As of July 1, 2010, the most recent actuarial valuation date for the Policemen's Pension and Relief Fund, the plan was 25.83 percent funded. The actuarial accrued liability for benefits was $19,623,643, and the actuarial value of assets was $5,069,596, resulting in an unfunded actuarial accrued liability (UAAL) of $14,554,047. The covered payroll (annual payroll of active employees covered by the plan) was $2,399,495, and the ratio of the UAAL to the covered payroll was 606.55 percent.

As of July 1, 2010, the most recent actuarial valuation date for the Firemen's Pension and Relief Fund, the plan was 10.11 percent funded. The actuarial accrued liability for benefits was $18,089,812, and the actuarial value of assets was $1,829,449, resulting in an unfunded actuarial accrued liability (UAAL) of $16,260,363. The covered payroll (annual payroll of active employees covered by the plan) was $1,711,119, and the ratio of the UAAL to the covered payroll was 950.28 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, is meant to present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

In each plan's actuarial valuation dated July 1, 2010, the entry age normal actuarial cost method was used. The actuarial assumptions included a 7.0 percent investment rate of return (net of expenses), projected salary increases of 4 percent each year, and an inflation rate of 3.0 percent. The actuarial asset valuation method used was market value. The UAAL is being amortized as a level percentage of pay on a closed basis over forty years. The remaining amortization period at June 30, 2010, was 21 years.

The annual reporting for the PPRF and FPRF is presented only in the Municipality's annual financial report.

Post Employment Benefits Other Than Pension Benefits

Effective July 1, 2008, the Municipality adopted the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Municipality maintains a plan in which it pays 90 percent of the premium amount for eligible retiree's health, dental, vision, and life insurance coverage. The Municipality also pays 70 percent of the additional premium amount for the eligible retiree's dependent coverage. The Municipality has established an irrevocable trust for the purpose of prefunding these other post employment benefits in accordance with GASB No. 45. The annual reporting for this trust fund is presented only in the Municipality's annual financial report.

The Municipality provides post employment health care benefits to employees who were hired prior to July 1, 1993, and who retire under the provisions of the Policemen's Pension and Relief Fund or the Firemen's Pension and Relief Fund. Currently, there are seventy-seven retirees and beneficiaries receiving benefits, and there are thirteen active participants who would be eligible for future benefits.

EMPLOYEES' RETIREMENT SYSTEM (Continued)

Post Employment Benefits Other Than Pension Benefits (Continued)

The contribution requirements of plan members and the City are established and may be amended by the City Council. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the City Council. For the year ended June 30, 2010, the City contributed $519,038 to the plan, including $419,038 for current premiums and an additional $100,000 to prefund benefits.

The City's annual other post employment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution	$	1,177,780
Interest on net OPEB obligation		33,280
Annual OPEB cost	$	1,211,060
Contributions made		(519,038)
Increase in net OPEB obligation	$	692,022
Net OPEB obligation–beginning of year		739,564
Net OPEB obligation–end of year	$	1,431,586

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years ending June 30, 2009 and 2010 was as follows:

Fiscal Year		Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed		Net OPEB Obligation - End of Year
2009	$	1,177,780	37.21%	$	739,564
2010		1,211,060	42.86%		1,431,586

The requirements of GASB Statement No. 45 were implemented for fiscal year ended June 30, 2009. Because this is the second year of transition, the previous illustration does not contain similar information for two preceding years.

As of July 1, 2008, the most recent actuarial valuation date, the plan was 0.15 percent funded. The actuarial accrued liability for benefits was $16,463,570, and the actuarial value of assets was $25,150, resulting in an unfunded actuarial accrued liability (UAAL) of $16,438,420. The covered payroll (annual payroll of active employees covered by the plan) was $940,205, and the ratio of the UAAL to the covered payroll was 1748.39 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, is meant to present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. However, because last year was the year of transition and the requirements of GASB Statement No. 45 have been implemented prospectively, the schedule of funding progress does not contain information for the two preceding years.

EMPLOYEES' RETIREMENT SYSTEM (Continued)

Post Employment Benefits Other Than Pension Benefits (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the actuarial valuation dated July 1, 2008, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5 percent discount rate, which approximates the expected rate of return on plan assets held in an irrevocable trust by the City, and an annual healthcare cost trend rate of 10 percent initially, reduced by decrements of ½ % per year to an ultimate rate of 5 percent after ten years. The UAAL is being amortized as a level dollar amount over thirty years.

OPERATING LEASE

Water Production and Distribution Capacity

The Municipality is the lessor of allocated capacity of water production and distribution facilities under an operating lease expiring in 2039 to the Berkeley County Public Service Water District (BCPSWD).

Minimum future rentals to be received on the non-cancelable lease as of June 30, 2010 for each of the next five years and in the aggregate are as follows:

2010	$	62,688
2011		62,688
2012		62,688
2013		62,688
2014		62,688
Thereafter		1,519,556
Total minimum future rentals	$	1,832,996

Water Production and Distribution Capacity (Continued)

The lease agreement also requires BCPSWD to purchase a minimum of 200,000 gallons per day irrespective of the amount of water actually taken, unless the Municipality is unable to provide 200,000 gallons per day.

DIRECT FINANCING LEASE

The Municipality has entered into an agreement to lease a water distribution main to the Berkeley County Public Service Water District (BCPSWD). The lease is classified as a direct financing lease. Under the agreement, monthly lease payments beginning in 2001 are made to the Municipality over a 30-year term. At the end of the lease term, ownership of the leased property is transferred to BCPSWD.

The Municipality's net investment in the direct financing lease consists of the following at June 30, 2010:

Total minimum lease payments receivable	$	1,347,634
Less: unearned income		(520,022)
Net investment in direct financing lease	$	827,612
Current portion (due within one year)	$	22,607
Long term portion		805,005
Total	$	827,612

At June 30, 2010, minimum lease payments for each of the five succeeding years are as follows:

2010	$	63,984
2011		63,984
2012		63,984
2013		63,984
2014		63,984
Thereafter		1,027,714
Total minimum lease payments receivable	$	1,347,634

Income from the direct financing lease is credited to income based on a constant periodic rate of return on the net investment in the lease.

The lease agreement also requires BCPSWD to purchase a minimum of 25,000 gallons per day, irrespective of the amount of water actually taken, unless the Municipality is unable to provide 25,000 gallons per day.

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash and cash equivalents consist of the following at June 30, 2010:

Enterprise Fund		
Cash	$	4,060,420
Restricted cash - Reserve for depreciation		2,289,735
Restricted cash - Reserve for construction		123,067
Restricted cash - Reserve for capital improvements		1,034,153
Total	$	7,507,375

DEFICIT FUND BALANCE

The City funded $750,0000 for the expansion of the Berkeley 2000 Recreation Center to be repaid from the hotel and motel tax collections over several years. This advance funding resulted in a deficit fund balance in the Hotel Tax special revenue fund. The current deficit balance of $371,343 will be reduced by annual collections of hotel and motel taxes. The City anticipates a positive fund balance by fiscal year ending June 30, 2016.

COMMITMENT

City Council has approved funding in the amount of $1,000,000 for the extension of Raleigh Street in order to improve traffic flow in the City. Completion of the project would also encourage development in that area and expand the City's tax base. The total cost of the project is expected to be approximately $38 million, with the remaining cost of the project funded by the state and federal government. Project construction began in the fall of 2010 and is being completed in various phases. All phases of the project are expected to be completed by 2013.

LEGAL

From time to time, the Municipality is involved in various legal matters arising from normal business activities. Management believes that such matters now pending are without merit or that the ultimate liability is either unknown or will not have a material adverse effect on its financial condition.

REQUIRED SUPPLEMENTAL INFORMATION

Municipality of Martinsburg, West Virginia
EMPLOYEES' RETIREMENT SYSTEM
For the fiscal year ended June 30, 2010

POLICEMEN'S PENSION AND RELIEF FUND AND FIREMEN'S PENSION AND RELIEF FUND

Pension Plan Funding Progress/Schedules of Funding Progress

Policemen's Pension and Relief Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -- Entry Age (b)	Unfunded AAL (UAAL) (b) – (a)	Funded Ratio (a)/(b)	Covered Payroll	UAAL as Percentage of Covered Payroll
7/1/00	$ 3,273,604	$10,190,835	$6,917,231	32.12%	$1,467,036	471.51%
7/1/02	3,531,221	11,337,122	7,805,901	31.15%	1,519,599	513.68%
7/1/05	4,099,684	15,604,413	11,504,729	26.27%	1,639,591	701.68%
7/1/07	4,516,620	17,766,724	13,250,104	25.42%	2,195,956	603.39%
7/1/10	5,069,596	19,623,643	14,554,047	25.83%	2,399,495	606.55%

Firemen's Pension and Relief Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -- Entry Age (b)	Unfunded AAL (UAAL) (b) – (a)	Funded Ratio (a)/(b)	Covered Payroll	UAAL as Percentage of Covered Payroll
7/1/00	$ 2,156,876	$ 9,536,102	$7,379,226	22.62%	$1,021,144	722.64%
7/1/02	1,904,170	10,592,062	8,687,892	17.98%	1,044,026	832.15%
7/1/05	1,970,770	15,175,830	13,205,060	12.99%	1,295,220	1019.52%
7/1/07	2,034,783	17,055,297	15,020,514	11.93%	1,371,402	1095.27%
7/1/10	1,829,449	18,089,812	16,260,363	10.11%	1,711,119	950.28%

Schedule of Employer Contributions

	Policemen's Pension and Relief Fund		Firemen's Pension and Relief Fund	
Fiscal Year	Annual Statutory Cost	Percentage Contributed	Annual Statutory Cost	Percentage Contributed
2006	$ 210,937	100%	$ 251,368	100%
2007	$ 237,831	100%	$ 284,674	100%
2008	$ 268,155	100%	$ 322,394	100%
2009	$ 302,344	100%	$ 365,111	100%
2010	$ 340,893	100%	$ 413,488	100%

See independent auditors' report.

POLICEMEN'S PENSION AND RELIEF FUND AND FIREMEN'S PENSION AND RELIEF FUND (continued)

Notes to Required Supplemental Information

	Policemen's Pension and Relief Fund	Firemen's Pension and Relief Fund
Valuation date	7/1/10	7/1/10
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level % Closed	Level % Closed
Amortization period	40-year (level percentage)	40-year (level percentage)
Actuarial asset valuation method	Market Value	Market Value
Actuarial assumptions:		
Investment rate of return	7.0%	7.0%
Projected salary increases	4% over life of valuation	4% over life of valuation
Post retirement benefit increases	COLA after 2 years	COLA after 2 years
Inflation	3.0%	3.0%
Cost of living adjustments	CPI with 4.0% cap	CPI with 4.0% cap

POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Schedule of Funding Progress – Other Post Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) – (a)	Funded Ratio (a)/(b)	Covered Payroll	UAAL as Percentage of Covered Payroll
7/1/08	$ 25,150	$ 16,463,570	$ 16,438,420	0.15%	$ 940,205	1748.39%

Schedule of Employer Contributions – Other Post Employment Benefits

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed
2009	$ 1,177,780	37.21%
2010	$ 1,211,060	42.86%

Because last year was the year of transition and the requirements of GASB Statement No. 45 have been implemented prospectively, the schedule of funding progress and the schedule of employer contributions for other post employment benefits do not contain information for the two preceding years.

Municipality of Martinsburg, West Virginia
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND
For the year ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
REVENUES:				
Taxes (including interest and penalties):				
General property tax	$ 1,784,911	$ 1,784,911	$ 1,846,352	$ 61,441
Business and occupation tax	7,000,000	6,500,000	6,779,361	279,361
Alcoholic beverages tax	185,000	150,000	142,797	(7,203)
Utility services tax	600,000	610,000	698,950	88,950
Other taxes	374,500	374,500	369,528	(4,972)
Total taxes	9,944,411	9,419,411	9,836,988	417,577
Licenses and permits	195,000	205,000	409,456	204,456
Intergovernmental:				
Federal	1,170,908	1,431,910	1,272,021	(159,889)
State	176,000	364,655	378,516	13,861
Charges for services	650,000	650,000	693,107	43,107
Fines and forfeits	332,000	332,000	400,785	68,785
Interest	100,000	100,000	127,927	27,927
Miscellaneous	781,681	802,839	932,169	129,330
Total revenues	13,350,000	13,305,815	14,050,969	745,154
EXPENDITURES:				
General government	3,621,810	7,389,105	3,354,777	4,034,328
Public safety	7,552,060	7,654,890	7,291,720	363,170
Highways and streets	1,325,415	2,385,225	1,313,439	1,071,786
Culture and recreation	316,145	370,145	348,921	21,224
Airport	26,750	59,045	26,616	32,429
Visitors bureau	180,000	180,000	176,666	3,334
Other agencies	162,820	185,475	184,472	1,003
Total expenditures	13,185,000	18,223,885	12,696,611	5,527,274
Excess (deficiency) of revenues over expenditures	165,000	(4,918,070)	1,354,358	6,272,428
Other financing sources (uses):				
Operating transfers out	(165,000)	(301,115)	(378,170)	(77,055)
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	-	(5,219,185)	976,188	6,195,373
Fund balance at beginning of year	-	5,219,185	7,037,427	1,818,242
Fund balance at end of year	$ -	$ -	$ 8,013,615	$ 8,013,615

See independent auditor's report.

Municipality of Martinsburg, West Virginia
STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL - COAL SEVERANCE TAX FUND
For the year ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
REVENUES:				
Taxes (including interest and penalties)	$ 63,000	$ 63,000	$ 71,326	$ 8,326
Interest	2,000	2,000	5,048	3,048
Total revenues	65,000	65,000	76,374	11,374
EXPENDITURES:				
Capital projects	57,975	255,048	-	255,048
Payments to other entities	7,025	21,767	7,025	14,742
Total expenditures	65,000	276,815	7,025	269,790
Excess (deficiency) of revenues over expenditures	-	(211,815)	69,349	281,164
Fund balance at beginning of year	-	211,815	211,815	-
Fund balance at end of year	$ -	$ -	$ 281,164	$ 281,164

See independent auditor's report.

OTHER SUPPLEMENTAL INFORMATION

Municipality of Martinsburg, West Virginia
COMBINING BALANCE SHEET - NON MAJOR GOVERNMENTAL FUNDS
June 30, 2010

	Code Enforcement	Community Development	Computer System	Crime Prevention	Crown American	Drug Enforcement	Drug Law Enforcement Grant	Economic Development	Fire EMS	General Development
ASSETS										
Cash	$ 15,311	$ 187,779	$ 59,058	$ 2,534	$ 8,192	$ 526	$ 103,349	$ 582,855	$ 1,214,690	$ 793,404
Receivables, net of allowances:										
Taxes	-	-	-	-	-	-	-	-	-	-
Accounts (loans)	-	-	-	-	-	-	-	34,519	416,079	-
Other	-	-	-	-	-	-	-	-	5,488	-
Due from:										
Other funds	-	21,883	-	-	-	-	-	3,075	-	380,000
Other governments	-	-	-	-	-	-	-	-	-	47,211
Restricted:										
Reserved for bond retirement	-	-	-	-	-	-	-	-	-	-
Total assets	$ 15,311	$ 209,662	$ 59,058	$ 2,534	$ 8,192	$ 526	$ 103,349	$ 630,549	$ 1,636,257	$ 1,220,615
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable	$ -	$ -	$ -	$ -	$ -	$ -	$ 110	$ -	$ 3,891	$ 36,726
Other accrued expenses	-	-	-	-	-	-	-	-	-	-
Deferred revenues	-	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	87,260	-
Total liabilities	-	-	-	-	-	-	110	-	91,151	36,726
Fund balances:										
Reserved for debt and construction	-	-	-	-	-	-	-	-	-	-
Reserved for long-term loans receivable	-	-	-	-	-	-	-	-	-	-
Reserved for compensated absences	-	-	-	-	-	-	-	-	-	-
Reserved for claims	-	-	-	-	-	-	-	-	-	-
Unreserved	15,311	209,662	59,058	2,534	8,192	526	103,239	630,549	1,545,106	1,183,889
Total fund balances	15,311	209,662	59,058	2,534	8,192	526	103,239	630,549	1,545,106	1,183,889
Total liabilities and fund balances	$ 15,311	$ 209,662	$ 59,058	$ 2,534	$ 8,192	$ 526	$ 103,349	$ 630,549	$ 1,636,257	$ 1,220,615

See independent auditor's report.

Municipality of Martinsburg, West Virginia
COMBINING BALANCE SHEET - NON MAJOR GOVERNMENTAL FUNDS (CONTINUED)
June 30, 2010

ASSETS	Hotel Tax	Housing and Urban Development	Market House	Police Levy	Retirement	Shade Tree	Tax Increment Financing	Train Station	Unemployment Compensation	Total
Cash	$ 8,657	$ 907,952	$ 62,455	$ 2,233,718	$ 488,264	$ 15,218	$ -	$ 106,223	$ 78,334	$ 6,878,619
Receivables, net of allowances:										
Taxes	-	-	-	138,172	-	-	21,003	-	-	159,175
Accounts (loans)	-	70,349	-	-	-	-	-	-	-	520,947
Other	-	-	-	-	-	-	-	65	-	5,553
Due from:										
Other funds	-	-	-	-	-	-	-	1,442	-	406,400
Other governments	-	-	-	28,214	-	-	-	18,124	-	93,549
Restricted:										
Reserved for bond retirement	-	-	-	-	-	-	91,899	-	-	91,899
Total assets	$ 8,657	$ 978,301	$ 62,455	$ 2,400,104	$ 488,264	$ 15,218	$ 112,902	$ 125,854	$ 78,334	$ 8,156,142
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable	$ -	$ -	$ 320	$ 5,831	$ -	$ -	$ -	$ 3,985	$ -	$ 50,863
Other accrued expenses	-	-	-	25,860	-	-	-	-	-	25,860
Deferred revenues	-	-	-	26,271	-	-	8,708	-	-	34,979
Due to other funds	380,000	-	-	-	-	-	-	-	-	467,260
Total liabilities	380,000	-	320	57,962	-	-	8,708	3,985	-	578,962
Fund balances:										
Reserved for debt and construction	-	-	-	-	-	-	104,194	-	-	104,194
Reserved for long-term loans receivable	-	70,348	-	-	-	-	-	-	-	70,348
Reserved for compensated absences	-	-	-	-	488,264	-	-	-	-	488,264
Reserved for claims	-	-	-	-	-	-	-	-	78,334	78,334
Unreserved	(371,343)	907,953	62,135	2,342,142	-	15,218	-	121,869	-	6,836,040
Total fund balances	(371,343)	978,301	62,135	2,342,142	488,264	15,218	104,194	121,869	78,334	7,577,180
Total liabilities and fund balances	$ 8,657	$ 978,301	$ 62,455	$ 2,400,104	$ 488,264	$ 15,218	$ 112,902	$ 125,854	$ 78,334	$ 8,156,142

See independent auditor's report.

Municipality of Martinsburg, West Virginia
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON MAJOR GOVERNMENTAL FUNDS
For the year ended June 30, 2010

	Code Enforcement	Community Development	Computer System	Crime Prevention	Crown American	Drug Enforcement	Drug Law Enforcement Grant	Economic Development	Fire EMS	General Development
REVENUES:										
Taxes (including interest and penalties)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Intergovernmental:										
Federal	-	-	-	-	-	-	-	-	-	85,764
State	-	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	506,828	-
Rent received	-	-	-	-	-	-	-	-	-	-
Interest	319	796	979	53	171	11	2,296	12,506	25,659	16,751
Miscellaneous	-	-	-	-	-	-	18,020	-	-	-
Total revenues	319	798	979	53	171	11	20,318	12,506	532,487	102,515
EXPENDITURES:										
General government	-	-	44,819	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	26,012	-	524,420	-
Highways and streets	-	-	-	-	-	-	-	-	-	107,760
Culture and recreation	-	-	-	-	-	-	-	-	-	-
Payments to other entities	-	-	-	-	-	-	-	-	-	257,250
Rental operation	-	-	-	-	-	-	-	-	-	-
Benefit payments	-	-	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-	-	-
Total expenditures	-	-	44,819	-	-	-	26,012	-	524,420	365,010
Excess (deficiency) of revenues over expenditures	319	796	(43,840)	53	171	11	(5,696)	12,506	8,067	(262,495)
Other financing sources (uses):										
Transfers from other funds	-	178,166	35,000	-	-	-	-	-	-	56,115
Total other financing sources (uses)	-	178,166	35,000	-	-	-	-	-	-	56,115
Net change in fund balance	319	178,962	(8,840)	53	171	11	(5,696)	12,506	8,067	(206,380)
Fund balance at beginning of year	14,992	30,700	67,898	2,481	8,021	515	108,935	618,043	1,537,039	1,390,269
Fund balance at end of year	$ 15,311	$ 209,662	$ 59,058	$ 2,534	$ 8,192	$ 526	$ 103,239	$ 630,549	$ 1,545,106	$ 1,183,889

See independent auditor's report.

Municipality of Martinsburg, West Virginia
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
For the year ended June 30, 2010

	Hotel Tax	Housing and Urban Development	Market House	Police Levy	Retirement	Shade Tree	Tax Increment Financing	Train Station	Unemployment Compensation	Total
REVENUES:										
Taxes (including interest and penalties)	$ -	$ -	$ -	$ 1,393,871	$ -	$ -	$ 145,591	$ -	$ -	$ 1,539,462
Intergovernmental:										
Federal	-	-	-	-	-	-	-	18,125	-	103,889
State	-	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-	506,628
Rent received	-	-	15,334	-	-	-	-	55,115	-	70,449
Interest	2,022	20,092	1,270	44,766	9,480	396	957	2,437	1,662	142,523
Miscellaneous	-	-	-	38,562	-	-	-	239	-	56,821
Total revenues	2,022	20,092	16,604	1,477,199	9,480	396	146,548	75,916	1,662	2,420,072
EXPENDITURES:										
General government	-	-	-	-	-	-	-	-	-	44,819
Public safety	-	-	-	989,468	-	-	-	-	-	1,539,900
Highways and streets	-	-	-	-	-	10,678	-	-	-	118,438
Culture and recreation	-	-	-	-	-	-	-	-	-	-
Payments to other entities	-	-	-	-	-	-	-	-	-	257,250
Rental operation	-	-	11,324	-	-	-	-	64,181	-	75,505
Benefit payments	-	-	-	-	-	-	-	-	1,386	1,386
Economic development	-	-	-	-	-	-	42,354	-	-	42,354
Total expenditures	-	-	11,324	989,468	-	10,678	42,354	64,181	1,386	2,079,652
Excess (deficiency) of revenues over expenditures	2,022	20,092	5,280	487,731	9,480	(10,282)	104,194	11,735	276	340,420
Other financing sources (uses): Transfers from other funds	58,889	-	-	-	50,000	-	-	-	-	378,170
Total other financing sources (uses)	58,889	-	-	-	50,000	-	-	-	-	378,170
Net change in fund balance	60,911	20,092	5,280	487,731	59,480	(10,282)	104,194	11,735	276	718,590
Fund balance at beginning of year	(432,254)	958,209	56,855	1,854,411	428,784	25,500	-	110,134	78,058	6,858,590
Fund balance at end of year	$ (371,343)	$ 978,301	$ 62,135	$ 2,342,142	$ 488,264	$ 15,218	$ 104,194	$ 121,869	$ 78,334	$ 7,577,180

See independent auditors' report.

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CoxHollidaPrice LLP
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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

The Honorable Mayor and Council
Municipality of Martinsburg
Martinsburg, West Virginia

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Municipality of Martinsburg, West Virginia, as of and for the year ended June 30, 2010 which collectively comprise the Municipality of Martinsburg, West Virginia's basic financial statements and have issued our report thereon dated December 22, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Municipality of Martinsburg, West Virginia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Municipality of Martinsburg, West Virginia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Municipality of Martinsburg, West Virginia's internal control over financial reporting.

A *deficiency in internal control* exist when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Municipality of Martinsburg, 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 agreements, 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.

This report is intended for the information of the council and officials of the Municipality of Martinsburg, the West Virginia State Auditor's Office, and Chief Inspector Division and other state and federal agencies. However, this report is a matter of public record and its distribution is not limited.

CoxHollidaPrice LLP
Martinsburg, WV

December 22, 2010

Municipality of Martinsburg, West Virginia
SCHEDULE OF FINDINGS AND RESPONSES
For the year ended June 30, 2010

None

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CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITOR'S 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
Municipality of Martinsburg
Martinsburg, WV

Compliance

We have audited the Municipality of Martinsburg, West Virginia "(Municipality)" compliance 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 its major federal program, for the year ended June 30, 2010. The Municipality's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements referred to above is the responsibility of Municipality's management. Our responsibility is to express an opinion on the Municipality's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 identified in the accompanying schedule of findings and questioned cost occurred. An audit includes examining, on a test basis, evidence about the Municipality'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 Municipality's compliance with those requirements.

In our opinion, the Municipality of Martinsburg, West Virginia complied, in all material respects, with the compliance requirements referred to above that are applicable to the major federal program identified in the accompanying schedule of findings and questioned costs for the year ended June 30, 2010.

Internal Control over Compliance

The management of the Municipality of Martinsburg, West Virginia is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the Municipality's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Municipality's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of the management of the Municipality of Martinsburg, West Virginia, the West Virginia State Auditor's Office, Chief Inspector Division and other federal awarding agencies and pass-through entities and is not to be and should not be used by anyone other than these specified parties.

CoxHollidaPrice LLP
Martinsburg, WV

December 22, 2010

Municipality of Martinsburg, West Virginia
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2010

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development:			
Direct program expenses:			
Community Development Block Grant	14.218	N/A	$ 132,944
HOME Investment Partnership *	14.239	N/A	688,087
ARRA Entitlement Grant	14.253	N/A	105,460
Total U.S. Department of Housing and Urban Development			926,491
U.S. Department of Justice:			
Direct program:			
COPS Grant	16.710	N/A	39,154
Bulletproof Vest Grant	16.607	N/A	3,840
Safe Streets Task Force	N/A	N/A	22,044
Pass-through programs from:			
West Virginia Division of Criminal Justice Services:			
Crime Task Force	16.579	09-TF-05	18,918
Recovery Act Justice Assistance Grant	16.803	09-RAJ-04	64,500
Total U.S. Department of Justice			148,456
U.S. Department of Transportation:			
Pass-through West Virginia Department of Transportation:			
Community Traffic Safety Program	20.600	F09-HS-06 & F10-HS-06	237,665
Transportation Enhancement Grant	20.205	U302-MAR/TI-8.00	85,764
National Scenic Byways Program	20.205	T602-SCE/BY-1.00	18,125
Total U.S. Department of Transportation			341,554
U.S. Department of Homeland Security:			
Direct program:			
Staffing for Adequate Fire and Emergency Response	97.083	N/A	227,152
Pass-through West Virginia Division of Homeland Security and Emergency Management:			
Public Assistance Grant	97.036	45638	53,340
Total U.S. Department of Homeland Security			280,492
Total expenditures of Federal Awards			$ 1,696,993

* Major Program

Municipality of Martinsburg, West Virginia
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued
For the year ended June 30, 2010

NOTE A – BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Municipality of Martinsburg, West Virginia and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

NOTE B - LOANS OUTSTANDING

Municipality of Martinsburg had the following loan balance outstanding at June 30, 2010:

Program Title	Federal CFDA Number	Pass-through Grantor's Number	Amount Outstanding
Capitalization grants for state revolving funds	66.458	N/A	$ 4,804,147

Municipality of Martinsburg, West Virginia
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2010

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	___ Yes _X_ no
Significant deficiencies identified that are not considered to be material weakness(es)?	___ Yes _X_ none reported
Noncompliance material to financial statements noted?	___ Yes _X_ no

Federal Awards

Internal control over major programs:	
Material weakness (es) identified?	___ Yes _X_ no
Significant deficiencies identified that are not considered to be material weakness(es)?	___ Yes _X_ none reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	___ Yes _X_ no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.239	US Dept. of Housing and Urban Development Home Investment Partnership

Dollar threshold used to distinguish between type A and type B programs:	$ 300,000
Auditee qualified as low-risk auditee?	_X_ Yes ___ no

Section II-Financial Statement Findings

See Schedule of Findings and Responses

Municipality of Martinsburg, West Virginia
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2010

Section III-Federal Awards Findings and Questioned Costs

None

Municipality of Martinsburg, West Virginia
SCHEDULE OF PRIOR YEAR FINDINGS
For the year ended June 30, 2010

Prior Year Findings

2009-1 Purchase orders	Resolved

APPENDIX C

FORM OF BOND ORDINANCE

CITY OF MARTINSBURG

COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS,

SERIES 2011

BOND ORDINANCE

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CITY OF MARTINSBURG
COMBINED WATERWORKS AND SEWERAGE SYSTEM
REFUNDING REVENUE BONDS, SERIES 2011

BOND ORDINANCE

ORDINANCE AUTHORIZING THE REFUNDING OF ALL OR PART OF THE CITY OF MARTINSBURG COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2001 AND THE ISSUANCE BY THE CITY OF MARTINSBURG OF NOT MORE THAN NINE MILLION FIVE HUNDRED THOUSAND DOLLARS ($9,500,000.00) IN AGGREGATE PRINCIPAL AMOUNT OF CITY OF MARTINSBURG COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS, SERIES 2011, IN ONE OR MORE SERIES, THE PROCEEDS OF WHICH, TOGETHER WITH OTHER FUNDS OF THE CITY AVAILABLE FOR SAID PURPOSE, SHALL BE EXPENDED FOR SUCH REFUNDING AND TO PAY COSTS IN CONNECTION THEREWITH; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDERS OF SUCH COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS; AUTHORIZING A PRELIMINARY OFFICIAL STATEMENT, OFFICIAL STATEMENT, BOND PURCHASE AGREEMENT, CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS RELATING TO THE OFFERING AND SALE OF SUCH COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS; AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT ENACTED AND ORDAINED BY THE COMMON COUNCIL OF THE CITY OF MARTINSBURG:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01. Authority for this Ordinance. This Ordinance (together with any order, ordinance or resolution supplemental hereto or amendatory hereof, the "Bond Legislation") is enacted pursuant to the provisions of Chapter 8, Article 20 and Chapter 13, Article 2E of the Code of West Virginia, 1931, as amended (collectively, the "Act") and other applicable provisions of law.

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

A. City of Martinsburg (the "Issuer") is a municipal corporation and political subdivision of the State of West Virginia in Berkeley County of said State.

B. The Issuer owns and operates a municipal combined waterworks and sewerage system (collectively, the "System").

C. The acquisition and construction of the System were financed and refinanced by issuance of several series of bonds or refunding bonds, of which there are presently Outstanding the Issuer's Combined Waterworks and Sewerage System Revenue Bonds, Series 2000A (West Virginia DWTRF Program), dated September 27, 2000, originally issued in the aggregate principal amount of $7,564,000 (the "Series 2000A Bonds"), the Issuer's Combined Waterworks and Sewerage System Revenue Bonds, Series 2000B (West Virginia Infrastructure Fund), dated September 27, 2000, originally issued in the aggregate principal amount of $3,000,000 (the "Series 2000B Bonds"), and the Issuer's Combined Waterworks and Sewerage System Revenue Bonds, Series 2000C (West Virginia Water Development Authority), dated September 27, 2000, originally issued in the aggregate principal amount of $1,976,352 (the "Series 2000C Bonds" and, together with the Series 2000A Bonds and the Series 2000B Bonds, the "Series 2000 Bonds"), and the Issuer's Combined Waterworks and Sewerage System Revenue Bonds, Series 2001, dated September 1, 2001, originally issued in the aggregate principal amount of $10,750,000 (the "Series 2001 Bonds" and, together with the Series 2000 Bonds, the "Prior Bonds"), which Series 2000 Bonds were issued pursuant to an ordinance enacted by the Issuer on September 14, 2000, and put into effect following a public hearing held on September 25, 2000 (the "Series 2000 Bonds Ordinance") and which Series 2001 Bonds were issued pursuant to an ordinance enacted by the Issuer on July 19, 2001, and put into effect following a public hearing held on July 30, 2001 (the "Series 2001 Bonds Ordinance" and, together with the Series 2000 Bonds Ordinance, the "Prior Ordinances").

D. The Issuer derives revenues from the System, and, except for the pledges thereof to secure and pay the Prior Bonds, said revenues are not currently pledged or encumbered in any manner.

E. The Issuer has determined that debt service savings can be realized by the refunding of all or part of the Series 2001 Bonds with the proceeds of the Issuer's Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011 (the "Series 2011 Bonds") to be issued in one or more series, one or more of which series may be taxable, in an aggregate principal amount not to exceed $9,500,000, and other funds of the Issuer available for such purpose.

F. The Issuer has met all of the requirements set forth in the Series 2000 Bonds Ordinance for the issuance of the Series 2011 Bonds on a parity with the Series 2000 Bonds with respect to lien, pledge and sources of and security for payment, and the Issuer has determined that, upon issuance the Series 2011 Bonds shall be on a parity with the Series 2000 Bonds.

G. The estimated revenues to be derived from the operation of the System will be sufficient to pay all the costs of the operation and maintenance of said System, the principal of and interest on the Series 2011 Bonds and the Series 2000 Bonds, and all sinking funds, reserve accounts and other payments provided for herein and in the Series 2000 Bonds Ordinance.

H. It is further deemed necessary for the Issuer to issue the Series 2011 Bonds, in the total aggregate principal amount of not more than $9,500,000, in one or more series, one or more series of which may be taxable, the proceeds of which, together with other available funds of the Issuer, will be used to refund all or part of the Series 2001 Bonds, including without limitation the payment of the principal of and redemption premium and interest to the date of redemption on the Series 2001 Bonds and costs relating to the issuance of the Series 2011 Bonds (specifically including, but not limited to, the cost of a municipal bond insurance policy, if such a policy is determined to be advantageous to the Issuer) and the refunding of all or part of the Series 2001 Bonds and the funding of the Series 2011 Bonds Reserve Account through either a deposit of cash or the purchase by the Issuer of a Reserve Account Insurance Policy.

I. It is in the best interest of the Issuer that its Series 2011 Bonds be issued and sold to Crews & Associates, Inc. (the "Original Purchaser") pursuant to the terms and provisions of a bond purchase agreement by and between the Issuer and the Original Purchaser (the "Bond Purchase Agreement"), the execution and delivery of which are approved herein and the form of which may be approved by a Supplemental Resolution.

J. There are no outstanding obligations of the Issuer other than the Series 2000 Bonds which will rank either senior and prior to or on parity with the Series 2011 Bonds as to liens and sources of and security for payment.

K. The Series 2011 Bonds shall be issued with a lien on the Gross Revenues, as hereinafter defined, on a parity with the lien held by the Holders of the Series 2000 Bonds.

Prior to the issuance of the Series 2011 Bonds, the Issuer will obtain (i) a certificate of an Independent Certified Public Accountant stating that the parity tests of the Series 2000 Bonds is met to the extent required by the Series 2000 Bonds Ordinance and (ii) the written consent of the Holder of the Series 2000 Bonds to the issuance of the Series 2001 Bonds on parity with the Series 2000 Bonds.

L. The Issuer has complied with all requirements of West Virginia law and the Bond Purchase Agreement relating to the refunding of all or part of the Series 2001 Bonds and the issuance of the Series 2011 Bonds or will have so complied prior to issuance of any thereof.

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

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

"Act" means collectively Chapter 8, Article 20 and Chapter 13, Article 2E of the Code of West Virginia, 1931, as amended and in effect on the date of enactment hereof.

"Authorized Officer" means the Mayor or City Manager of the Issuer or any other officer of the Issuer specifically designated by resolution of the Council of the Issuer duly appointed as such by the Governing Body.

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

"Bond 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 Bowles Rice McDavid Graff & Love LLP.

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

"Bond Purchase Agreement" means the Bond Purchase Agreement between the Issuer and the Original Purchaser relating to the sale and purchase of the Series 2011 Bonds.

"Bond Register" means the books of the Issuer maintained by the Registrar for the registration and transfer of Series 2011 Bonds.

"Bonds" means, collectively, the Series 2000 Bonds, the Series 2011 Bonds and, where appropriate, any Bonds on a parity therewith authorized to be issued hereunder or by another ordinance of the Issuer.

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

"Business Day" means any day other than a Saturday, Sunday or a day on which the Paying Agent is authorized by law to remain closed.

"BPH" means the West Virginia Bureau for Public Health, a division of the West Virginia Department of Health and Human Resources, or any successor thereto.

"Certificate of Authentication and Registration" means the certificate of authentication and registration on the Series 2011 Bonds in substantially the form set forth in the bond form attached hereto as Exhibit A.

"City Manager" means the City Manager of the Issuer.

"Closing Date" means the date upon which there is an exchange of the Series 2011 Bonds for an advance of more than a de minimis amount of the principal of the Series 2011 Bonds by the Original Purchaser.

"Code" shall mean the Internal Revenue Code of 1986, as amended and supplemented from time to time, and Regulations thereunder.

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

"Council" means the West Virginia Infrastructure and Jobs Development Council or any successor thereto.

"Debt Service," with reference to a specified period, means the amount of principal, including any sinking fund payments, and interest payable with respect to the Series 2011 Bonds during such period.

"Depository Bank" means the bank designated as such in the Supplemental Resolution, and its successors and assigns, which shall be a member of the FDIC.

"Depreciation Fund" means the Depreciation Fund established or continued by the Prior Ordinances and continued by Section 5.01 hereof.

"DTC" means The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York, or any successor thereto or assign thereof, as securities depository for the Series 2011 Bonds.

"DTC-eligible" means, with respect to the Series 2011 Bonds, meeting the qualifications prescribed by The Depository Trust Company, New York, New York.

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

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

A. The excess of

(i) The aggregate amount earned from the Closing Date on all Nonpurpose Investments in which Gross Proceeds of the Series 2011 Bonds are invested [other than amounts attributable to an excess described in this clause (A) of this definition of Excess Investment Earnings], over

(ii) The amount that would have been earned if the Yield on such Nonpurpose Investments other than amounts attributable to an excess described in this clause (A) of this definition of Excess Investment Earnings] had been equal to the Yield on the Series 2011 Bond, plus

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

"Escrow Agent" means the escrow agent under the Escrow Agreement, which shall be appointed pursuant to the Supplemental Resolution.

"Escrow Agreement" means the agreement to be entered into between the Issuer and the Escrow Agent, providing for the defeasance and ultimate payment of the Series 2001 Bonds, the deposit therein of proceeds of the Series 2011 Bonds, the disposition of moneys in the various funds and accounts of the Series 2001 Bonds under the Series 2001 Bonds Ordinance and other matters in connection therewith, the form of which shall be approved by the Supplemental Resolution.

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

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

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

"Government Obligations" means direct and general obligations of the United States of America, of obligations that are unconditionally guaranteed as to principal and interest by the United States of America, including (in the case of direct and general obligations of the United States of America) evidences of ownership of proportionate interests in future interest and principal payments of such obligations; provided that, investments in such proportionate interests shall be limited to circumstances wherein (a) a bank or trust company acts as custodian and holds the underlying United States obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States obligations; and (c) the underlying United States obligations are held in a special account separate from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated.

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

(i) Original proceeds, namely, net amounts received by or for the Issuer as a result of the sale of the Series 2011 Bonds, excluding original proceeds which become transferred proceeds (determined in accordance with applicable Regulations) of obligations issued to refund in whole or in part the Series 2011 Bonds;

(ii) Investment proceeds, namely, amounts received at any time by or for the Issuer, such as interest and dividends, resulting from the investment of any original proceeds (as referenced in clause (i) above) or investment proceeds (as referenced in this clause (ii)) in Nonpurpose Investments, increased by any profits and decreased (if necessary, below zero) by any losses on any such investments, excluding investment proceeds which become transferred proceeds (determined in accordance with applicable Regulations) of obligations issued to refund in whole or in part the Series 2011 Bonds;

(iii) Transferred proceeds, namely, original proceeds of any prior obligations, and interest earnings and profits less losses resulting from investment of such original proceeds in Nonpurpose Investments, which are deemed to become proceeds of the Series 2011 Bonds ratably as original proceeds of the Series 2011 Bonds and interest earnings and profits resulting from investment of such original proceeds in Nonpurpose Investments discharge the outstanding principal of any such prior obligations, all on the date of such ratable discharge;

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

(v) Amounts in the Series 2011 Bonds Reserve Account and in any other fund established as a reasonably required reserve or replacement fund;

(vi) Investment Property pledged as security for payment of Debt Service on the Series 2011 Bonds by the Issuer;

(vii) Amounts, other than as specified in this definition, used to pay Debt Service on the Series 2011 Bonds; and

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

"Gross Revenues" means the aggregate gross operating and non-operating revenues of the System determined in accordance with generally accepted accounting principles, after deduction of prompt payment discounts, if any, and reasonable provision for uncollectible accounts, and include any gains from the sale or other disposition of, capital assets, but does not include any increase in the value of, capital assets (including Qualified Investments).

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

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

"Investment Property" means any security (as said term is defined in Section 165(g)(2) (A) or (B) of the Code), obligation, annuity contract, investment-type property or in the case of a bond other than a private activity bond, any residential rental property for family units which is not located within the jurisdiction of the Issuer and which is not acquired to implement a court ordered or approved housing desegregation plan. Except as provided in the following sentence, the term "Investment Property" does not include any tax-exempt bond. With respect to an issue other than an issue a part of which is a specified private activity bond (as defined in Section 57(a)(5)(C) of the Code), the term "Investment Property" includes a specified private activity bond (as so defined).

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

"Mayor" means the Mayor of the Issuer.

"Net Proceeds" means the face amount of the Series 2011 Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds deposited in the Series 2011 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 2011 Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

"Net Revenues" means Gross Revenues less Operating Expenses.

"Nonpurpose Investment" means any Investment Property as defined in Section 148(b) of the Code, that is not a purpose investment.

"Operating Expenses" means the current expenses, paid or accrued, of repair, operation and maintenance of the System, and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses (other than those capitalized as part of the costs of any project relating to the acquisition or construction of additions, betterments or improvements of the System), supplies, labor, wages, the cost of materials and supplies used for current operations, fees and expenses of fiscal agents and of the Depository Bank, Registrar and Paying Agent or Paying Agents, payments to pensions 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 sale or other disposition of or any decrease in the value of capital assets, amortization of debt discount or such miscellaneous deductions are reapplicable to prior accounting periods.

"Operation and Maintenance Fund" means the Operation and Maintenance Fund established or continued by the Prior Ordinances and continued by Section 5.01 hereof.

"Original Purchaser" means Crews & Associates, Inc., which is expected to be the original purchaser of the Series 2011 Bonds.

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

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

"Participant" means the person or entity registered as such with DTC.

"Paying Agent" means the West Virginia Municipal Bond Commission, or such entity or authority as may be designated by the Issuer.

"Prior Bonds" means the Series 2000 Bonds and the Series 2001 Bonds.

"Prior Ordinances" means the Series 2000 Bonds Ordinance and the Series 2001 Bonds Ordinance.

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

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

(1) Government Obligations.

(2) Obligations issued or guaranteed by the following instrumentalities or agencies of the United States of America:

(a) Federal Home Loan Bank System,

(b) Export-Import Bank of the United States.

(c) Federal Financing Bank,

(d) Government National Mortgage Association,

(e) Farmers Home Administration,

(f) Federal Home Loan Mortgage Company,

(g) Federal Housing Administration, and

(h) Federal National Mortgage Association.

(3) Direct and general long-term obligations of any state to the payment of which the full faith and credit of the state is pledged and which are rated in either of the two highest rating categories by either Moody's Investors Service, Inc. (hereinafter referred as "Moody's") or Standard and Poor's Corporation (hereinafter referred to as "S&P") or, in the event each of such rating agencies rate such obligations, by each of them.

(4) Direct and general short term obligations of any state described in (3) above which are rated in the highest rating category by either Moody's or S&P or, in the event each of such rating agencies rate such obligations, by each of them.

(5) Interest-bearing demand or time deposits or interests in money-market portfolios issued by state banks or trust companies or any national banking associations which are members of the Federal Deposit Insurance Corporation ("FDIC") or savings and loan associations which are members of the Federal Savings and Loan Insurance Corporation ("FSLIC"). These deposits or interests shall be (a) continuously and fully secured by the FDIC and FSLIC and with banks that are rated at least P-1 or Aa by Moody's or at least A-1 or AA by S&P, or (b) fully secured by Government Obligations. Such Government Obligations must have a market value at all times at least equal to the principal amounts of the deposits or interests. The Government Obligations must be held by the Depository Bank (who shall not be the provider of the collateral) or by any Federal Reserve Bank or depository, as custodian for the institution issuing the deposits or interests. The Depository Bank shall have a perfected first lien in the Government Obligations serving as collateral and such collateral shall be free from all third party liens.

(6) Repurchase agreements, the maturity of which are 30 days or less, entered into with financial institutions such as banks or trust companies organized under state law or national banking associations, insurance companies, or government bond dealers reporting to, trading with, and recognized as primary dealers by the Federal Reserve Bank of New York or banks rated "A" or above by

S&P and Moody's. Such repurchase agreements shall be secured by Government Obligations. The Government Obligations must have a fair market value, exclusive of accrued interest, at least equal to the amount invested in the repurchase agreements. The Depository Bank (who shall not be the provider of the collateral) must have a perfected first lien in, and retain possession of, the collateral and the collateral must be free from all third party claims. The collateral must be valued weekly, marked-to-market at current market price, plus accrued interest and the value thereof must be equal at least 102% of the amount of cash transferred by the Issuer to the dealer bank or securities firm under such repurchase agreement, plus accrued interest. If the value of the collateral falls below 102% of the value of such cash transferred by the Issuer, additional cash and/or acceptable securities shall be transferred.

(7) Public housing bonds issued by public agencies. Such bonds must be fully secured by a pledge of annual contributions under a contract with the United States government; temporary notes, preliminary loan notes or project notes secured by a requisition or payment agreement with the United States; or state or public agency or municipality obligations rated in the highest rating category by a nationally recognized bond rating agency.

(8) Shares of a diversified open-end management investment company (as defined in the Investment Company Act of 1940) or shares in a regulated investment company (as defined in Section 851(a) of the Internal Revenue Code of 1986, as amended) that is (a) a money market fund that has been rated in the highest rating category by Moody's or S&P or (b) money market accounts of the Depository Bank or any state or federal bank that is rated at least P-1 or Aa by Moody's or at least A-1 or AA by S&P or whose one bank holding company parent is rated at least A-1 or AA By S&P or at least P-1 or Aa by Moody's or that has a combined capital and surplus of not less than $50,000,000.

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

"Record Date" means the day of the month which shall be so stated in the Series 2011 Bonds, regardless of whether such day is a Saturday, Sunday or legal holiday.

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

"Redemption Price" means the price at which the Series 2011 Bond may be called for redemption and includes the principal amount of the Series 2011 Bonds to be redeemed, plus the premium, if any, required to be paid to effect such redemption.

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

"Registrar" means the Bond Registrar.

"Regulations" means temporary and permanent regulations promulgated under the Code, and includes applicable regulations promulgated under the Internal Revenue Code of 1954, as amended.

"Representation Letter" means the Letter Agreement between the Issuer and DTC.

"Reserve Accounts" means, collectively, the Series 2000 Bonds Reserve Accounts and the Series 2011 Bonds Reserve Account.

"Reserve Account Insurance Policy" means any surety bond, letter of credit or other instrument which may be applied by the Issuer to satisfy all or any portion of the Reserve Requirement for the Series 2011 Bonds or any subsequent series of Bonds.

"Reserve Requirement" means, collectively, the respective amount required to be on deposit in the Reserve Accounts for the Series 2011 Bonds and Series 2000 Bonds.

"Revenue Fund" means the Revenue Fund established or continued by the Prior Ordinances and continued by Section 5.01 hereof.

"Series 2000 Bonds Ordinance" means the Bond Ordinance enacted on September 14, 2000, and put into effect following a public hearing held on September 25, 2000, authorizing among other things, the issuance of the Series 2000 Bonds, as supplemented and amended.

"Series 2000 Bonds" means collectively the Series 2000A Bonds, the Series 2000B Bonds and the Series 2000C Bonds.

"Series 2000 Bonds Reserve Accounts" means collectively the Series 2000A Bonds Reserve Account, the Series 2000B Bonds Reserve Account and the Series 2000C Bonds Reserve Account.

"Series 2000 Bonds Sinking Funds" means collectively the Series 2000A Bonds Sinking Fund, the Series 2000B Bonds Sinking Fund and the Series 2000C Bonds Sinking Fund.

"Series 2000A Bonds" means the Combined Waterworks and Sewerage System Revenue Bonds, Series 2000A (West Virginia DWTRF Program) of the Issuer, dated September 27, 2000, originally issued in the aggregate principal amount of $7,564,000, authorized by the Series 2000 Bonds Ordinance.

"Series 2000A Bonds Reserve Account" means the Series 2000A Bonds Reserve Account established in the Series 2000A Bonds Sinking Fund pursuant to Section 5.02 of the Series 2000 Bonds Ordinance and continued by Section 5.02 hereof.

"Series 2000A Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 2000A Bonds in the then concurrent or any succeeding year.

"Series 2000A Bonds Sinking Fund" means the Series 2000A Bonds Sinking Fund established by Section 5.02 of the Series 2000 Bonds Ordinance and continued by Section 5.02 hereof.

"Series 2000B Bonds" means the Combined Waterworks and Sewerage System Revenue Bonds, Series 2000B (West Virginia Infrastructure Fund) of the Issuer, dated September 27, 2000, originally issued in the aggregate principal amount of $3,000,000, authorized by the Series 2000 Bonds Ordinance.

"Series 2000B Bonds Reserve Account" means the Series 2000B Bonds Reserve Account established in the Series 2000B Bonds Sinking Fund pursuant to Section 5.02 of the Series 2000 Bonds Ordinance and continued by Section 5.02 hereof.

"Series 2000B Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 2000B Bonds in the then concurrent or any succeeding year.

"Series 2000B Bonds Sinking Fund" means the Series 2000B Bonds Sinking Fund established by Section 5.02 of the Series 2000 Bonds Ordinance and continued by Section 5.02 hereof.

"Series 2000C Bonds" means the Combined Waterworks and Sewerage System Revenue Bonds, Series 2000C (West Virginia Water Development Authority) of the Issuer, dated September 27, 2000, originally issued in the aggregate principal amount of $1,976,352, authorized by the Series 2000 Bonds Ordinance.

"Series 2000C Bonds Reserve Account" means the Series 2000C Bonds Reserve Account established in the Series 2000C Bonds Sinking Fund pursuant to Section 5.02 of the Series 2000 Bonds Ordinance and continued by Section 5.02 hereof.

"Series 2000C Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 2000C Bonds in the then concurrent or any succeeding year.

"Series 2000C Bonds Sinking Fund" means the Series 2000C Bonds Sinking Fund established by Section 5.02 of the Series 2000 Bonds Ordinance and continued by Section 5.02 hereof.

"Series 2011 Bonds" means the not more than $9,500,000 in aggregate principal amount of Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011, authorized by this Ordinance, which may be issued in one or more series and which series may be taxable or tax-exempt, as determined by a Supplemental Resolution of the Issuer.

"Series 2011 Bonds Costs of Issuance Fund" means the Series 2011 Bonds Costs of Issuance Fund established by Section 5.01 hereof.

"Series 2001 Bonds Ordinance" means the Bond Ordinance enacted on July 19, 2001, and put into effect following a public hearing held on July 30, 2001, authorizing among other things, the issuance of the Series 2001 Bonds, as supplemented and amended

"Series 2011 Bonds Redemption Account" means the Series 2011 Bonds Redemption Account for the Series 2011 Bonds established by Section 5.02 hereof.

"Series 2011 Bonds Reserve Account" means the Series 2011 Bonds Reserve Account established in the Series 2011 Bonds Sinking Fund pursuant to Section 5.02 hereof.

"Series 2011 Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 2011 Bonds in the then concurrent or any succeeding year, assuming that the principal of any Term Bonds is deemed due on the earlier of their stated maturity date or the date on which they are required to be redeemed pursuant to mandatory redemption.

"Series 2011 Bonds Sinking Fund" means the Series 2011 Bonds Sinking Fund established by Section 5.02 hereof.

"Sinking Funds" means, collectively, the Series 2000 Bonds Sinking Funds and the Series 2011 Bonds Sinking Fund.

"State" means the State of West Virginia.

"Supplemental Resolution" means any resolution, ordinance or order of the Issuer supplementing or amending this Ordinance and, when preceded by the article "the," refers specifically to the Supplemental Resolution authorizing the sale of the Series 2011 Bonds; provided, that any matter intended by this Ordinance to be included in the Supplemental Resolution with respect to the Series 2011 Bonds and not so included may be included in another Supplemental Resolution.

"Surety Bond" means any surety bond which may be issued by a provider of a Reserve Account Insurance Policy in connection with the Series 2011 Bonds or a subsequent series of Bonds.

"Surplus Revenues" means the Net Revenues not required by the Bond Legislation to be set aside and held for the payment of or security for the Series 2011 Bonds, the Series 2000 Bonds or any other obligations of the Issuer, as further defined in Section 5.03(A)(7) hereof.

"System" means, collectively, the complete existing municipal combined waterworks and sewerage system of the Issuer, consisting of a water filtration and treatment plant, reservoirs, water tanks, distribution lines and booster stations and a sewage treatment plant, collection and transportation lines and lift stations now owned by the Issuer or any integral part thereof, and all other facilities necessary, appropriate, useful, convenient or incidental in connection with or to a waterworks or sewage treatment and collection system, and any additions, betterments and improvements thereto hereafter acquired or constructed for said waterworks or sewage treatment and collection system from any sources whatsoever, both within and without the Issuer.

"Term Bonds" means Series 2011 Bonds subject to mandatory sinking fund redemption, as described by Section 3.07 hereof.

"Yield" means that yield which, when used in computing the present worth of all payments of principal and interest (or other payments in the case of Nonpurpose Investments which require payments in a form not characterized as principal and interest) on a Nonpurpose Investment or on the Series 2011 Bonds produces an amount equal to the purchase price of such Nonpurpose Investment or the Series 2011 Bonds, all computed as prescribed in applicable Regulations.

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.

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

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.

ARTICLE II

AUTHORIZATION OF REFUNDING OF ALL OR PART OF SERIES 2001 BONDS

Section 2.01. Authorization of Refunding of All or Part of Series 2001 Bonds. There is hereby authorized the refunding of all or part of the Series 2001 Bonds with the proceeds of the Series 2011 Bonds and other funds available for said purpose. In connection with the refunding of all or part of the Series 2001 Bonds, proceeds of the Series 2011 Bonds, together with other available funds of the Issuer, shall be applied to (i) the outstanding principal of and redemption premium and interest on the Series 2001 Bonds to their redemption date, (ii) to the costs relating to the issuance of the Series 2011 Bonds (specifically including, but not limited to, the cost of a municipal bond insurance policy, if such a policy is determined to be advantageous to the Issuer), and (iii) to the funding of the Series 2011 Bonds Reserve Account through either a deposit of cash or the purchase by the Issuer of a Reserve Account Insurance Policy. The determination of whether to refund all or part of the Series 2001 Bonds and, if it is determined to refund only part of the Series 2001 Bonds, the determination of which of the Series 2001 Bonds are to be refunded shall be set forth in the Supplemental Resolution.

ARTICLE III

THE SERIES 2011 BONDS

Section 3.01. Form and Payment of Bonds. No Series 2011 Bond shall be issued pursuant to this Ordinance except as provided in this Article III. All Series 2011 Bonds issued pursuant to this Ordinance shall be issued as fully registered Bonds without coupons, in the denomination of $5,000 or any integral multiple thereof for any year of maturity. The Series 2011 Bonds shall be dated as of the date provided in such Supplemental Resolution and shall bear interest from the interest payment date next preceding the date of authentication or, if authenticated after the Record Date but prior to the applicable interest payment date or on such interest payment date, from such interest payment date or, if no interest on such Series 2011 Bonds has been paid, from the date thereof; provided however, that, if, as shown by the records of the Registrar, interest on such Series 2011 Bonds shall be in default, Series 2011 Bonds issued in exchange for Series 2011 Bonds surrendered for transfer or exchange shall bear interest from the date to which interest has been paid in full on the initial Series 2011 Bonds surrendered.

The principal of and the premium, if any, on the Series 2011 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. The interest on the Series 2011 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 Series 2011 Bonds, by wire transfer to a domestic bank account specified in writing to the Paying Agent at least 5 days prior to such interest payment date by such Registered Owner.

In the event any Bond is redeemed in part, such Bond shall be surrendered to and cancelled 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 2011 Bonds shall be executed in the name of the Issuer by the Mayor and the 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 Recorder by his or her manual or facsimile signature; provided, that, all such signatures and the seal may be by facsimile. In case any one or more of the officers who shall have signed or sealed any of the Series 2011 Bonds shall cease to be such officer of the Issuer before the Series 2011 Bonds so signed and sealed have been actually sold and delivered, such Series 2011 Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Series 2011 Bonds had not ceased to hold such office. Any Series 2011 Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Series 2011 Bonds shall hold the proper office in the Issuer, although at

the date of such Series 2011 Bonds such person may not have held such office or may not have been so authorized.

Section 3.03. Authentication and Registration. No Series 2011 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 attached hereto and incorporated herein by reference with respect to the Series 2011 Bonds, shall have been duly manually executed by the Registrar. Any such manually executed Certificate of Authentication and Registration upon any 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 Series 2011 Bonds issued hereunder.

Section 3.04. Book-Entry Bonds.

A. Except as provided in subparagraph (C) of this Section 3.04, the Registered Owner of all of the Series 2011 Bonds shall be DTC, and the Series 2011 Bonds shall be registered in the name of Cede & Co. Payment of principal and interest for any Series 2011 Bond registered as of each Record Date in the name of Cede & Co. shall be made by wire transfer of New York clearing house or equivalent next-day funds to the account of Cede & Co. on the interest payment date for the Series 2011 Bonds at the address indicated on the Record Date for Cede & Co. in the Bond Register.

B. The Issuer and the Bond Registrar may treat DTC (or its nominee) as the sole and exclusive owner of the Series 2011 Bonds registered in its name for the purposes of payment of the principal or redemption price of or interest on the Series 2011 Bonds, selecting the Series 2011 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 2011 Bonds, obtaining any consent or other action to be taken by Bondholders and for all other purposes whatsoever, and neither the Issuer nor the Bond Registrar shall be affected by any notice to the contrary. Neither the Issuer nor the Bond Register shall have any responsibility or obligation to any Participant, any person claiming a beneficial ownership interest in the Series 2011 Bonds under or through DTC or any Participant, or any Participant of any amount in respect of the principal or redemption price of or interest on the Series 2011 Bonds; any notice which is permitted or required to be given to Bondholders under this Ordinance; the selection by DTC or any Participant of any person to receive payment in the event of a partial redemption of the Series 2011 Bonds; or any consent given or other action taken by DTC as Bondholder. The Paying Agent shall pay all principal of and premium, if any, and interest on the Series 2011 Bonds only to or "upon the order of" (as that term is used in the Uniform Commercial Code as adopted in the State) and all such payments shall be valid and effective to fully satisfy and discharge the Issuer's obligations with respect to the principal or redemption price of and interest

on the Series 2011 Bonds to the extent of the sum or sums so paid. No person other than DTC shall receive an authenticated Series 2011 Bond for each separate stated maturity evidencing the obligation of the Issuer to make payments of principal or redemption price and interest pursuant to this Ordinance. Upon delivery by DTC to the Issuer of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions herein with respect to Record Dates, the word "Cede & Co." in this Ordinance shall refer to such new nominee of DTC.

C. In the event the Issuer determines that it is in the best interest of the Owners that they be able to obtain Bond certificates, the Issuer may notify DTC, whereupon DTC will notify the Participants, of the availability through DTC of Bond certificates. In such event, the Issuer shall issue and the Bond Registrar shall authenticate, transfer and exchange Bond certificates as requested by DTC and any other Bondholders in appropriate amounts. DTC may determine to discontinue providing its services with respect to the Series 2011 Bonds at any time by giving notice to the Issuer and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is no successor securities depository), the Issuer shall be obligated to deliver Bond certificates as described herein. In the event Bond certificates are issued, the provisions herein shall apply to, among other things, the transfer and exchange of such certificates and the method of payment of principal of and interest on such certificates. Whenever DTC requests the Issuer to do so, the Issuer will assist DTC in taking appropriate action after reasonable notice (a) to make available one or more separate certificates evidencing the Series 2011 Bonds to any Participant having the Series 2011 Bonds credited to its DTC account or (b) to arrange for another securities depository to maintain custody of certificates evidencing the Series 2011 Bonds.

D. Notwithstanding any other provisions of this Ordinance to the contrary, so long as any Series 2011 Bond is registered in the name of Cede & Co., all payments with respect to the principal or redemption price of and interest on such Bond and all notices with respect to such Series 2011 Bond shall be made and given, respectively, to DTC as provided in the Representation Letter. When the Issuer gives notice to DTC or its nominee as Bondholder, it shall request that DTC forward (or cause to be forwarded) the notices to the Participants so that such Participants may forward (or cause to be forwarded) such notices to the Owners.

E. In connection with any notice or other communication to be provided to Bondholders pursuant to this Ordinance by the Issuer with respect to any consent or other action to be taken by Bondholders, the Issuer shall establish a record date for such consent or other action and give DTC notice of such record date not less than 15 calendar days in advance of such record date to the extent possible. Notice to DTC shall be given only when DTC is the sole Bondholder.

Section 3.05. Negotiability and Registration. Subject to the requirements for transfer set forth below, the Series 2011 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 Series 2011 Bonds, shall be conclusively deemed to have agreed that such Series 2011 Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State, and each successive Holder shall further be conclusively deemed to have agreed that said Series 2011 Bonds shall be incontestable in the hands of a bona fide holder for value.

So long as any of the Series 2011 Bonds remains Outstanding, the Registrar shall keep and maintain books for the registration and transfer of the Series 2011 Bonds. The Series 2011 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 in an 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.

The Series 2011 Bonds, 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, may at the option of the Holder thereof be exchanged for an equal aggregate principal amount of Series 2011 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, Series 2011 Bonds shall be delivered in accordance with the provisions of this Ordinance. All Series 2011 Bonds surrendered in any such transfer or exchange shall forthwith be cancelled by the Registrar. Transfers and exchanges of Series 2011 Bonds shall be made by the Registrar without charge to the Holder or the transferee thereof, except as provided below. For every such transfer or exchange of Series 2011 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 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 or during the period commencing on any Record Date and ending on the next interest payment date therefor.

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Series 2011 Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may execute, in its discretion, and the Registrar shall authenticate, register and deliver any new Bond of like series, maturity and principal amount as the Bond so mutilated, destroyed, stolen or lost, in exchange and upon surrender and cancellation of, such mutilated Bond or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing the Issuer and the Registrar proof of his ownership thereof and that said Bond has been destroyed, stolen or lost and

satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer or the Registrar may prescribe and paying such expenses as the Issuer or the Registrar may incur. The name of the Bondholder listed in the Bond Register shall constitute proof of ownership. All Series 2011 Bonds so surrendered shall be submitted to and cancelled 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 apply the same, upon being indemnified as aforesaid, and, if such Bond be lost, stolen or destroyed, without surrender therefor.

Any such duplicate Series 2011 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 Series 2011 Bonds, be at any time found by any one, and such duplicate Series 2011 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 Series 2011 Bonds issued hereunder.

Section 3.07. 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 2011 Bonds Redemption Account in accordance with Subsection 5.03(A)(2) shall include (after credit as provided below) on the first of each month, beginning on the first day of that month which is 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 Series 2011 Bonds shall be set forth in the Supplemental Resolution, provided, that in the event the period to elapse between the date of such initial deposit in the Series 2011 Bonds Sinking Fund and the next ensuing principal payment or mandatory redemption date is less than 12 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next ensuing principal payment date or mandatory redemption date, the required amount of principal coming due on such date.

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 to its mandatory redemption obligation for any such Term Bonds which prior to said date have been redeemed (otherwise than pursuant to this section) and cancelled 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 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 Commission may use the moneys in the Series 2011 Bonds Redemption Account to purchase Term Bonds at a price less than the par value thereof and accrued interest thereon. The 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 2011 Bonds Sinking Fund), as will exhaust as nearly as practicable such Series 2011 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.

Section 3.08. Notice of Redemption. Unless waived by any Holder of the Series 2011 Bonds to be redeemed, official notice of any such 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 and the registered owner of the Series 2011 Bond or Series 2011 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.

All official notices of redemption shall be dated and shall state:

(1) The redemption date,

(2) The redemption price,

(3) If less than all Outstanding series 2011 Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts and CUSIP numbers, if any, assigned to the Series 2011 Bonds) of the Series 2011 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 Series 2011 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 or as may be required by the Issuer.

Prior to any redemption date, the Issuer shall deposit with the Paying Agent an amount of money sufficient to pay the redemption price of all the Series 2011 Bonds or portions of bonds which are to be redeemed on that date.

Official notice of redemption having been given as aforesaid, the Series 2011 Bonds or portions of Series 2011 Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the Issuer shall default in the payment of the redemption price) such Series 2011 Bonds or portions of Series 2011 Bonds shall cease to bear interest. Upon surrender of such Series 2011 Bonds for redemption in accordance with said notice, such Series 2011 Bonds shall be paid by the Paying Agent 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 Series 2011 Bond, there shall be prepared for the registered owner a new Series 2011 Bond or Series 2011 Bonds of the same maturity in the amount of the unpaid principal. All Series 2011 Bonds which have been redeemed shall be cancelled 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 Series 2011 Bonds, and failure to mail such notice shall not affect the validity of proceedings for the redemption of any portion of Series 2011 Bonds for which there was no such failure.

Section 3.09. 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 3.10. Temporary Bonds. Until Series 2011 Bonds 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 Series 2011 Bonds in temporary form, substantially in the form of the definitive Series 2011 Bonds, with appropriate omissions, variations and insertions, and in authorized denominations. Until exchanged for Series 2011 Bonds in definitive form, such Series 2011 Bonds in temporary form shall be entitled to the lien and benefit created under this Ordinance. Upon the presentation and surrender of any Series 2011 Bond or Series 2011 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 Series 2011 Bond or Series 2011 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 3.11. Bonds not to be Indebtedness of the Issuer. The Series 2011 Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Gross Revenues derived from the operation of the System as herein provided, unexpended proceeds thereof in the Series 2011 Bonds Costs of Issuance Fund and amounts, if any, in the Series 2011 Bonds Reserve Account. No holder or holders of any of the Series 2011 Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Series 2011 Bonds or the interest thereon.

Section 3.12. Bonds Secured by Pledge of Gross Revenues. The payment of the debt service of all the Series 2011 Bonds shall be secured forthwith equally and ratably with each other, by a lien on and pledge of the Gross Revenues, on a parity with the lien on Gross Revenues in favor of the Holders of the Series 2000 Bonds. Such Gross Revenues in an amount sufficient to pay the principal of and interest on and other payments for the Series 2011 Bonds and the Series 2000 Bonds and to make the payments into the Sinking Funds and the Reserve Accounts therein are hereby irrevocably pledged to the payment of the principal of and interest on the Series 2011 Bonds and the Series 2000 Bonds as the same become due.

Section 3.13. Issuance of Series 2011 Bonds. For the purposes of refunding all or part of the Series 2001 Bonds, funding a debt service reserve account for the Series 2011 Bonds through either a deposit of cash or the purchase by the Issuer of a Reserve Account Insurance Policy, and paying costs in connection with the issuance of such Series 2011 Bonds (specifically including, but not limited to, the cost of a municipal bond insurance policy, if such a policy is determined to be advantageous to the Issuer), or any of the above purposes, there shall be issued the Series 2011 Bonds of the Issuer, in an aggregate principal amount of not more than $9,500,000. The Series 2011 Bonds shall be designated "Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011" and shall be issued in one or more series, one or more of which series may be taxable, 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 2011 Bonds maturing in the year of maturity for which the denomination is to be specified. The Series 2011 Bonds shall be numbered from R-1 consecutively upward. The Series 2011 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 redemption provisions; and shall have such other terms, all as the Issuer shall prescribe herein and in the Supplemental Resolution.

Section 3.14. Delivery of Series 2011 Bonds. The Issuer shall execute and deliver the Series 2011 Bonds to the Registrar, and the Registrar shall authenticate, register and deliver the Series 2011 Bonds to the Original Purchaser upon receipt of the documents set forth below:

A. A list of the names in which the Series 2011 Bonds are to be registered upon original issuance, together with such taxpayer identification and other information as the Register 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 2011 Bonds to the Original Purchaser; and

C. The unqualified approving opinion upon the Series 2011 Bonds by Bond Counsel.

Section 3.15. Form of Series 2011 Bonds. The Series 2011 Bonds shall be substantially in the form set forth in Exhibit A, attached hereto and incorporated herein by reference, with such appropriate variations, omissions and insertions as are permitted or required by this Ordinance or the Supplemental Resolution or as are deemed necessary by the Registrar and the Issuer, including any variations necessary to render the Series 2011 Bonds DTC-eligible. If additional series of the Series 2011 Bonds are authorized by the Supplemental Resolution, the form thereof shall be approved by the Supplemental Resolution.

Section 3.16. Sale of Series 2011 Bonds; Approval and Ratification of Execution of Bond Purchase Agreement with Original Purchaser. The Series 2011 Bonds shall be sold to the Original Purchaser pursuant to the terms and conditions of the Bond Purchase Agreement. If not so authorized by previous ordinance, the Mayor is specifically authorized and directed to execute the said Bond Purchase Agreement in such form as may be approved by the Supplemental Resolution, and the Recorder is directed to affix the seal of the Issuer, attest the same and deliver the said Bond Purchase Agreement to the Original Purchaser.

Section 3.17. Series 2011 Bonds are Issued as Parity Bonds With Respect to Series 2000 Bonds. The Series 2011 Bonds are issued as and shall constitute parity bonds with

respect to the Series 2000 Bonds. The Issuer has met the requirements of the Series 2000 Bond Ordinances for the issuance of the Series 2011 Bonds on a parity with the Series 2000 Bonds and has obtained the consent of the Holder of the Series 2000 Bonds to the issuance of the Series 2011 Bonds on a parity therewith.

ARTICLE IV

BOND INSURANCE

Section 4.01. Bond Insurance. The Issuer reserves the right to obtain bond insurance relating to the Series 2011 Bonds if it is found to be advantageous to the Issuer. If bond insurance is obtained for the Series 2011 Bonds, the Issuer reserves the right to supplement and amend this Bond Ordinance with respect to such bond insurance.

ARTICLE V

FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

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

A. Revenue Fund (created or continued by the Prior Ordinances);

B. Depreciation Fund (created or continued by the Prior Ordinances);

C. Operation and Maintenance Fund (created or continued by the Prior Ordinances);

D. Earnings Fund (created or continued by the Prior Ordinances);

E. Rebate Fund (created or continued by the Prior Ordinances); and

F. Series 2011 Bonds Costs of Issuance Fund.

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

A. Series 2000A Bonds Sinking Fund (established by the Series 2000 Bonds Ordinance);

B. Within the Series 2000A Bonds Sinking Fund, the Series 2000A Bonds Reserve Account (established by the Series 2000 Bonds Ordinance);

C. Series 2000B Bonds Sinking Fund (established by the Series 2000 Bonds Ordinance);

D. Within the Series 2000B Bonds Sinking Fund, the Series 2000B Bonds Reserve Account (established by the Series 2000 Bonds Ordinance);

E. Series 2000C Bonds Sinking Fund (established by the Series 2000 Bonds Ordinance);

F. Within the Series 2000C Bonds Sinking Fund, the Series 2000C Bonds Reserve Account (established by the Series 2000 Bonds Ordinance);

G. Series 2011 Bonds Sinking Fund;

H. Within the Series 2011 Bonds Sinking Fund, the Series 2011 Bonds Reserve Account; and

I. Series 2011 Bonds Redemption Account.

Section 5.03. System Revenues; Flow of Funds.

A. The entire Gross Revenues derived from the operation of the System shall be deposited upon receipt in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in this Bond Legislation and shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner herein provided. All Gross Revenues at any time remaining on deposit in the Revenue Fund shall be disposed of only in the following manner and order of priority.

1. The Issuer shall first, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Commission (i) for deposit in the Series 2000A Bonds Sinking Fund, a sum equal to 1/3rd of the amount of interest which will become due on the Series 2000A Bonds on the next ensuing quarterly interest payment date; (ii) for deposit in the Series 2000B Bonds Sinking Fund, a sum equal to 1/3rd of the amount of interest which will become due on the Series 2000B Bonds on the next ensuing quarterly interest payment date; (iii) for deposit in the Series 2000C Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on the Series 2000C Bonds on the next ensuing semiannual interest payment date; and (iv) beginning 6 months prior to the first interest payment date on the Series 2011 Bonds, for deposit in the Series 2011 Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on the Series 2011 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 2011 Bonds Sinking Fund and the next ensuing semiannual interest payment date is less than 6 months, then such monthly payments shall be 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, and provided further, that there shall be allowed as a credit against the respective payments any amounts on deposit in the respective Sinking Funds as accrued interest, capitalized interest or otherwise.

2. The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Commission (i) for deposit in the Series 2000A Bonds Sinking Fund, a sum equal to 1/3rd of the amount of principal which will mature and become due on the Series 2000A Bonds on the next ensuing quarterly principal payment date, (ii) for deposit in the Series 2000B Bonds Sinking Fund, a sum equal to 1/3rd of the amount

of principal which will mature and become due on the Series 2000B Bonds on the next ensuing quarterly principal payment date; (iii) for deposit in the Series 2000C Bonds Sinking Fund, a sum equal to 1/12th of the amount of principal which will mature and become due on the Series 2000C Bonds on the next ensuing annual principal payment date; and (iv) beginning 12 months prior to the first principal payment date of the Series 2011 Bonds, for deposit in the Series 2011 Bonds Sinking Fund, and in the Series 2011 Bonds Redemption Account therein in the case of Term Bonds, a sum equal to 1/12th of the amount of principal which will mature and become due on the Series 2011 Bonds on the next ensuing annual principal payment date, provided, that in the event the period to elapse between the date of such initial deposit in the Series 2011 Bonds Sinking Fund and the next ensuing annual principal payment date is less than 12 months, then such monthly payments shall be increased proportionately to provide, 1 month prior to the next ensuing annual principal payment date, the required amount of principal coming due on such date.

3. The Issuer shall next, from the moneys remaining in the Revenue Fund each month, transfer from the Revenue Fund and deposit in the Operation and Maintenance Fund an amount sufficient to pay current Operating Expenses of the System.

4. The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Commission (i) an amount equal to 1/120th of the Series 2000A Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2000A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2000A Bonds Reserve Requirement; (ii) for deposit in the Series 2000B Bonds Reserve Account, an amount equal to 1/120th of the Series 2000B Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2000B Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2000B Bonds Reserve Requirement; (iii) for deposit in the Series 2000C Bonds Reserve Account, an amount equal to 1/120th of the Series 2000C Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2000C Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2000C Bonds Reserve Requirement; and (iv) beginning 6 months prior to the first principal payment date of the Series 2011 Bonds, if not fully funded upon issuance of the Series 2011 Bonds, for deposit in the Series 2011 Bonds Reserve Account, an amount equal to 1/120th of the Series 2011 Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2011 Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2011 Bonds Reserve Requirement.

5. The Issuer shall next, from the moneys remaining in the Revenue Fund, on the first day of each month, transfer to the Depreciation Fund a sum equal to 2 1/2% of

the Gross Revenues each month, exclusive of any payments for the account of any Reserve Account in the respective Sinking Funds.

Withdrawals and disbursements may be made by the Issuer from the Depreciation Fund only for the following purposes and in the following order of priority:

(a) To make up any deficiency in any Reserve Account (so that the amount on deposit therein is at least equal to the Reserve Requirement);

(b) For the payment of the principal (including the principal amount to be paid under the mandatory redemption schedules) of or interest on the Bonds, but only in the event that at the time of such withdrawal there are not sufficient funds for such purpose in the respective Sinking Funds (including the respective Reserve Accounts);

(c) For the payment of the reasonable costs of land and depreciable renewals, repairs, extensions, improvements and additions to the System;

(d) For the payment of debt service on obligations not on a parity with the Bonds, the proceeds of which obligations were used to finance such land and depreciable renewals, repairs, extensions, improvements and additions to the System; or

(e) Moneys in the Depreciation Fund in excess of a sum which is sufficient for the purposes of capital replacements, additions or improvements for the System or any part thereof during the then present Fiscal Year and the next ensuing Fiscal Year may be transferred, upon resolution of the Issuer, to Series 2000 Bonds Sinking Funds or the Series 2011 Bonds Redemption Account and used for optional redemption or for purchase of Bonds. In the event of purchase of Bonds, the Issuer may direct the purchase of Bonds offered for sale at the lowest price below the redemption price of such Bonds.

6. The Issuer shall next, each month pay to any provider of a Reserve Account Insurance Policy any interest which may be owed on amounts advanced under any Surety Bond.

7. The Issuer may next, each month, after making the above required transfers of money from the Revenue Fund, accrue the surplus then remaining in the Revenue

Fund. Any such surplus in the Revenue Fund shall be deemed "Surplus Revenues" and may be used for any lawful purpose of the System, including payment of debt service on subordinate indebtedness of the System.

8. If on any monthly payment date the Revenues of the System are insufficient to make the required deposits in any of the funds as hereinabove provided, the deficiency shall be made up on the next ensuing payment dates by payments in addition to the payments which are otherwise required to be made into the funds on such ensuing payment dates, provided, however, that the priority of curing deficiencies in the funds and accounts herein shall be in the same order as payments are to be made pursuant to this Section 5.03, and the Gross Revenues shall be applied to such deficiencies before being applied to any other payments hereunder.

9. Principal and interest payments into the respective Sinking Funds, and any payments made for the purpose of funding a deficiency in any Reserve Account shall be made on a parity and pro rata with respect to the Series 2000 Bonds and the Series 2011 Bonds in accordance with the respective principal amounts then Outstanding.

B. Moneys in the Series 2011 Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest on the Series 2011 Bonds as the same shall become due. Moneys in the Series 2011 Bonds Reserve Account shall be used only for the purpose of paying principal of and interest on the Series 2011 Bonds as the same shall come due, when other moneys in the Series 2011 Bonds Sinking Fund are insufficient therefor, and for no other purpose.

All investment earnings on moneys in the Series 2011 Bonds Sinking Fund, the Series 2011 Bonds Reserve Account and the Series 2011 Bonds Redemption Account shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payment due on the Series 2011 Bonds, and then to the next ensuing principal payment due thereon.

Any withdrawals from the Series 2011 Bonds Reserve Account which result in a reduction in the balance therein to below the Series 2011 Bonds Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments have been made in full in the order set forth above.

As and when additional Bonds ranking on a parity with the Series 2011 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 of additional parity Bonds.

The Issuer shall not be required to make any further payments into the Series 2011 Bonds Sinking Fund or the Series 2011 Bonds Reserve Account when the aggregate amount of funds therein are at least equal to the respective aggregate principal amount of the Series 2011 Bonds issued pursuant to this Bond Legislation then Outstanding and all interest to accrue until the maturity thereof.

The Commission is hereby designated as the fiscal agent for the administration of the Series 2011 Bonds Sinking Fund, the Series 2011 Bonds Reserve Account and the Series 2011 Bonds Redemption Account created hereunder, and all amounts required for said accounts shall be remitted to the Commission from the Revenue Fund by the Issuer at the time provided herein.

Moneys in the Series 2011 Bonds Sinking Fund, the Series 2011 Bonds Reserve Account and the Series 2011 Bonds Redemption Account shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The Series 2011 Bonds Sinking Fund, the Series 2011 Bonds Reserve Account and the Series 2011 Bonds Redemption Account shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 2011 Bonds, respectively, under the conditions and restrictions set forth herein.

C. The Issuer shall on the first day of each month (if the first day is not a business day, then the first business day of each month), deposit with the Commission the required interest, principal and reserve account payments with respect to the Series 2011 Bonds and all such payments shall be remitted to the Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Bond Legislation. All remittances made by the Issuer to the Commission shall clearly identify the fund or account into which each amount is to be deposited.

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

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

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

Section 5.04. Reserve Account Insurance Policy. In lieu of funding the Reserve Account for any series of Bonds with cash or Qualified Investments, the Reserve Requirement may be satisfied by the purchase by the Issuer of a Reserve Account Insurance Policy and/or the deposit into the Reserve Account of a reserve account letter of credit in an amount at least equal to the Reserve Requirement.

ARTICLE VI

BOND PROCEEDS

Section 6.01. Application of Bond Proceeds; Pledge of Unexpended Bond Proceeds. From the moneys received from time to time from the sale of any or all of the Series 2011 Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Series 2011 Bonds, there shall first be deposited with the Commission in the Series 2011 Bonds Sinking Fund, the amount, if any, specified in the Supplemental Resolution as capitalized interest.

B. From the proceeds of the Series 2011 Bonds, there shall be deposited with the Commission in the Series 2011 Bonds Sinking Fund, the amount, if any, constituting accrued interest on the Series 2011 Bonds.

C. Next, from the proceeds of the Series 2011 Bonds, there shall be deposited with the Commission in the Series 2011 Bonds Reserve Account, the amount, if any, set forth in the Supplemental Resolution for funding of the Series 2011 Bonds Reserve Account.

D. Next, from the proceeds of the Series 2011 Bonds, there shall be deposited in the Escrow Fund an amount sufficient to pay on the redemption date for the Series 2001 Bonds all outstanding principal of and interest and redemption premium on the Series 2001 Bonds.

E. The remaining monies from the sale of the Series 2011 Bonds shall be deposited with the Depository Bank in the Series 2011 Bonds Costs of Issuance Fund. The monies in the Series 2011 Bonds Costs of Issuance Fund shall be applied solely to payment of the costs of issuing the Series 2011 Bonds in the manner set forth in Section 6.02.

F. Upon the earlier to occur of (i) the payment of all costs of issuing the Series 2011 Bonds, or (ii) the date which is 90 days after the Closing Date, any remaining proceeds of the Series 2011 Bonds in the Series 2011 Bonds Costs of Issuance Fund shall be deposited in the Series 2011 Bonds Sinking Fund.

G. The Depository Bank shall act as a trustee and fiduciary for the Holders of the Series 2011 Bonds with respect to the Series 2011 Bonds Costs of Issuance Fund and shall comply with all requirements with respect to the disposition of such funds set forth in the Bond Legislation. Moneys in the Series 2011 Bonds Costs of Issuance Fund shall be used solely to pay costs of issuing the Series 2011 Bonds and until so transferred or expended, are hereby pledged as additional security for the respective Series 2011 Bonds.

Section 6.02. Disbursements From the Series 2011 Bonds Costs of Issuance Fund. Except as provided in Section 6.01 hereof, disbursements from the Series 2011 Bonds Costs of Issuance Fund shall be made after submission to the Depository Bank, of a certificate, signed by an Authorized Officer, stating that:

1. None of the items for which the payment is proposed to be made has formed the basis for any disbursement theretofore made;

2. Each item for which the payment is proposed to be made is or was necessary in connection with the issuance of the Series 2011 Bonds;

3. Each of such costs has been otherwise properly incurred; and

4. Payment for each of the items proposed is then due and owing.

Pending such application, moneys in the Series 2011 Bonds Costs of Issuance Fund shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

Upon the earlier to occur of (i) the payment of all costs of issuing the Series 2011 Bonds, or (ii) the date which is 90 days after the Closing Date, any remaining proceeds of the Series 2011 Bonds shall be deposited in the Series 2011 Bonds Sinking Fund.

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01. General Covenants of the Issuer. All the covenants, agreements and provisions of this Bond Legislation shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Series 2011 Bonds. In addition to the other covenants, agreements and provisions of this Bond Legislation, the Issuer hereby covenants and agrees with the Holders of the Series 2011 Bonds as hereinafter provided in this Article VII. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of the Series 2011 Bonds or the interest thereon is Outstanding and unpaid.

Section 7.02. Bonds not to be Indebtedness of the Issuer. The Series 2011 Bonds shall not be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory limitation of indebtedness, but shall be payable solely from the funds pledged for such payment by this Bond Legislation. No Holder or Holders of any of the Series 2011 Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Series 2011 Bonds or the interest thereon.

Section 7.03. Bonds Secured by Pledge of Gross Revenues; Lien Positions With Respect to Series 2000 Bonds. The payment of the debt service of the Series 2011 Bonds issued hereunder shall be secured forthwith equally and ratably by a first lien on the Gross Revenues derived from the operation of the System on a parity with the lien on such Gross Revenues in favor of the Holders of the Series 2000 Bonds. Gross Revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Series 2000 Bonds and the Series 2011 Bonds and to make the payments into all funds and accounts, and all other payments provided for in the Bond Legislation and the Series 2000 Bonds Ordinance are hereby irrevocably pledged, in the manner provided herein, to such payments as the same become due, and for the other purposes provided in the Bond Legislation.

Section 7.04. Initial Schedule of Rates and Charges. The Issuer has obtained any and all approvals of rates and charges required by State law and has taken any other action required to establish and impose such rates and charges, with all requisite appeal periods having expired without successful appeal. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth and approved and described in the Ordinance enacted by the Issuer on January 26, 2006.

So long as the Series 2011 Bonds are outstanding, the Issuer covenants and agrees to fix and collect rates, fees and other charges for the use of the System and to take all such actions necessary to provide funds sufficient to produce the required sums set forth in the Bond Legislation. In the event the schedule of rates and charges initially established for the System in connection with the Series 2011 Bonds shall prove to be insufficient to produce the required

sums set forth in this Bond Legislation, the Issuer hereby covenants and agrees that it will, to the extent and in the manner authorized by law, immediately adjust and increase such schedule of rates and charges and take all such actions necessary to provide funds sufficient to produce the required sums set forth in this Bond Legislation.

Section 7.05. Sale of the System. So long as the Series 2000 Bonds are Outstanding, the Issuer shall not sell, mortgage, lease or otherwise dispose of the System, or any part thereof, except as provided in the Series 2000 Bonds Ordinance. Additionally, so long as the Series 2011 Bonds are Outstanding and except as otherwise required by law, the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Series 2011 Bonds and Series 2000 Bonds Outstanding, or to effectively defease this Bond Legislation in accordance with Article X hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall immediately be remitted to the Commission for deposit in the Series 2000A Bonds Sinking Fund, the Series 2000B Bonds Sinking Fund, the Series 2000C Bonds Sinking Fund and the Series 2011 Bonds Sinking Fund, respectively, pro rata, with respect to the principal amount of each of the Series 2011 Bonds and Series 2000 Bonds then Outstanding, and, Issuer shall direct the Commission to apply such proceeds to the payment of principal of and interest on the Series 2011 Bonds and Series 2000 Bonds in such manner. Any balance remaining after the payment of all the Series 2011 Bonds and Series 2000 Bonds and interest thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, is not in excess of $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 may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Revenue Fund. If the amount to be received from such sale, lease or other disposition of said property, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, shall be in excess of $50,000 but not in excess of $200,000, the Issuer shall first, in writing, determine upon consultation with the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then, if it be so advised, by resolution duly adopted, authorize such sale, lease or other disposition of such property in accordance with the laws of the State. The proceeds derived from any such sale, lease or other disposition of such property shall be deposited in the Depreciation Fund. Such 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

Bond Legislation. No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, shall be in excess of $200,000 and insufficient to pay the Series 2011 Bonds and Series 2000 Bonds then Outstanding without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of the Series 2011 Bonds and Series 2000 Bonds then outstanding. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Series 2011 Bonds and Series 2000 Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 7.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. Except as provided in this Section 7.06 and in Section 7.07, so long as any of the Series 2011 Bonds are Outstanding, the Issuer shall not issue any other obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Series 2011 Bonds. All obligations issued by the Issuer after the issuance of the Series 2011 Bonds and payable from the revenues of the System, except such additional parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on and source of and security for payment from such revenues and in all other respects, to the Series 2011 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 at the time of the issuance of such subordinate obligations have been made and are current. Except as provided above, the Issuer shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or being on a parity with the lien of the Series 2011 Bonds, and the interest thereon, if any, upon any of the income and revenues of the System pledged for payment of the Series 2011 Bonds and the interest thereon, if any, in this Bond Legislation, or upon the System or any part thereof.

Section 7.07. Parity Bonds. So long as any of the Series 2000 Bonds are Outstanding, the limitations on the issuance of parity obligations set forth in the Series 2000 Bonds Ordinance shall be applicable. In addition, no Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of the Series 2011 Bonds pursuant to this Bond Legislation, except under the conditions and in the manner herein provided.

No such Parity Bonds shall be issued except for the purpose of financing the costs of the construction or acquisition of additions, extensions, improvements or betterments to the System or refunding one or more series of the Series 2000 Bonds and/or the Series 2011 Bonds, or both such purposes.

No Parity Bonds shall be issued at any time, however, unless and until there has been procured and filed with the Recorder a written statement by the Independent Certified Public Accountants reciting the conclusion that the Net Revenues actually derived, subject to the

adjustments hereinafter provided for, from the System during any 12 consecutive months, within the 18 months immediately preceding the date of the actual issuance of such Parity Bonds, plus the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the completion of the improvements to be financed by such Parity Bonds, if any, shall not be less than 115% of the largest aggregate amount that will mature and become due in any succeeding Fiscal Year for principal of and interest on the following:

(1) The Series 2000 Bonds and Series 2011 Bonds then Outstanding;

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

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

The "estimated average increased annual Net Revenues to be received in each of the 3 succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from (a) the improvements to be financed by such Parity Bonds and (b) any increase in rates enacted by the Issuer, the period for appeal of which has expired (without successful appeal) prior to the date of delivery of such Parity Bonds, and shall not exceed the amount to be stated in a certificate of the Independent Certified Public Accountants, which shall be filed in the office of the Recorder prior to the issuance of such Parity Bonds.

The Net Revenues actually derived from the System during the 12-consecutive-month period hereinabove referred to may be adjusted by adding to such Net Revenues such additional Net Revenues which would have been received, in the opinion of the said Independent Certified Public Accountants on account of increased rates, rentals, fees and charges for the System enacted by the Issuer, the period for appeal of which has expired (without successful appeal) prior to issuance of such Parity Bonds.

All covenants and other provisions of this Bond Legislation (except as to details of such Parity Bonds inconsistent herewith) shall be for the equal benefit, protection and security of the Holders of the Series 2011 Bonds and the Holders of any Parity Bonds subsequently issued from time to time within the limitations of and in compliance with this section. Bonds issued on a parity, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the revenues of the System and their source of and security for payment from said revenues, without preference of any Bond of one series over any other Bond of the same series. The Issuer shall comply fully with all the increased payments into the various funds and accounts created in this Bond Legislation required for and on account of such Parity Bonds, in addition to the payments required for Bonds theretofore issued pursuant to this Bond Legislation.

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on the revenues of the System is subject to the prior and superior lien of the Series 2011 Bonds on such revenues. The Issuer shall not issue any obligations whatsoever payable from the revenues of the System, or any part thereof, which rank prior to or, except in the manner and under the conditions provided in this section, equally, as to lien on and source of and security for payment from such revenues, with the Series 2011 Bonds.

No Parity Bonds shall be issued any time, however, unless all the payments into the respective funds and accounts provided for in this Bond Legislation and the Series 2000 Bond Ordinance with respect to the Series 2011 Bonds and Series 2000 Bonds then Outstanding, and any other payments provided for in this Bond Legislation, shall have been made in full as required to the date of delivery of such Parity Bonds, and the Issuer shall then be in full compliance with all the covenants, agreements and terms of this Bond Legislation.

Section 7.08. Books, Records and Audit. The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and any Holder of a Series 2000 Bond or Series 2011 Bond shall have the right at all reasonable times to inspect the System, and all parts thereof, and all records, accounts and data of the 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 for the System shall be maintained by the Issuer. Subsidiary records as may be required shall be kept in the manner, on the forms, in the books and along with other bookkeeping records as prescribed by the Issuer.

The Issuer shall file with the Original Purchaser, 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 Certified Public Accountants (or, if required by State law, by the West Virginia State Tax Department), shall mail upon request, and make available generally, the report of said Independent Accountants (or State Tax Department),

or a summary thereof, to any Holder or Holders of Series 2011 Bonds issued pursuant to this Ordinance and shall file said report with the Original Purchaser.

Section 7.09. Rates. Prior to the issuance of the Series 2011 Bonds, equitable rates or charges for the use of and service rendered by the System have been established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Recorder, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from said System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the Series 2011 Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2011 Bonds, including the Series 2000 Bonds; provided that, in the event that amounts equal to or in excess of the reserve requirements are on deposit, respectively, in the Series 2011 Bonds Reserve Account and reserve accounts for obligations on a parity with the Series 2011 Bonds, including the Series 2000 Bonds, such balance each year need only equal at least 110% of the maximum amount required in any year for payment of principal of and interest on the Series 2011 Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2011 Bonds, including the Series 2000 Bonds.

Section 7.10. 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 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 until the Issuer shall have approved such increased expenditures by a resolution duly adopted. The Issuer shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Original Purchaser and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to the Original Purchaser and to any Bondholder or anyone acting for and in behalf of such Bondholder who requests the same.

Section 7.11. Report of Consulting Engineers. The Issuer shall, at least once every 2 years, retain recognized qualified independent Consulting Engineers to review the operation, maintenance and repair of the System and to report to the Issuer in writing their

recommendations and comments pertaining to the System. Such biennial report of the Consulting Engineers, or a summary thereof, shall be made available, upon request, to the Original Purchaser and any Bondholder.

Section 7.12. No Competing Franchise. To the extent legally allowable, the Issuer will not grant or cause, consent to or allow the granting of, any franchise or permit to any person, firm, corporation, body, agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the System.

Section 7.13. Enforcement of Collections. The Issuer will diligently enforce and collect all fees, rentals or other charges for the services and facilities of the System, and take all steps, actions and proceedings for the enforcement and collection of such fees, rentals or other charges which shall become delinquent to the full extent permitted or authorized by the Act, the rules and regulations of the Public Service Commission of West Virginia and other laws of the State of West Virginia.

Whenever any fees, rates, rentals or other charges for the services and facilities of the System shall remain unpaid for a period of 20 days after the same shall become due and payable, the property and the owner thereof, as well as the user of the services and facilities, shall be delinquent until such time as all such rates and charges are fully paid. To the extent authorized by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, rates, rentals and other charges, if not paid, when due, shall become a lien on the premises served by the System. The Issuer further covenants and agrees that, it will, to the full extent permitted by law and the rules and regulations promulgated by the Public Service Commission of West Virginia, discontinue and shut off the services of the System and any services and facilities of the water system, if so owned by the Issuer, to all users of the services of the System delinquent in payment of charges for the services of the System and will not restore such services of either system until all delinquent charges for the services of the System, plus reasonable interest and penalty charges for the restoration of service, have been fully paid and shall take all further actions to enforce collections to the maximum extent permitted by law. If the water facilities are not owned by the Issuer, the Issuer shall enter into a termination agreement with the water provider, subject to any required approval of such agreement by the Public Service Commission of West Virginia and all rules, regulations and orders of the Public Service Commission of West Virginia.

Section 7.14. No Free Services. The Issuer will not render or cause to be rendered any free services of any nature by the System, nor will any preferential rates be established for users of the same class; and in the event the Issuer, or any department, agency, instrumentality, officer or employee of the Issuer shall avail itself or themselves of the facilities or services provided by the System, or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer and any such department, agency, instrumentality, officer or employee. The revenues so received shall be deemed to be revenues derived from the operation of the System, and shall be deposited

and accounted for in the same manner as other revenues derived from such operation of the System.

Section 7.15. Insurance. The Issuer will carry such insurance and in such amounts as is customarily carried with respect to works and properties similar to the System, with a reputable insurance carrier or carriers, against loss or damage by fire, explosion, hurricane, earthquake, cyclone, occupancy or other hazards and risks. In time of war, the Issuer shall also carry in said amount such insurance as may be available against loss or damage by the risks and hazards of war. The proceeds of all such insurance policies shall be placed in the Depreciation Fund and used only for the repair and restoration of the damaged or destroyed properties or for the other purposes provided herein for the Depreciation Fund. The Issuer will also carry liability insurance for damage or injury to persons or property in amounts adequate for such purposes and customarily carried with respect to works and properties similar to the System. The Issuer shall carry such other insurance as is deemed necessary by the Issuer, including but not limited to flood insurance and business interruption insurance, to the extent available at reasonable cost to the Issuer.

Section 7.16. Mandatory Connections. The mandatory use of the System is essential and necessary for the protection and preservation of the public health, comfort, safety, convenience and welfare of the inhabitants and residents of, and the economy of, the Issuer and in order to assure the rendering harmless of sewage and water-borne waste matter produced or arising within the territory served by the System. Accordingly, every owner, tenant or occupant of any house, dwelling or building located near the System, where sewage will flow by gravity or be transported by such other methods approved by the State Division of Health from such house, dwelling or building into the System, to the extent permitted by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, shall connect with and use the System and shall cease the use of all other means for the collection, treatment and disposal of sewage and waste matters from such house, dwelling or building where there is such gravity flow or transportation by such other method approved by the State Division of Health and such house, dwelling or building can be adequately served by the System, and every such owner, tenant or occupant shall, after a 30-day notice of the availability of the System, pay the rates and charges established therefor.

Any such house, dwelling or building from which emanates sewage or water-borne waste matter and which is not so connected with the System is hereby declared and found to be a hazard to the health, safety, comfort and welfare of the inhabitants of the Issuer and a public nuisance which shall be abated to the extent permitted by law and as promptly as possible by proceedings in a court of competent jurisdiction.

Section 7.17. Permits and Orders. The Issuer has obtained all permits required by state and federal laws for and all orders and approvals from the Public Service Commission of West Virginia, the BPH and the Council necessary for the operation of the System and all

approvals for issuance of the Series 2011 Bonds required by state law, with all requisite appeal periods having expired without successful appeal or been waived.

Section 7.18. Compliance With Law. The Issuer shall perform, satisfy and comply with all terms and conditions of the Act. The Issuer also agrees to comply with the Act and all applicable laws, rules and regulations issued by the Authority, the Council and the BPH or other state, federal or local bodies in regard to the operation, maintenance and use of the System.

Section 7.19. Tax Covenants. The Issuer hereby further covenants and agrees as follows:

A. PRIVATE BUSINESS USE LIMITATION. The Issuer shall assure that (i) not in excess of 10% of the Net Proceeds of the Series 2011 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 2011 Bonds during the term thereof is, under the terms of the Series 2011 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 to any property used or to be used for a Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for a Private Business Use; and (ii) that, in the event that both (A) in excess of 5% of the Net Proceeds of the Series 2011 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 2011 Bonds during the term thereof is, under the terms of the Series 2011 Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for said Private Business Use or in payments in respect of property used or to be used for said Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for said Private Business Use, then said excess over said 5% of Net Proceeds of the Series 2011 Bonds used for a Private Business Use shall be used for a Private Business Use related to the governmental use of the Project, or if the Series 2011 Bonds are for the purpose of financing more than one project, a portion of the Project, and shall not exceed the proceeds used for the governmental use of that portion of the Project to which such Private Business Use is related, all of the foregoing to be determined in accordance with the Code.

B. PRIVATE LOAN LIMITATION. The Issuer shall assure that not in excess of the lesser of 5% of the Net Proceeds of the Series 2011 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 2011 Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

D. INFORMATION RETURN. The Issuer will file all statements, instruments and returns necessary to assure that tax-exempt status of the Series 2011 Bonds and the interest thereon, including, without limitation, the information return required under Section 149(e) of the Code.

E. FURTHER ACTIONS. The Issuer will take any and all actions that may be required of it so that the interest on the Series 2011 Bonds will be and remain excludable from gross income for federal income tax purposes, and will not take any actions, or fail to take any actions, the result of which would adversely affect such exclusion.

F. TAXABLE SERIES OF SERIES 2011 BONDS EXCLUDED. Any taxable series of the Series 2011 Bonds shall be excluded from the foregoing provisions of this Section 7.19.

Section 7.20. Statutory Mortgage Lien. For the further protection of the Holders of the Series 2011 Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, shall take effect immediately upon delivery of the Series 2011 Bonds and shall be for the equal benefit of all Holders of Series 2011 Bonds; provided, however, that the statutory mortgage lien in favor of the Holders of the Series 2011 Bonds shall be on a parity with the statutory mortgage lien in favor of the Holders of the Series 2000 Bonds.

Section 7.21. Continuing Disclosures. In order to provide the written undertaking for the benefit of the owners of the Series 2011 Bonds required by the Securities and Exchange Commission Rule 15c2-12, the Issuer shall enter into a Continuing Disclosure Agreement in such form as may be approved by the Supplemental Resolution, and the Mayor is authorized and directed to execute and deliver such Continuing Disclosure Agreement on behalf of the Issuer, with such changes as the Mayor shall approve, such approval to be conclusively evidenced by the execution of such Certificate by the Mayor.

Section 7.22. Preliminary Official Statement; Official Statement. The distribution of the Preliminary Official Statement with respect to the Series 2011 Bonds shall be and the same is hereby approved. The form of the Preliminary Official Statement shall be in such form as may be approved by the Supplemental Resolution. The Mayor is hereby authorized and directed to execute and deliver a final official statement on behalf of the Issuer, which shall be in substantially the form of the Preliminary Official Statement with such changes, insertions and omissions as may be required to reflect the terms of the sale of the Series 2011 Bonds and as the Mayor may approve (the "Official Statement"). The execution of the Official Statement by the Mayor shall be conclusive evidence of such approval. Copies of the Official Statement are hereby authorized to be prepared and furnished to the Original Purchaser for distribution.

ARTICLE VIII

INVESTMENT OF FUNDS; NON ARBITRAGE

Section 8.01. Investments. So long as any of the Series 2000 Bonds remain Outstanding, the Series 2000 Bonds Ordinance shall govern the investment of moneys held as part of the funds and accounts created or continued by the Series 2000 Bonds Ordinance. Any moneys held as a part of the funds and accounts created or continued by this Bond Legislation shall be invested and reinvested by the Commission, the Depository Bank, or such other bank or national banking association holding such fund or account, as the case may be, at the written direction of the Issuer in any Qualified Investments to the fullest extent possible under applicable laws, this Bond Legislation, the need for such moneys for the purposes set forth herein, and the specific restrictions and provisions set forth in this Section 8.01.

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

The Depository Bank shall keep complete and accurate records of all funds, accounts and investments, and shall distribute to the Issuer, at least once each year (or more often if reasonably requested by the Issuer), a summary of such funds, accounts, and investment earnings. The Issuer shall retain all such records and any additional records with respect to such funds, accounts and investment earnings so long as any of the Series 2011 Bonds are Outstanding and so long thereafter as necessary to comply with the Code and assure the exclusion of interest on the Series 2011 Bonds (excluding however any taxable series of the Series 2011 Bonds) from gross income for federal income tax purposes.

Section 8.02. Certificate as to Arbitrage. The Issuer shall deliver a certificate as to 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 (or the exemption therefrom) and other tax matters as a condition to issuance of the Series 2011 Bonds as may be necessary in order to fully comply with Section 148(f) of the Code, and other provisions of the Code

pertaining to the exclusion of interest on the Series 2011 Bonds (excluding however any taxable series of the Series 2011 Bonds) from the gross income of the recipients thereof for purposes of federal income taxation and the Issuer covenants to take such actions, and refrain from taking such actions, as may be necessary to fully comply with such Section 148(f) of the Code and such Regulations, regardless of whether such actions may be contrary to any of the provisions of this Bond Legislation.

Section 8.03. Arbitrage. The Issuer covenants that (i) it shall not take, or permit or suffer to be taken, any action with respect to the proceeds of the Series 2011 Bonds (excluding however any taxable series of the Series 2011 Bonds) which would cause such Bonds to be "arbitrage bonds" under Section 148 of the Code and Regulations prescribed thereunder, and (ii) it will take all actions that may be required of it (including, without implied limitation, the timely filing of a federal information return with respect to such Bonds) so that the interest on such Bonds (excluding however any taxable series of the Series 2011 Bonds) will be and remain excluded from gross income for federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 8.04. Rebate of Excess Investment Earnings to the United States. In order to comply with Section 148(f) of the Code, the Issuer shall take the following actions:

A. EARNINGS FUND AND REBATE FUND. All interest earnings and profits on amounts in all funds and accounts established under this Ordinance, other than (i) interest earnings and profits on any funds referenced in Subsection C(5) of this Section if such earnings in any Bond Year are less than $100,000, provided that, if none of the Series 2011 Bonds are private activity bonds (including any "qualified 501(c)(3) bond" as defined under Section 145 of the Code), if the average maturity of the Series 2011 Bonds (determined in accordance with Section 174(b)(2)(A) of the Code) is at least 5 years and if the rate of interest on the Series 2011 Bonds does not vary during the term of the issue, then this clause (i) of this Section 8.04 shall be applied without regard to such dollar limitation, which interest earnings and profits shall be retained in the fund or account from which such earnings or profits arose to the extent not otherwise provided herein, (ii) interest earnings and profits on amounts in funds and accounts which do not constitute Gross Proceeds, and (iii) interest earnings and profits on the Rebate Fund shall, upon receipt by the Depository Bank, be deposited in the Earnings Fund. In addition, all interest earnings and profits on Gross Proceeds in funds held by the Issuer shall, upon receipt, be paid to the Depository Bank for deposit in the Earnings Fund. Annually, on or before the 30th day following the end of each Bond Year or on the preceding business day in the event that such day is not a business day, the Issuer shall transfer from the Earnings Fund to the Rebate Fund for purposes of ultimate payment to the United States an amount equal to Excess Investment Earnings, all as more particularly described in this Section. Following the transfer referenced in the preceding sentence, the Issuer shall transfer all amounts remaining in the Earnings Fund to be used for the payment of Debt Service on the next interest payment date and for such purpose, Debt Service due from the Issuer on such date shall be credited by an amount

equal to the amount so transferred. Notwithstanding the foregoing, the Issuer shall withdraw moneys from the Earnings Fund, if needed for the purpose of paying Debt Service or principal of or interest on the Series 2011 Bonds. In the event of withdrawal of any moneys from the Earnings Fund the Issuer shall restore such withdrawal from the first Gross Revenues available therefor, after payment of Debt Service or principal of or interest on the Series 2011 Bonds.

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

C. CALCULATION OF EXCESS INVESTMENT EARNINGS. Within 30 days following the last day of the first Bond Year, the Issuer shall calculate the Excess Investment Earnings. Thereafter, within 30 days following the last day of each Bond Year and within 30 days following the maturity date of the Series 2011 Bonds, the Issuer shall calculate the amount of Excess Investment Earnings. Said calculations shall be made or caused to be made by the Issuer in accordance with the following:

(1) Except as provided in (2), in determining the amount described in clause A(i) of the definition of Excess Investment Earnings, the aggregate amount earned on Nonpurpose Investments shall include (i) all income realized under federal income tax accounting principles (whether or not the person earning such income is subject to federal income tax) with respect to such Nonpurpose Investments and with respect to the reinvestment of investment receipts from such Nonpurpose Investments (without regard to the transaction costs incurred in acquiring, carrying, selling or redeeming such Nonpurpose Investments), including, but not limited to, gain or loss realized on the disposition of such Nonpurpose Investments (without regard to when such gains are taken into account under Section 453 of the Code relating to taxable year of inclusion of gross income), and income under Section 1272 of the Code (relating to original issue discount) and (ii) any unrealized gain or loss as of the date of retirement of the series 2011 Bonds in the event that any Nonpurpose Investment is retained after such date.

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

(3) In determining the amount described in clause (A)(ii) of the definition of Excess Investment Earnings, the Yield on the Series 2011 Bonds shall be determined based on the actual Yield of the Series 2011 Bonds during the period between the Closing Date of the Series 2011 Bonds and the date the computation is made (with adjustments for original issue discount or premium).

(4) In determining the amount described in clause (B) of the definition of Excess Investment Earnings, all income attributable to the excess described in clause (A) of said definition must be taken into account, whether or not that income exceeds the Yield of the Series 2011 Bonds, and no amount may be treated as "negative arbitrage."

(5) In determining the amount of Excess Investment Earnings, there shall be excluded any amount earned on any fund or account which is used primarily to achieve a proper matching of revenues and Debt Service within each Bond Year and which is depleted at least once a year except for a reasonable carryover amount not in excess of the greater of 1 year's earnings on such fund or account or 1/12th of annual Debt Service (which may include a portion of a fund or account, although not a separate and distinct fund or account) as well as amounts earned on said earnings if the gross earnings on such fund or account for the Bond Year is less than $100,000, provided that, if none of the Series 2011 Bonds are private activity bonds (including any "qualified 501(c)(3) bond" as defined under Section 145 of the Code), if the average maturity of the issue of the Series 2011 Bonds (determined in accordance with Section 147(b)(2)(A) of the Code) is at least 5 years and if the rate of interest on the issue of the Series 2011 Bonds does not vary during the term of the issue, then all amounts earned on such fund or account as well as amounts earned on said earnings shall be excluded in determining the amount of Excess Investment Earnings.

D. PAYMENT TO THE UNITED STATES. The Issuer shall pay from the Rebate Fund an amount equal to excess Investment Earnings to the United States in installments with the first payment to be made not later than 30 days after the end of the 5th Bond Year and with subsequent payments to be made not later than 5 years after the preceding payment was due. The Issuer shall assure that each such installment is in an amount equal to at least 90% of the Excess Investment Earnings with respect to the Gross Proceeds as of the close of the computation period. Not later than 60 days after the retirement of the Series 2011 Bonds, the Issuer shall pay from the Rebate Fund to the United States 100% of the theretofore unpaid Excess Investment Earnings in the Rebate Fund. In the event that there are any amounts remaining in the Rebate Fund following the payment required by the preceding sentence, the Issuer may use such amounts remaining for any lawful purpose of the System. The Issuer shall remit payments to the United States at the address prescribed by the Regulations as the same may be in time to time in effect with such reports and statements as may be prescribed by such Regulations. In the event that, for any reason, amounts in the Rebate Fund are insufficient to make the payments to the United States which are required by this Subsection D, the Issuer shall assure that such payments are made by the Issuer to the United States, on a timely basis, from any funds lawfully available therefor.

E. FURTHER OBLIGATIONS OF ISSUER. The Issuer shall assure that Excess Investment Earnings are not paid or disbursed except as required in this Section. To that end the Issuer shall assure that investment transactions are on an arm's length basis and that Nonpurpose Investments are acquired at their fair market value. In the event that Nonpurpose

Investments consist of certificates of deposit or investment contracts, investment in such Nonpurpose Investments shall be made in accordance with the procedures described in applicable Regulations as from time to time in effect. The Issuer shall keep the moneys in the Earnings Fund and Rebate Fund invested and reinvested to the fullest extent practicable in Government Obligations with maturities consonant with the required use thereof and investment profits and earnings shall be credited to the account of such fund on which earned.

F. MAINTENANCE OF RECORDS. The Issuer shall keep, and retain for a period of 6 years following the retirement of the Series 2011 Bonds, records of the determinations made pursuant to this Section 8.04.

G. INDEPENDENT CONSULTANTS. In order to provide for the administration of this Section 8.04, the Issuer and the Depository Bank (at the expense of the Issuer) may provide for the employment of independent attorneys, accountants or consultants compensated on such reasonable basis as the Issuer or the Depository Bank may deem appropriate.

H. FURTHER AGREEMENT. Notwithstanding the foregoing, the Issuer further covenants to comply with all Regulations from time to time in effect and applicable to the Series 2011 Bonds as may be necessary in order to fully comply with Section 148(f) of the Code, and to the extent necessary to comply with such Regulations, to take such actions, or refrain from taking such actions as may be necessary, regardless of whether such actions may be contrary to any of the provisions of this Section 8.04.

I. TAXABLE SERIES OF BONDS EXCLUDED. Any taxable series of the Series 2011 Bonds shall be excluded from the foregoing provisions of this Section 8.04.

ARTICLE IX

DEFAULT AND REMEDIES

Section 9.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Series 2011 Bonds:

A. If default occurs in the due and punctual payment of the principal of or interest on the Series 2011 Bonds; or

B. If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Series 2011 Bonds, set forth in this Bond Legislation, any supplemental resolution or in the Series 2011 Bonds, and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Commission, the Depository Bank, Registrar or any other Paying Agent or a Holder of a Series 2011 Bond; 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 Series 2000 Bonds or the Series 2000 Bonds Ordinance.

Section 9.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of a Bond may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his or her rights and, in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Holders of the Bonds, including the right to require the Issuer to perform its duties under the Act and the Bond Legislation relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Bonds, (iv) by action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Holders of the Bonds, and (v) by action or bill in equity enjoin any acts in violation of the Bond Legislation with respect to the Bonds, or the rights of such Registered Owners; provided that all rights and remedies of the Holders of the Series 2011 Bonds shall be on a parity with the Holders of the Series 2000 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 9.03. Appointment of Receiver. Any Holder of a Bond, may, by proper legal action, compel the performance of the duties of the Issuer under the Bond Legislation and the Act, including, after commencement of operation of the System, the making and collection of sufficient rates and charges for services rendered by the System and segregation of the revenues therefrom and the application thereof. If there be any Event of Default with respect to such Bonds, any Holder of a Bond, shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System on behalf of the Issuer with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of Operating Expenses of the System, the payment of the Bonds and interest and the deposits into the funds and accounts hereby established, and to apply such rates, rentals, fees, charges or other avenues in conformity with the provisions of this Bond Legislation and the Act.

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

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

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

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

Section 9.04. 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 X

DEFEASANCE; DISCHARGE OF PLEDGE OF ORDINANCE

Section 10.01. 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 2011 Bonds issued pursuant to this Ordinance 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 2011 Bonds made hereunder, shall thereupon cease, terminate and become void and be discharged and satisfied.

Series 2011 Bonds for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Paying Agent at the same or earlier time, shall be sufficient, to pay as and when due the respective principal of and interest on such Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Series 2011 Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited with the Commission or 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 Commission or said escrow trustee at the same or earlier time shall be sufficient, to pay when due the principal of, any redemption premium on and interest due and to become due on said Series 2011 Bonds on and prior to the maturity date thereof, or if the Issuer irrevocably determines to redeem any of said Series 2011 Bonds prior to the maturity thereof, on and prior to said redemption date. Neither securities nor moneys deposited with the Commission or an escrow trustee pursuant to this section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and interest on said Series 2011 Bonds; provided, that any cash received from such principal, redemption premium, if any, and interest payments on such securities deposited with the 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 Series 2011 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 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 U. S. Treasury Certificates, Notes or Bonds (including U. S. Treasury Certificates, State and Local Government Series--"SLGS"), direct obligations of the U.S. Treasury which have been stripped by the Treasury itself, CATS,

TIGRS and similar securities and 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
Direct obligations or fully guaranteed certificates of beneficial ownership

B. Farmers Home Administration, or its successors
Certificates of beneficial ownership

C. Federal Financing Bank

D. Federal Housing Administration Debentures

E. General Services Administration
Participation certificates

F. U. S. Maritime Administration
Guaranteed Title XI financing

G. New Communities Debenture
U. S. Government guaranteed debentures

H. U. S. Public Housing Notes and Bonds
U. S. Government guaranteed public housing notes and bonds

I. U. S. Department of Housing and Urban Development
Project Notes
Local Authority Bonds

ARTICLE XI

REGISTRAR; PAYING AGENT

Section 11.01. Appointment of Registrar. The Registrar for the Series 2011 Bonds shall be appointed pursuant to Supplemental Resolution pertaining to such series. The Mayor and the City Manager of the Issuer are each hereby authorized and directed to enter into an agreement with the Registrar, the form of which agreement is to be approved by such Supplemental Resolution.

Section 11.02. Responsibilities of Registrar. The recitals of fact in the Series 2011 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 2011 Bonds by the Issuer. Notwithstanding the foregoing, the Registrar shall be responsible for any representation in its Certificate of Authentication on the Series 2011 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 11.01.

The Registrar shall not incur any liability on account of the validity of the execution of any Series 2011 Bonds by the Issuer. Notwithstanding the foregoing, the Registrar shall be responsible for any representation in its Certificate of Authentication on the Series 2011 Bonds. The Registrar and any successor thereto shall agree to perform all the duties and responsibilities incident thereto, all as provided by said agreement described in Section 11.01.

Section 11.03. Evidence on Which Registrar May Act. Except as otherwise provided by Section 12.02, 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 11.04. Compensation and Expenses. The Issuer shall pay to the Registrar from time to time reasonable compensation for all services, including the transfer of registration of Series 2011 Bonds, the first exchange of Series 2011 Bonds and the exchange of Series 2011 Bonds in the event of partial redemption, incurred in the performance of its duties hereunder.

Section 11.05. Certain Permitted Acts. The Registrar may become the owner of or may deal in Series 2011 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 also serve in the capacity as

Depository Bank, 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 2011 Bonds or this Ordinance, whether or not any such committee shall represent the Holders of a majority in principal amount of the Series 2011 Bonds Outstanding.

Section 11.06. 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 mailing such notice to each Bondholder, specifying the date when such resignation shall take effect. Such resignation shall take effect upon the day specified in such notice unless a successor shall have been previously appointed by the Issuer or Bondholders, in which event such resignation shall take effect immediately.

Section 11.07. Removal. The Registrar may be removed at any time by the Issuer or by the Holders of a majority in principal amount of the Series 2011 Bonds then Outstanding by an instrument or concurrent instruments in writing signed and duly acknowledged by the Issuer or by such Bondholders or their attorneys duly authorized in writing and delivered to the Issuer, as the case may be. Copies of each such instrument shall be delivered by the Issuer to the Registrar.

Section 11.08. 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 2011 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 mail to each Bondholder notice of any such appointment within 20 days after the effective date of such appointment. 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 11.09. Transfer of Rights and Property to Successor. Any predecessor Registrar or Paying Agent shall pay over, assign and delivery any moneys, books and records held by it to its successor.

Section 11.10. 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 11.08.

Section 11.11. Adoption of Authentication. In case any of the Series 2011 Bonds shall have been authenticated but not delivered, any successor Registrar may adopt a Certificate of Authentication and Registration executed by any predecessor Registrar and deliver such Series 2011 Bonds so authenticated, and, in case any Series 2011 Bonds shall have been prepared but not authenticated, any successor Registrar may authenticate such Series 2011 Bonds in the name of the predecessor Registrar or in its own name.

Section 11.12. Paying Agent. The Paying Agent for the Series 2011 Bonds shall be the Commission or any other Paying Agent appointed by the Issuer pursuant to a Supplemental Resolution pertaining to such series. Any alternate Paying Agent must be a bank, trust company, national banking association or other entity authorized to perform the duties imposed upon it by this Ordinance. Such alternate Paying Agent shall signify its acceptance of the duties and obligations imposed upon it pursuant hereto by executing and delivering to the Issuer a written acceptance thereof. Any successor Paying Agent shall take such actions as may be necessary to ensure that the Series 2011 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, national banking association or other authorized entity to fill such vacancy; provided, however, that, if the Issuer shall fail to appoint such Paying Agent within said period, the Commission, a court of competent jurisdiction or a majority of the Bondholders may make such appointment.

The Paying Agent shall enjoy the same protective provisions in the performance of their duties hereunder as are specified in this Article XI 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 11.08 hereof with respect to the appointment of a successor Registrar.

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

ARTICLE XII

MISCELLANEOUS

Section 12.01. Amendment of Ordinance. Prior to the issuance of the Series 2011 Bonds, this Ordinance may be amended or supplemented in any way by the Supplemental Resolution. Following issuance of the Series 2011 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 2011 Bonds (excluding however any taxable series of the Series 2011 Bonds). Otherwise, no materially adverse amendment or modification to this Ordinance, or of any Supplemental Resolution, may be made without the written consent of the Holders of 60% in aggregate principal amount of the Series 2011 Bonds then Outstanding and affected thereby, which must be filed with the Recorder before any such modification or amendment may be made. No such modification or amendment shall extend the maturity of or reduce the interest rate on, or otherwise alter the terms of payment of the principal of or interest on, any Series 2011 Bond without the express written consent of the Holder of such Bond, nor reduce the percentage of Series 2011 Bonds required for consent to any such modification or amendment.

Section 12.02. Evidence of Signatures of Bondholders and Ownership of Bonds. Any request, consent, revocation of consent or other instrument which this Ordinance may require or permit to be signed and executed by Bondholders may be in one or more instruments of similar tenor, and shall be signed or executed by such Bondholders in person or by their attorneys duly authorized in writing. Proof of the execution of any such instrument, or of an instrument appointing or authorizing any such attorney, shall be sufficient for any purpose of this Ordinance if made in the following manner, or in any other manner satisfactory to the Issuer or the Registrar, as the case may be, which may nevertheless in its discretion require further or other proof in cases where it deems the same desirable.

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

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

treasurer of such corporation with a corporate seal affixed, and is attested by a person purporting to be its secretary or assistant secretary.

C. The amount of fully registered Series 2011 Bonds held by a person executing any instrument as a Bondholder, the date of his holding such Series 2011 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 Series 2011 Bond shall bind all future Holders and owners of such Series 2011 Bond in respect of anything done or suffered to be done hereunder by the Issuer or the Registrar in accordance therewith.

Section 12.03. 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 pledged created by this Ordinance shall be discharged as provided in Section 10.01.

Section 12.04. Cancellation of Bonds. All Series 2011 Bonds purchased or paid shall, if surrendered to the Issuer, be cancelled and delivered to the Registrar, or, if surrendered to the Registrar, be cancelled by it. No such Series 2011 Bonds shall be deemed Outstanding under this Ordinance and no Series 2011 Bonds shall be issued in lieu thereof. All such Bonds shall be cancelled and upon order of the Issuer shall be destroyed, and a certificate evidencing such destruction shall be delivered to the Issuer.

Section 12.05. Failure to Present Series 2011 Bonds. Anything in this Ordinance to the contrary notwithstanding, any moneys held by the Commission or a Paying Agent in trust for the payment and discharge of any of the Series 2011 Bonds which remain unclaimed for 1 year after the date on which such Series 2011 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 Commission or said Paying Agent to the Issuer as its absolute property and free from trust, and the Commission or said Paying Agent shall thereupon be released and discharged with respect thereto, and the Holders of such Series 2011 Bonds shall look only to the Issuer for the payment of such Series 2011 Bonds; provided, however, that, before making any such payment to the Issuer, the Registrar, if so advised by the 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.

Section 12.06. Demands and Requests. Unless otherwise expressly provided, all notices, demands and requests to be given or made hereunder to or by the Issuer, the Registrar, the Paying Agent, the Depository Bank, the Original Purchaser or the Bond Insurer shall be in writing and shall be properly made if sent by United States mail, postage prepaid, and addressed as follows or if hand-delivered to the individual to whom such notice, demand or request is required to be directed as indicated below:

ISSUER

City of Martinsburg
City Hall
232 North Queen Street
Martinsburg, West Virginia 25401

REGISTRAR

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

PAYING AGENT

West Virginia Municipal Bond Commission
1207 Quarrier Street, Suite 401
Charleston, West Virginia 25301

DEPOSITORY BANK

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

ORIGINAL PURCHASER

Crews & Associates, Inc.
First Security Center
521 President Clinton Avenue
Suite 800
Little Rock, Arkansas 72201

BOND INSURER

[Name(s) and address(s) to be set forth in
Supplemental Resolution, if applicable]

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 12.07. No Personal Liability. No member of the council or officer or employee of the Issuer shall be individually or personally liable for the payment of the principal of or the interest on any Series 2011 Bond, but nothing herein contained shall relieve any such member, official or employee for the performance of any official duty provided by law or this Ordinance.

Section 12.08. Law Applicable. The laws of the State shall govern the construction of this Ordinance and of all bonds issued hereunder.

Section 12.09. Parties Interested Herein. Nothing in this Ordinance expressed or implied is intended or shall be construed to confer upon, or give to, any person or corporation, other than the Issuer, the Registrar, the Paying Agent, the Holders of the Series 2011 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 Series 2011 Bonds and the Original Purchaser.

Section 12.10. 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 12.11. 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 12.12. Conflicting Provisions Repealed. Except for the Series 2000 Bonds Ordinance, all ordinances, orders, resolutions or parts thereof in conflict with the provisions of this Ordinance, are, to the extent of such conflict, hereby repealed. In the event of a conflict between this Ordinance and the Series 2000 Bonds Ordinance, the more restrictive shall control so long as the Series 2000 Bonds are Outstanding.

Section 12.13. 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, the City Manager, the Recorder and members of the Governing Body were at all times when any actions in connection with this Ordinance occurred and are duly in office and duly qualified for such office.

Section 12.14. Procedure on Enactment of Ordinance; Public Hearing. Upon adoption of this Ordinance, the Recorder is hereby authorized and directed to have an abstract of this Ordinance, substantially in the form attached hereto as Exhibit B, which abstract has been determined by the Council of the Issuer to contain sufficient information to give notice of the contents of such Ordinance, published once each week for 2 successive weeks, with not less than six full days between each publication, the first such publication to be not less than 10 days before the date stated below for the public hearing, in The Journal, a newspaper published and having a general circulation in the City of Martinsburg, together with a notice to all persons concerned, stating that this Ordinance has been adopted and that the Issuer contemplates the issuance of the Series 2011 Bonds described in this Ordinance and that any person interested may appear before the Council at the public hearing to be had at a public meeting of Council on the 10th day of November, 2011, at 6:30 p.m., in the meeting room of the Council in the City Hall of the City of Martinsburg and present protests, and that a certified copy of this Ordinance is on file in the office of the Recorder for review by interested parties during the office hours of the Recorder. At such hearing all protests and suggestions shall be heard by the Council and it shall then take such action as it shall deem proper in the premises.

This Ordinance shall become effective following public hearing hereon in accordance with the Act.

Passed on First and Second Reading	October 13, 2011
Passed on Third Reading:	October 20, 2011
Put into effect following Public Hearing held on:	November 10, 2011

[SEAL]

_____
Mayor

_____
City Manager

ATTEST:

_____
Recorder

EXHIBIT A

FORM OF SERIES 2011 BOND

No. R-_____ $_____

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF MARTINSBURG
COMBINED WATERWORKS AND SEWERAGE SYSTEM
REFUNDING REVENUE BOND,
SERIES 2011

Interest Rate	Maturity Date	Bond Date	CUSIP No.

Registered Owner: _____

Principal Amount:_____

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF MARTINSBURG, 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 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, at the Interest Rate per annum specified above, semiannually on _____ and _____ of each year, beginning _____ 1, 201_, except as the provisions hereinafter set forth as to redemption may become applicable hereto. The principal of this Bond is payable in any coin or currency which, on the date of payment thereof, is legal tender for the payment of public and private debts under the laws of the United States of America upon surrender of this Bond at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia, as Paying Agent (the "Paying Agent"); and interest on this Bond is payable by check or draft, mailed to the Registered Owner at his address as it appears on the books of _____, _____, _____, (the "Registrar") on the _____ day of the month preceding said interest payment date (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 to the Registrar at least 5 days prior to such interest payment date by such Registered Owner.

This Bond is one of a series of bonds (the "Series 2011 Bonds"), in the aggregate principal amount of $9,500,000, of like tenor and effect, except as to number, denomination, date of maturity and interest rate, dated _____ __, 2011, the proceeds of which are to be used, together with other funds of the Issuer, (i) to refund all or part of the Issuer's Combined Waterworks and Sewerage System Revenue Bonds, Series 2001 (the "Series 2001 Bonds") previously issued on September 6, 2001, to finance the costs of acquisition and construction of certain additions, betterments and improvements to the Issuer's existing combined waterworks and sewerage system (the "System"); (ii) to fund a debt service reserve account for the Series 2011 Bonds; and (iii) to pay certain costs of issuance of the Series 2011 Bonds. The Series 2011 Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 8, Article 20 and Chapter 13, Article 2E of the Code of West Virginia, 1931, as amended (the "Act"), and an ordinance duly enacted by the City Council of the City on _____, 2011, and put into effect following a public hearing held on _____, 2011, as supplemented and amended by a Supplemental Resolution adopted on _____, 2011 (hereinafter collectively referred to as the "Ordinance"), and is subject to all the terms and conditions of said Ordinance. The Ordinance provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Series 2011 Bonds under the Ordinance.

THE SERIES 2011 BONDS ARE ISSUED ON PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCES OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE (1) THE ISSUER'S COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2000A (WEST VIRGINIA DWTRF PROGRAM), DATED SEPTEMBER 27, 2000, ORIGINALLY ISSUED IN THE AGGREGATE PRINCIPAL AMOUNT OF $7,564,000, (2) THE ISSUER'S COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2000B (WEST VIRGINIA INFRASTRUCTURE FUND), DATED SEPTEMBER 27, 2000, ORIGINALLY ISSUED IN THE AGGREGATE PRINCIPAL AMOUNT OF $3,000,000, AND (3) THE ISSUER'S COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2000C (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), DATED SEPTEMBER 27, 2000, ORIGINALLY ISSUED IN THE AGGREGATE PRINCIPAL AMOUNT OF $1,976,352 (COLLECTIVELY, THE "PRIOR BONDS").

OPTIONAL REDEMPTION OF BONDS.

The Series 2011 Bonds maturing on or after _____ 1, _____, shall be redeemable prior to their stated date of maturity at the option of the Issuer on or after _____ 1, 20___, in whole at any time or in part on any interest payment date, in such order of maturity as shall be designated to the Registrar by the Issuer and by lot within a

maturity, at the respective redemption prices (expressed as percentages of the principal amount to be redeemed) set forth below, plus interest accrued to the date fixed for redemption:

Redemption Periods (Both Dates Inclusive)	Redemption Prices

MANDATORY REDEMPTION OF BONDS.

The Bonds maturing on _____ 1, _____, are required to be redeemed prior to maturity in accordance with the sinking fund requirements of the Ordinance on _____ 1 in the years and in the principal amounts and at a price of 100% of the principal amount of the Bonds to be redeemed plus interest accrued to the redemption date, as follows:

Year	Amount

When such Bonds have been redeemed as set forth above, a balance of $_____ will mature on _____ 1, _____, unless previously retired.

The Bonds maturing on _____ 1, ____ are required to be redeemed prior to maturity in accordance with the sinking fund requirements of the Ordinance on ____ 1 in the years and in the principal amounts and at a price of 100% of the principal amount of the Bonds to be redeemed plus interest accrued to the redemption date, as follows:

Year	Amount

When such Bonds have been redeemed as set forth above, a balance of $_____ will mature on ____ 1, ____, unless previously retired.

The Bonds maturing on ____ 1, ____ are required to be redeemed prior to maturity in accordance with the sinking fund requirements of the Ordinance on ____ 1 in the years and in the principal amounts and at a price of 100% of the principal amount of the Bonds to be redeemed plus interest accrued to the redemption date, as follows:

Year	Amount

When such Bonds have been redeemed as set forth above, a balance of $_____ will mature on ____ 1, ____, unless previously retired.

Notice of any redemption of the Series 2011 Bonds, unless waived, shall be given by the Registrar by mailing an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Series 2011 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 Series 2011 Bonds or portions of the Series 2011 Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the Issuer shall default in the payment of the redemption price) such Series 2011 Bonds or portions of Series 2011 Bonds shall cease to bear interest.

Failure to receive such notice or any defect therein or in the mailing thereof shall not affect the validity of proceedings for the redemption of this Series 2011 Bond.

The Series 2011 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 parity with the pledge of the Gross Revenues in favor of the holders of the Prior Bonds, all moneys in the Sinking Fund established under the Ordinance, and unexpended proceeds of the Series 2011 Bonds, and the Issuer hereby and in the Ordinance pledges such revenues and moneys to such payment. Said Gross Revenues shall be sufficient to pay the principal of and interest on all the Series 2011 Bonds, the Prior Bonds and all subsequent bonds which may be issued pursuant to the Ordinance and shall be set aside as a special fund hereby pledged for such purpose and to make the other payments required by the Ordinance. This Series 2011 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 2011 Bonds Sinking Fund and said unexpended Series 2011 Bond proceeds. Pursuant to the Ordinance, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest on the Series 2011 Bonds, and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2011 Bonds, including the Prior Bonds, provided however, that so long as there exists in the Series 2011 Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest which will become due on the Series 2011 Bonds in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with the Series 2011 Bonds, including the Prior Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. Such required payments on behalf of the principal of and interest on all such bonds shall constitute a charge upon the Gross Revenues of the System. The Issuer has entered into certain further covenants with the registered owners of the Series 2011 Bonds, for the terms of which

reference is made to the Ordinance. Remedies provided the registered owners of the Series 2011 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 Series 2011 Bonds except for accrued interest thereon, shall be applied solely refund all or part of the Series 2001 Bonds, to fund a debt service reserve fund for the Series 2011 Bonds, and to pay certain issuance and other costs in connection therewith, 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 Series 2011 Bonds.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond have existed, have happened and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of the Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia, and that a sufficient amount of the revenues of the System has been pledged to and will be set aside into said special fund by the Issuer for the prompt payment of the principal of and interest on the Series 2011 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 within-described Ordinance.

This Bond has been properly designated by the Issuer as a "qualified tax-exempt obligation" as defined in Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended.

This Bond is, under the Act, exempt from taxation by the State of West Virginia, except inheritance, estate and transfer taxes.

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 MARTINSBURG has caused this Bond to be signed by its Mayor and its City Manager, and its corporate seal to be imprinted hereon and attested by its Recorder, and has caused this Bond to be dated as of the Bond Date specified above.

_____ _____

Mayor City Manager

[SEAL]

ATTEST:

_____

Recorder

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the fully registered Series 2011 Bonds described in the within-mentioned Ordinance and has been duly registered in the name of the Registered Owner designated above on the date set forth below.

Dated: _____, _____.

_____
as Registrar

By:_____
Its: Authorized Officer

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto _____ the within Bond and does hereby irrevocably constitute and appoint _____ attorney to transfer the said Bond on the books kept for registration of the within Bond with full power of substitution in the premises.

Dated: _____, _____.

_____

SIGNATURE GUARANTEED:

_____

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.

The Registrar will not effect transfer of this Bond unless the information concerning the transferee requested below is provided. The transferor should complete whichever of the following is applicable.

INDIVIDUAL:

Name and Address:

_____
_____
_____

Social Security Number: _____

(Include information for all joint owners if the Bond is held by joint account)

CORPORATION OR PARTNERSHIP:

_____
_____
_____

Tax Identification Number:_____

TRUST:

Name of Trust:

_____
_____
_____

Name and Address of Settlor:

_____
_____
_____

Name and Address of Trustee:

_____
_____
_____

Tax Identification Number of Trust: _____

Tax Identification Number of Social Security Number
of Settlor: _____

NOMINEE:

Name and Address:

_____
_____
_____

Tax Identification Number of Social Security
Number: _____

(If the Bond is to be registered in nominee name, then include information for the principal.)

EXHIBIT B

NOTICE OF PUBLIC HEARING
CITY OF MARTINSBURG
NOTICE OF PUBLIC HEARING
ON BOND ORDINANCE

A public hearing will be held on the following entitled Ordinance at a regular meeting of the Council of the City of Martinsburg to be held on Thursday, November 10, 2011, at 6:30 p.m., in the Council Chambers at the Martinsburg City Hall, 232 North Queen Street, Martinsburg, West Virginia, and at such hearing all objections 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 REFUNDING OF ALL OR PART OF THE CITY OF MARTINSBURG COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2001 AND THE ISSUANCE BY THE CITY OF MARTINSBURG OF NOT MORE THAN NINE MILLION FIVE HUNDRED THOUSAND DOLLARS ($9,500,000.00) IN AGGREGATE PRINCIPAL AMOUNT OF CITY OF MARTINSBURG COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS, SERIES 2011, IN ONE OR MORE SERIES, THE PROCEEDS OF WHICH, TOGETHER WITH OTHER FUNDS OF THE CITY AVAILABLE FOR SAID PURPOSE, SHALL BE EXPENDED FOR SUCH REFUNDING AND TO PAY COSTS IN CONNECTION THEREWITH; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDERS OF SUCH COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS; AUTHORIZING A PRELIMINARY OFFICIAL STATEMENT, OFFICIAL STATEMENT, BOND PURCHASE AGREEMENT, CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS RELATING TO THE OFFERING AND SALE OF SUCH COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS; AND ADOPTING OTHER PROVISIONS RELATING THERETO.

The above-entitled Ordinance was enacted by the Council of the City of Martinsburg on October 20, 2011.

The above quoted title of the Ordinance describes generally the contents thereof and the purposes of the Bond issue contemplated thereby. The Bonds are being issued to refund all or part of the City of Martinsburg Combined Waterworks and Sewerage System Revenue Bonds, Series 2001, previously issued to provide permanent financing of a portion of the costs of acquisition and construction of certain additions, betterments and improvements to the water treatment and distribution facilities for the City of Martinsburg. The Bonds are payable solely from revenues derived from the ownership and operation of the combined waterworks and sewerage system of the City of Martinsburg. 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 at the office of the Recorder of the City of Martinsburg for review by interested parties during regular office hours.

Following the said public hearing, the City Council intends to put said Ordinance into effect.

Dated: _____, 2011.

/s/ _____, Recorder

CERTIFICATION

Certified a true, correct and complete copy of an Ordinance duly enacted by the City Council of the CITY OF MARTINSBURG at a _____ meeting of the City Council held at _____ ___.m., on _____, 2011, pursuant to proper notice, at which meeting a quorum was present and acting throughout, and which Ordinance was put into effect following a public hearing thereon held at _____ __.m. on _____, 2011, notice of which public hearing was published once a week for two successive weeks in a newspaper having a general circulation in the City of Martinsburg, the first publication having been not less than 10 days prior to such public hearing.

Dated this ____ day of _____, 2011.

[SEAL]

_____
Recorder

RESOLUTION 2011-20

CITY OF MARTINSBURG
$9,500,000
COMBINED WATERWORKS AND SEWERAGE SYSTEM
REFUNDING REVENUE BONDS,
SERIES 2011

SUPPLEMENTAL RESOLUTION PUTTING ORDINANCE INTO EFFECT; PROVIDING AS TO AMOUNTS, MATURITIES, INTEREST RATES, REDEMPTION PROVISIONS, PURCHASE PRICE AND OTHER DETAILS AS TO THE COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS, SERIES 2011, OF THE CITY; AUTHORIZING AND APPROVING A BOND PURCHASE AGREEMENT, AN ESCROW AGREEMENT, A PRELIMINARY OFFICIAL STATEMENT AND OTHER INSTRUMENTS AND DOCUMENTS RELATING TO THE BONDS, PROVIDING FOR THE APPOINTMENT OF A REGISTRAR, ESCROW TRUSTEE AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, The City of Martinsburg (the "Issuer"), in the County of Berkeley, State of West Virginia, is a municipal corporation of said State, the governing body of which is its Council (the "Council");

WHEREAS, the Council duly enacted on October 20, 2011, an ordinance (the "Ordinance") entitled:

ORDINANCE AUTHORIZING THE REFUNDING OF ALL OR PART OF THE CITY OF MARTINSBURG COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2001 AND THE ISSUANCE BY THE CITY OF MARTINSBURG OF NOT MORE THAN NINE MILLION FIVE HUNDRED THOUSAND DOLLARS ($9,500,000.00) IN AGGREGATE PRINCIPAL AMOUNT OF CITY OF MARTINSBURG COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS, SERIES 2011, IN ONE OR MORE SERIES, THE PROCEEDS OF WHICH, TOGETHER WITH OTHER FUNDS OF THE CITY AVAILABLE FOR SAID PURPOSE, SHALL BE EXPENDED FOR SUCH REFUNDING AND TO PAY COSTS IN CONNECTION THEREWITH; PROVIDING FOR THE RIGHTS

AND REMEDIES OF AND SECURITY FOR THE HOLDERS OF SUCH COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS; AUTHORIZING A PRELIMINARY OFFICIAL STATEMENT, OFFICIAL STATEMENT, BOND PURCHASE AGREEMENT, CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS RELATING TO THE OFFERING AND SALE OF SUCH COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS; AND ADOPTING OTHER PROVISIONS RELATING THERETO;

providing for the issuance of its Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011, in one or more series (collectively, the "Series 2011 Bonds"), in an aggregate principal amount not to exceed $9,500,000;

WHEREAS, a public hearing was held with respect to the Ordinance earlier on this date following proper notice thereof, all comments have been heard and the Council desires to put the Ordinance into effect;

WHEREAS, the Series 2011 Bonds are being issued for the purpose of refunding all or part of the Issuer's outstanding Combined Waterworks and Sewerage System Revenue Bonds, Series 2001 (the "Series 2001 Bonds") and paying costs of issuance thereof, in accordance with Chapter 13, Article 2E, of the West Virginia Code of 1931, as amended (the "Refunding Act"), and Chapter 8, Article 20, of the West Virginia Code of 1931, as amended (the "Act");

WHEREAS, the Ordinance provided that, among other things, the principal amount of the Series 2011 Bonds to be sold, the number of series and the maturities, interest rates, redemption provisions and the prices of the Series 2011 Bonds should be established, that an Escrow Trustee, Registrar and Depository Bank be designated, that an Escrow Agreement, Bond Purchase Agreement, Preliminary Official Statement and other instruments and documents be approved and that other matters pertaining to the Series 2011 Bonds be provided for by a supplemental resolution of this Council;

WHEREAS, the Series 2011 Bonds are proposed to be purchased by Crews & Associates, Inc. (the "Original Purchaser") pursuant to a Bond Purchase Agreement between the Issuer and the Original Purchaser (the "Bond Purchase Agreement");

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

WHEREAS, this Council deems it essential and desirable that this Resolution be adopted and that the Bond Purchase Agreement, the Escrow Agreement, the Continuing Disclosure Certificate and the Preliminary Official Statement relating to the Series 2011 Bonds, hereinafter described, be approved, that the prices of the Series 2011 Bonds, the maturity dates and amounts, the redemption provisions, the interest rates, the number or series and the principal amount of the Series 2011 Bonds be fixed hereby in the manner stated herein, and that other matters relating to the Series 2011 Bonds be herein provided for, all in accordance with said Ordinance;

NOW, THEREFORE, THE COUNCIL OF THE CITY OF MARTINSBURG HEREBY RESOLVES:

Section 1. The Ordinance shall be and hereby is put into effect as of the date hereof.

Section 2. Pursuant to the Ordinance, the Refunding Act and the Act, this Resolution is adopted and there are hereby authorized and ordered to be issued the Series 2011 Bonds in an aggregate principal amount not to exceed $9,500,000.

The Series 2011 Bonds shall be dated their date of issuance or such other date set forth in the Certificate of Determination described in Section 10 below. The principal amount(s) of the Series 2011 Bonds; the Series 2001 Bonds to be redeemed; the number of series of Series 2011 Bonds, whether each series is to be tax-exempt or taxable and the designation of the names of such multiple series of bonds; the maturities of the Series 2011 Bonds, which maturities shall not to be later than September 1, 2031; the interest rates on the Series 2011 Bonds, which rates shall not to exceed 6% for tax-exempt bonds and 5% for taxable bonds; the redemption provisions of the Series 2011 Bonds; the purchase price(s) of the Series 2011 Bonds; and the form of the bond evidencing a taxable series of bonds, if issued, shall all be as approved in the Certificate of Determination described in Section 10 below.

All other provisions relating to the Series 2011 Bonds shall be as provided in the Ordinance, and the Series 2011 Bonds shall be in substantially the form provided in the Ordinance with respect to a tax-exempt series of Series 2011 Bonds and in the form approved by the Certificate of Determination described in Section 10 below for a taxable series of Series 2011 Bonds, if issued.

Section 3. The Bond Purchase Agreement between the Original Purchaser and the Issuer, substantially in the form submitted to this meeting, and the execution and delivery thereof (in multiple counterparts) by the Mayor or City Manager on behalf of the Issuer are hereby authorized, approved and directed. The Mayor or City Manager shall execute and deliver the Bond Purchase Agreement with such changes, insertions and omissions as may be approved by the Mayor or City Manager, and the Recorder is hereby authorized to affix the seal of the Issuer thereto and to attest the seal if requested by the Mayor or City Manager. Execution of the Bond Purchase Agreement by either the Mayor or City Manager shall be conclusive evidence of any approval required by this Section. The price(s), maturities and redemption provisions of the

Series 2011 Bonds to be included in the Bond Purchase Agreement shall be as approved by the Certificate of Determination.

Section 4. As provided in the Ordinance, the Issuer has reserved the right to obtain bond insurance relating to the Series 2011 Bonds if it is found to be advantageous to the Issuer. If bond insurance is obtained, the Issuer is authorized to enter into a financial guaranty agreement or similar agreement by and between the Issuer and such bond insurer. The Mayor or City Manager shall execute and deliver the financial guaranty agreement or similar agreement in such form as may be approved by the Mayor or City Manager, and the Recorder is hereby authorized to affix the seal of the Issuer thereto and to attest the seal if requested by the Mayor or City Manager. Execution of the financial guaranty agreement or similar agreement by the Mayor or City Manager shall be conclusive evidence of any approval required by this Section.

Section 5. The Escrow Agreement by and among the Issuer, the West Virginia Municipal Bond Commission and the Escrow Trustee to be designated in the Certificate of Determination, substantially in the form submitted to this meeting, and the execution and delivery thereof (in multiple counterparts) by the Mayor or City Manager on behalf of the Issuer are hereby authorized, approved and directed. The Mayor or City Manager shall execute and deliver the Escrow Agreement with such changes, insertions and omissions as may be approved by the Mayor or City Manager, and the Recorder is hereby authorized and directed to affix the seal of the Issuer thereto and to attest the seal if requested by the Mayor or City Manager. Execution of the Escrow Agreement by the Mayor or City Manager shall be conclusive evidence of any approval required by this Section.

Section 6. The form of the Preliminary Official Statement substantially in the form submitted to this meeting (with such changes, insertions and omissions as may be necessary or advisable in the opinion of the Mayor or City Manager) and the distribution of counterparts or copies thereof by the Original Purchaser are hereby approved. The Mayor or City Manager shall execute and deliver the Official Statement, substantially in the form of the Preliminary Official Statement with such changes, insertions and omissions as may be approved by the Mayor or the City Manager. The execution of the Official Statement by the Mayor or City Manager shall be conclusive evidence of any approval required by this Section. The distribution of counterparts or copies of the Official Statement by the Original Purchaser is also hereby approved.

Section 7. The Continuing Disclosure Certificate by the Issuer, substantially in the form submitted to this meeting, and the execution and delivery thereof (in multiple counterparts) by the Mayor or City Manager on behalf of the Issuer are hereby authorized, approved and directed. The Mayor or City Manager shall execute and deliver the Continuing Disclosure Certificate with such changes, insertions and omissions as may be approved by the Mayor or City Manager, and the Recorder is hereby authorized and directed to affix the seal of the Issuer thereto and to attest the seal if requested by the Mayor or City Manager. Execution of the Continuing Disclosure Certificate by the Mayor or City Manager shall be conclusive evidence of any approval required by this Section.

Section 8. The Issuer does hereby appoint and designate Jefferson Security Bank to serve in the capacity of Depository Bank.

Section 9. The firm of Bowles Rice McDavid Graff & Love LLP, Charleston, West Virginia, is hereby appointed bond counsel to the City in connection with the issuance of the Series 2011 Bonds.

Section 10. The Mayor and City Manager shall each have the power and authority to execute and deliver the Certificate of Determination, which may include, without limitation, provisions (i) fixing the aggregate principal par amount of the Series 2011 Bonds to be issued, not to exceed $9,500,000 in the aggregate; (ii) establishing the date of the Series 2011 Bonds if different than their date of issuance; (iii) designating the Series 2001 Bonds to be redeemed; (iv) designating the number of series of Series 2011 Bonds, whether each series is to be tax-exempt or taxable and designating the names of such multiple series of bonds; (v) establishing the maturities of the Series 2011 Bonds, which maturities shall be no later than September 1, 2031; (vi) establishing the interest rates on the Series 2011 Bonds, which interest rates shall not exceed 6% for tax-exempt Series 2011 Bonds and 5% for taxable Series 2011 Bonds; (vii) establishing the redemption provisions of the Series 2011 Bonds; (viii) setting the purchase price(s) of the Series 2011 Bonds, which may include a premium, an underwriting discount and/or an original issue discount; (ix) providing for the form of the bond evidencing a taxable series of Series 2011 Bonds, if issued; (x) designating an Escrow Trustee and Registrar and approving the forms of any agreements with the Escrow Trustee and/or Registrar; (xi) fixing the amounts and time of sinking fund installments on the Series 2011 Bonds, including times and redemption prices; (xii) determining whether the Series 2011 Bonds are to be evidenced by certificates or are to be issued by means of a book-entry system; (xiii) designating the amount of the proceeds of the Series 2011 Bonds to be deposited in the Series 2011 Bonds Reserve Account; (xiv) determining to obtain bond insurance for all or part of the Series 2011 Bonds; and (xv) modifying or otherwise completing and finalizing the provisions of the Bond Purchase Agreement or the Ordinance.

Section 11. The Mayor, the City Manager and the Recorder are each hereby authorized and directed to execute and deliver such other documents and certificates required or desirable in connection with the issuance of the Series 2011 Bonds, hereby and by the Ordinance approved to the end that the Series 2011 Bonds may be delivered at the earliest practicable date to the Original Purchaser pursuant to the Bond Purchase Agreement.

Section 12. Under the provisions of the Refunding Act and the Act, and as provided in the Ordinance and the Series 2011 Bonds, the Series 2011 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 combined waterworks and sewerage system of the Issuer, the Series 2011 Bonds Reserve Account established by the Ordinance and proceeds of the Series 2011 Bonds, until expended, 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 2011 Bonds and the interest thereon.

Section 13. All Series 2011 Bonds determined by the Certificate of Determination to be tax-exempt are hereby designated as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended. Further, the Issuer finds and determines that the Issuer and all subordinate entities do not reasonably expect to issue more than $10,000,000 of tax-exempt obligations during the calendar year 2011.

Section 14. This Resolution shall be effective immediately.

Adopted this 10th day of November, 2011.

[SEAL]

_____
Mayor

_____
City Manager

ATTEST:

_____
Recorder

RESOLUTION 2011-23

CITY OF MARTINSBURG
$9,500,000
COMBINED WATERWORKS AND SEWERAGE SYSTEM
REFUNDING REVENUE BONDS,
SERIES 2011

SECOND SUPPLEMENTAL RESOLUTION RELATING TO BOND INSURANCE FOR THE SERIES 2011 BONDS

WHEREAS, The City of Martinsburg (the "Issuer"), in the County of Berkeley, State of West Virginia, is a municipal corporation of said State, the governing body of which is its Council (the "Council");

WHEREAS, the Council duly enacted on October 20, 2011, an ordinance (the "Ordinance") entitled:

> ORDINANCE AUTHORIZING THE REFUNDING OF ALL OR PART OF THE CITY OF MARTINSBURG COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2001 AND THE ISSUANCE BY THE CITY OF MARTINSBURG OF NOT MORE THAN NINE MILLION FIVE HUNDRED THOUSAND DOLLARS ($9,500,000.00) IN AGGREGATE PRINCIPAL AMOUNT OF CITY OF MARTINSBURG COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS, SERIES 2011, IN ONE OR MORE SERIES, THE PROCEEDS OF WHICH, TOGETHER WITH OTHER FUNDS OF THE CITY AVAILABLE FOR SAID PURPOSE, SHALL BE EXPENDED FOR SUCH REFUNDING AND TO PAY COSTS IN CONNECTION THEREWITH; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDERS OF SUCH COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS; AUTHORIZING A PRELIMINARY OFFICIAL STATEMENT, OFFICIAL STATEMENT, BOND PURCHASE AGREEMENT, CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS RELATING TO THE OFFERING AND SALE OF SUCH COMBINED WATERWORKS AND SEWERAGE

SYSTEM REFUNDING REVENUE BONDS; AND ADOPTING OTHER PROVISIONS RELATING THERETO;

providing for the issuance of the Issuer's Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011, in one or more series (collectively, the "Series 2011 Bonds"), in an aggregate principal amount not to exceed $9,500,000;

WHEREAS, a public hearing was held with respect to the Ordinance on November 10, 2011, following proper notice thereof, all comments were heard and the Council put the Ordinance into effect following said hearing;

WHEREAS, on November 10, 2011, the City Council adopted a resolution entitled:

SUPPLEMENTAL RESOLUTION PUTTING ORDINANCE INTO EFFECT; PROVIDING AS TO AMOUNTS, MATURITIES, INTEREST RATES, REDEMPTION PROVISIONS, PURCHASE PRICE AND OTHER DETAILS AS TO THE COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS, SERIES 2011, OF THE CITY; AUTHORIZING AND APPROVING A BOND PURCHASE AGREEMENT, AN ESCROW AGREEMENT, A PRELIMINARY OFFICIAL STATEMENT AND OTHER INSTRUMENTS AND DOCUMENTS RELATING TO THE BONDS, PROVIDING FOR THE APPOINTMENT OF A REGISTRAR, ESCROW TRUSTEE AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the Series 2011 Bonds are being issued for the purpose of refunding all or part of the Issuer's outstanding Combined Waterworks and Sewerage System Revenue Bonds, Series 2001 (the "Series 2001 Bonds") and paying costs of issuance thereof, in accordance with Chapter 13, Article 2E, of the West Virginia Code of 1931, as amended (the "Refunding Act"), and Chapter 8, Article 20, of the West Virginia Code of 1931, as amended (the "Act");

WHEREAS, the Ordinance provided in Section 4.01 thereof that the Issuer reserved the right to obtain bond insurance relating to the Series 2011 Bonds if it is found to be advantageous to the Issuer and that if bond insurance is obtained for the Series 2011 Bonds, the Issuer reserved the right to supplement and amend the Ordinance with respect to such bond insurance;

WHEREAS, the Issuer has determined, upon the advice of Crews & Associates, Inc., the underwriter for the Series 2011 Bonds, that the bond insurance offered by Assured Guaranty Municipal Corp. ("Assured Guaranty") for the Series 2011 is advantageous to the

Issuer and, accordingly, the Council desires to approve the commitment for said bond insurance and to supplement and amend the Ordinance with respect to such bond insurance as provided herein;

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

WHEREAS, this Council deems it essential and desirable that this Second Supplemental Resolution be adopted, that the bond insurance offered by Assured Guaranty for the Series 2011 Bonds be approved and that the Ordinance be supplemented and amended as provided herein.

NOW, THEREFORE, THE COUNCIL OF THE CITY OF MARTINSBURG HEREBY RESOLVES:

Section 1. The bond insurance offered by Assured Guaranty for the Series 2011 Bonds is hereby approved and the Mayor and City Manager are each authorized and directed to execute and deliver on behalf of the Issuer the commitment therefor in substantially the form attached hereto with such changes thereto as may be approved by the Mayor or City Manager executing the same, the execution of the commitment by the Mayor or City Manager to be conclusive evidence of such approval. The Mayor, City Manager and Recorder are each further authorized and directed to execute and deliver on behalf of the Issuer such other documents and to take such other actions as may be necessary or convenient in connection with said bond insurance.

Section 2. Article IV of the Ordinance is hereby supplemented and amended by adding thereto a new section entitled "Section 4.02. Provisions Relating to Bond Insurance." as follows:

> Section 4.02. Provisions Relating to Bond Insurance. Notwithstanding any provision of this Bond Ordinance to the contrary, the following provisions shall govern:
>
> (a) "Insurance Policy" shall be defined as follows: "the insurance policy issued by the Insurer guaranteeing the scheduled payment of principal of and interest on the Bonds when due". "Insurer" shall be defined as follows: "Assured Guaranty Municipal Corp., a New York stock insurance company, or any successor thereto or assignee thereof".
>
> (b) The prior written consent of the Insurer shall be a condition precedent to the deposit of any credit instrument provided in lieu of a cash deposit into the Debt Service Reserve Fund, if any. Notwithstanding anything to the contrary set

forth in the Ordinance, amounts on deposit in the Debt Service Reserve Fund shall be applied solely to the payment of debt service due on the Bonds.

(c) The Insurer shall be deemed to be the sole holder of the Insured Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Bonds insured by it are entitled to take pursuant to the Ordinance pertaining to (i) defaults and remedies and (ii) the duties and obligations of the Paying Agent. Remedies granted to the Bondholders shall expressly include mandamus.

(d) The security for the Bonds shall include a pledge of any agreement with any underlying obligor that is a source of payment for the Bonds and a default under any such agreement shall constitute an Event of Default under the Ordinance.

(e) If acceleration is permitted under the Ordinance, the maturity of Bonds insured by the Insurer shall not be accelerated without the consent of the Insurer and in the event the maturity of the Bonds is accelerated, the Insurer may elect, in its sole discretion, to pay accelerated principal and interest accrued on such principal to the date of acceleration (to the extent unpaid by the Issuer) and the Paying Agent shall be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date as provided above, the Insurer's obligations under the Insurance Policy with respect to such Bonds shall be fully discharged.

(f) No grace period for a covenant default shall exceed 30 days or be extended for more than 60 days, without the prior written consent of the Insurer. No grace period shall be permitted for payment defaults.

(g) The Insurer shall be included as a third party beneficiary to the Ordinance.

(h) Upon the occurrence of an extraordinary optional, special or extraordinary mandatory redemption in part, the selection of Bonds to be redeemed shall be subject to the approval of the Insurer. The exercise of any provision of the Ordinance which permits the purchase of Bonds in lieu

of redemption shall require the prior written approval of the Insurer if any Bond so purchased is not cancelled upon purchase.

(i) Any amendment, supplement, modification to, or waiver of, the Ordinance or any other transaction document, including any underlying security agreement (each a "Related Document"), that requires the consent of Bondowners or adversely affects the rights and interests of the Insurer shall be subject to the prior written consent of the Insurer.

(j) Unless the Insurer otherwise directs, upon the occurrence and continuance of an Event of Default or an event which with notice or lapse of time would constitute an Event of Default, amounts on deposit in the Construction Fund shall not be disbursed, but shall instead be applied to the payment of debt service or redemption price of the Bonds.

(k) The rights granted to the Insurer under the Ordinance or any other Related Document to request, consent to or direct any action are rights granted to the Insurer in consideration of its issuance of the Insurance Policy. Any exercise by the Insurer of such rights is merely an exercise of the Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the Bondholders and such action does not evidence any position of the Insurer, affirmative or negative, as to whether the consent of the Bondowners or any other person is required in addition to the consent of the Insurer.

(l) Only (1) cash, (2) non-callable direct obligations of the United States of America ("Treasuries"), (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (4) subject to the prior written consent of the Insurer, pre-refunded municipal obligations rated "AAA" and "Aaa" by S&P and Moody's, respectively, or (5) subject to the prior written consent of the Insurer,

securities eligible for "AAA" defeasance under then existing criteria of S & P or any combination thereof, shall be used to effect defeasance of the Bonds unless the Insurer otherwise approves.

To accomplish defeasance, the Issuer shall cause to be delivered (i) a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to the Insurer ("Accountant") verifying the sufficiency of the escrow established to pay the Bonds in full on the maturity or redemption date ("Verification"), (ii) an Escrow Deposit Agreement (which shall be acceptable in form and substance to the Insurer), (iii) an opinion of nationally recognized bond counsel to the effect that the Bonds are no longer "Outstanding" under the Ordinance and (iv) a certificate of discharge of the Paying Agent with respect to the Bonds; each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the Issuer, Paying Agent and Insurer. The Insurer shall be provided with final drafts of the above-referenced documentation not less than five business days prior to the funding of the escrow.

Bonds shall be deemed "Outstanding" under the Ordinance unless and until they are in fact paid and retired or the above criteria are met.

(m) Amounts paid by the Insurer under the Insurance Policy shall not be deemed paid for purposes of the Ordinance and the Bonds relating to such payments shall remain Outstanding and continue to be due and owing until paid by the Issuer in accordance with the Ordinance. The Ordinance shall not be discharged unless all amounts due or to become due to the Insurer have been paid in full or duly provided for.

(n) Each of the Issuer and Paying Agent covenant and agree to take such action (including, as applicable, filing of UCC financing statements and continuations thereof) as is necessary from time to time to preserve the priority of the pledge of the Trust Estate under applicable law.

(o) Claims Upon the Insurance Policy and Payments by and to the Insurer.

If, on the third Business Day prior to the related scheduled interest payment date or principal payment date ("Payment Date") there is not on deposit with the Paying Agent, after making all transfers and deposits required under the Ordinance, moneys sufficient to pay the principal of and interest on the Bonds due on such Payment Date, the Paying Agent shall give notice to the Insurer and to its designated agent (if any) (the "Insurer's Fiscal Agent") by telephone or telecopy of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the Bonds due on such Payment Date, the Paying Agent shall make a claim under the Insurance Policy and give notice to the Insurer and the Insurer's Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Bonds and the amount required to pay principal of the Bonds, confirmed in writing to the Insurer and the Insurer's Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by filling in the form of Notice of Claim and Certificate delivered with the Insurance Policy.

The Paying Agent shall designate any portion of payment of principal on Bonds paid by the Insurer, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Bonds registered to the then current Bondholder, whether DTC or its nominee or otherwise, and shall issue a replacement Bond to the Insurer, registered in the name of Assured Guaranty Municipal Corp., in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Paying Agent's failure to so designate any payment or issue any replacement Bond shall have no effect on the amount of principal or interest payable by the Issuer on any Bond or the subrogation rights of the Insurer.

The Paying Agent shall keep a complete and accurate record of all funds deposited by the Insurer into the Policy Payments Account (defined below) and the allocation of such funds to payment of interest on and principal of any Bond. The Insurer shall have the right to inspect such records at reasonable times upon reasonable notice to the Paying Agent.

Upon payment of a claim under the Insurance Policy, the Paying Agent shall establish a separate special purpose trust account for the benefit of Bondholders referred to herein as the "Policy Payments Account" and over which the Paying Agent shall have exclusive control and sole right of withdrawal. The Paying Agent shall receive any amount paid under the Insurance Policy in trust on behalf of Bondholders and shall deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Paying Agent to Bondholders in the same manner as principal and interest payments are to be made with respect to the Bonds under the sections hereof regarding payment of Bonds. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments. Notwithstanding anything herein to the contrary, the Issuer agrees to pay to the Insurer (i) a sum equal to the total of all amounts paid by the Insurer under the Insurance Policy (the "Insurer Advances"); and (ii) interest on such Insurer Advances from the date paid by the Insurer until payment thereof in full, payable to the Insurer at the Late Payment Rate per annum (collectively, the "Insurer Reimbursement Amounts"). "Late Payment Rate" means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in The City of New York, as its prime or base lending rate (any change in such rate of interest to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the Bonds and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. The

Issuer hereby covenants and agrees that the Insurer Reimbursement Amounts are secured by a lien on and pledge of the Gross Revenues and payable from such Gross Revenues on a parity with debt service due on the Bonds.

Funds held in the Policy Payments Account shall not be invested by the Paying Agent and may not be applied to satisfy any costs, expenses or liabilities of the Paying Agent. Any funds remaining in the Policy Payments Account following a Bond payment date shall promptly be remitted to the Insurer.

(p) The Insurer shall, to the extent it makes any payment of principal of or interest on the Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Insurance Policy. Each obligation of the Issuer to the Insurer under the Related Documents shall survive discharge or termination of such Related Documents.

(q) The Issuer shall pay or reimburse the Insurer any and all charges, fees, costs and expenses that the Insurer may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in any Related Document; (ii) the pursuit of any remedies under the Ordinance or any other Related Document or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to, or related to, the Ordinance or any other Related Document whether or not executed or completed, or (iv) any litigation or other dispute in connection with the Ordinance or any other Related Document or the transactions contemplated thereby, other than costs resulting from the failure of the Insurer to honor its obligations under the Insurance Policy. The Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Ordinance or any other Related Document.

(r) After payment of reasonable expenses of the Paying Agent, the application of funds realized upon default shall be applied to the payment of expenses of the Issuer or rebate only after the payment of past due and current debt service on the Bonds and amounts required to restore the Debt

Service Reserve Fund to the Debt Service Reserve Requirement.

(s) The Insurer shall be entitled to pay principal or interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer (as such terms are defined in the Insurance Policy) and any amounts due on the Bonds as a result of acceleration of the maturity thereof in accordance with the Ordinance, whether or not the Insurer has received a Notice of Nonpayment (as such terms are defined in the Insurance Policy) or a claim upon the Insurance Policy.

(t) The notice address of the Insurer is: Assured Guaranty Municipal Corp., 31 West 52nd Street, New York, New York 10019, Attention: Managing Director — Surveillance, Re: Policy No. , Telephone: (212) 826-0100; Telecopier: (212) 339-3556. In each case in which notice or other communication refers to an Event of Default, then a copy of such notice or other communication shall also be sent to the attention of the General Counsel and shall be marked to indicate "URGENT MATERIAL ENCLOSED."

(u) The Insurer shall be provided with the following information by the Issuer or Paying Agent, as the case may be:

(i) Annual audited financial statements within 150 days after the end of the Issuer's fiscal year (together with a certification of the Issuer that it is not aware of any default or Event of Default under the Ordinance), and the Issuer's annual budget within 30 days after the approval thereof together with such other information, data or reports as the Insurer shall reasonably request from time to time;

(ii) Notice of any draw upon the Debt Service Reserve Fund within two Business Days after knowledge thereof other than (i) withdrawals of amounts in excess of the Debt Service Reserve Requirement and (ii) withdrawals in connection with a refunding of Bonds;

(iii) Notice of any default known to the Paying Agent or Issuer within five Business Days after knowledge thereof;

(iv) Prior notice of the advance refunding or redemption of any of the Bonds, including the principal amount, maturities and CUSIP numbers thereof;

(v) Notice of the resignation or removal of the Paying Agent and Bond Registrar and the appointment of, and acceptance of duties by, any successor thereto;

(vi) Notice of the commencement of any proceeding by or against the Issuer commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding");

(vii) Notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal of, or interest on, the Bonds;

(viii) A full original transcript of all proceedings relating to the execution of any amendment, supplement, or waiver to the Related Documents; and

(ix) All reports, notices and correspondence to be delivered to Bondholders under the terms of the Related Documents.

In addition, to the extent that the Issuer has entered into a continuing disclosure agreement, covenant or undertaking with respect to the Bonds, all information furnished pursuant to such agreements shall also be provided to the Insurer, simultaneously with the furnishing of such information.

(v) The Insurer shall have the right to receive such additional information as it may reasonably request.

(w) The Issuer will permit the Insurer to discuss the affairs, finances and accounts of the Issuer or any information the Insurer may reasonably request regarding the security for the Bonds with appropriate officers of the Issuer and will use commercially reasonable efforts to enable the Insurer to

have access to the facilities, books and records of the Issuer on any business day upon reasonable prior notice.

(x) The Issuer shall notify the Insurer of any failure of the Issuer to provide notices, certificates and other information under the transaction documents.

(y) Notwithstanding satisfaction of the other conditions to the issuance of Additional Bonds set forth in the Ordinance, no such issuance may occur (1) if an Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of Default) exists unless such default shall be cured upon such issuance and (2) unless the Debt Service Reserve Fund is fully funded at the Debt Service Reserve Requirement (including the proposed issue) upon the issuance of such Additional Bonds, in either case unless otherwise permitted by the Insurer.

(z) In determining whether any amendment, consent, waiver or other action to be taken, or any failure to take action, under the Ordinance would adversely affect the security for the Bonds or the rights of the Bondholders, the Paying Agent shall consider the effect of any such amendment, consent, waiver, action or inaction as if there were no Insurance Policy.

(aa) No contract shall be entered into or any action taken by which the rights of the Insurer or security for or sources of payment of the Bonds may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of the Insurer.

(bb) If the Bonds are issued for refunding purposes, there shall be delivered an opinion of Bond Counsel addressed to the Insurer (or a reliance letter relating thereto), or a certificate of discharge of the Paying Agent for the Refunded Bonds, to the effect that, upon the making of the required deposit to the escrow, the legal defeasance of the Refunded Bonds shall have occurred. If the Refunded Bonds are insured by Assured Guaranty Municipal Corp., at least three business days prior to the proposed date for delivery of the Policy with respect to the Refunding Bonds, the Insurer shall also receive (i) the verification letter, of which the Insurer shall be an addressee, by an independent firm of certified public

accountants which is either nationally recognized or otherwise acceptable to the Insurer, of the adequacy of the escrow established to provide for the payment of the Refunded Bonds in accordance with the terms and provisions of the Escrow Deposit Agreement, and (ii) the form of an opinion of Bond Counsel addressed to the Insurer (or a reliance letter relating thereto) to the effect that the Escrow Deposit Agreement is a valid and binding obligation of the parties thereto, enforceable in accordance with its terms (such Escrow Deposit Agreement shall provide that no amendments are permitted without the prior written consent of the Insurer). An executed copy of each of such opinion and reliance letter, if applicable, or Paying Agent's discharge certificate, as the case may be, shall be forwarded to the Insurer prior to delivery of the Bonds.

(cc) Any interest rate exchange agreement ("Swap Agreement") entered into by the Issuer shall meet the following conditions: (i) the Swap Agreement must be entered into to manage interest costs related to, or a hedge against (a) assets then held, or (b) debt then outstanding, or (iii) debt reasonably expected to be issued within the next twelve (12) months, and (ii) the Swap Agreement shall not contain any leverage element or multiplier component greater than 1.0x unless there is a matching hedge arrangement which effectively off-sets the exposure from any such element or component. Unless otherwise consented to in writing by the Insurer, any uninsured net settlement, breakage or other termination amount then in effect shall be subordinate to debt service on the Bonds and on any debt on parity with the Bonds. The Issuer shall not terminate a Swap Agreement unless it demonstrates to the satisfaction of the Insurer prior to the payment of any such termination amount that such payment will not cause the Issuer to be in default under the Related Documents, including but not limited to, any monetary obligations thereunder. All counterparties or guarantors to any Swap Agreement must have a rating of at least "A-" and "A3" by Standard & Poor's ('S&P") and Moody's Investors Service ("Moody's"). If the counterparty or guarantor's rating falls below "A-" or "A3" by either S&P or Moody's, the counterparty or guarantor shall execute a credit support annex to the Swap Agreement, which credit support annex shall be acceptable to the Insurer. If the counterparty or the

guarantor's long term unsecured rating falls below "Baal" or "BBB+" by either Moody's or S&P, a replacement counterparty or guarantor, acceptable to the Insurer, shall be required.

Section 3. The form of the Series 2011 Bonds set forth in the Bond Ordinance shall be amended by adding to it the following Statement of Insurance, such Statement of Insurance to added to the bond form for the Series 2011 Bonds at such place as may be approved by the Mayor or City Manager, the execution of the Series 2011 Bonds by the Mayor or City Manager to be conclusive evidence of such approval:

Assured Guaranty Municipal Corp. ("AGM"), New York, New York, has delivered its municipal bond insurance policy (the "Policy") with respect to the scheduled payments due of principal of and interest on this Bond to the West Virginia Municipal Bond Commission, Charleston, West Virginia, or its successor, as paying agent for the Bonds (the "Paying Agent"). Said Policy is on file and available for inspection at the principal office of the Paying Agent and a copy thereof may be obtained from AGM or the Paying Agent. 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 AGM as more fully set forth in the Policy.

Section 4. The Mayor, City Manager and Recorder are each hereby authorized and directed to execute and deliver such other documents and certificates required or desirable in connection with the bond insurance for the Series 2011 Bonds and the issuance of the Series 2011 Bonds, hereby and by the Ordinance approved to the end that the Series 2011 Bonds may be delivered at the earliest practicable date to the Original Purchaser pursuant to the Bond Purchase Agreement.

Section 5. This Resolution shall be effective immediately.

Adopted this 8th day of December, 2011.

[SEAL]

_____
Mayor

_____
City Manager

ATTEST:

_____
Recorder

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

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(304) 263-0836

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(304) 285-2500

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(304) 347-1100

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5th Floor, United Square
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Parkersburg, West Virginia 26101
(304) 485-8500

480 West Jubal Early Drive
Suite 130
Winchester, Virginia 22601
(540) 723-8877

December __, 2011

City of Martinsburg
232 North Queen Street
Martinsburg, West Virginia 25401

Re: $8,900,000* City of Martinsburg Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011 A (Tax-Exempt)

Ladies and Gentlemen:

We have examined a certified record of proceedings relating to the issuance and sale of $8,900,000* Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011 A (Tax-Exempt) (the "Bonds") of the City of Martinsburg, West Virginia (the "Issuer"). The Bonds are being issued for the purpose of providing funds to (i) refund all of the Issuer's outstanding Combined Waterworks and Sewerage System Revenue Bonds, Series 2001 (the "Series 2001 Bonds") issued on September 6, 2001, to pay a portion of the costs of the acquisition and construction of certain additions, betterments and improvements to the existing combined waterworks and sewerage system of the Issuer (the "System"); and (ii) pay the costs of issuing the Bonds.

The Bonds were authorized by an ordinance enacted by the Council of the Issuer on October 20, 2011, and put into effect following a public hearing held on November 10, 2011, as supplemented and amended by supplemental resolutions adopted on November 10, 2011 and December 8, 2011 (said ordinance as so supplemented and amended is referred to herein as the "Ordinance"), and are issued pursuant to Chapter 8, Article 20 and Chapter 13, Article 2E of the Code of West Virginia, 1931, as amended (collectively, the "Act").

As to questions of fact material to our opinion, we have relied upon the representations of the Issuer, the Escrow Trustee, the Depository Bank, the Registrar and the Paying Agent contained in the Ordinance, the Escrow Agreement, the Registrar's Agreement (all as defined 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.

* Preliminary, subject to change.

Based upon the foregoing, and assuming compliance with the covenants of the Issuer, the Escrow Trustee, the Depository Bank, the Registrar and the Paying Agent pertaining to tax matters set forth in the Ordinance and with certain certificates delivered in connection with the issuance of the Bonds, we are of the opinion that:

1. The Issuer is a duly organized and validly existing municipal corporation under and pursuant to the Constitution and laws of the State of West Virginia and has full legal right, power and authority to issue the Bonds, to refund the Series 2001 Bonds, to own and operate the System, and to enact and perform its obligations under the terms and provisions of the Ordinance.

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

3. The Bonds have been duly authorized and validly executed and delivered by the Issuer in accordance with the Constitution of the State of West Virginia, the Act and the Ordinance.

4. The Bonds constitute valid and legally binding special obligations of the Issuer, enforceable in accordance with their terms and the terms of the Ordinance and are payable solely from and secured by a lien on and pledge of the Gross Revenues derived from the operation of the System and moneys in the Series 2011 A Bonds Sinking Fund and Series 2011 A Bonds Reserve Account (all as defined in the Ordinance), on a parity with respect to lien, pledge and sources of and security for payment with the Issuer's Combined Waterworks and Sewerage System Revenue Bonds, Series 2000A (West Virginia DWTRF Program), dated September 27, 2000, originally issued in the aggregate principal amount of $7,564,000, the Issuer's Combined Waterworks and Sewerage System Revenue Bonds, Series 2000B (West Virginia Infrastructure Fund), dated September 27, 2000, originally issued in the aggregate principal amount of $3,000,000, the Issuer's Combined Waterworks and Sewerage System Revenue Bonds, Series 2000C (West Virginia Water Development Authority), dated September 27, 2000, originally issued in the aggregate principal amount of $1,976,352, and the Issuer's Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011 B, dated the date hereof, originally issued in the aggregate principal amount of $20,000*.

5. Under existing laws, regulations, rulings and judicial decisions of the United States of America, as presently written and applied, the interest on the Bonds (i) is excludable from gross income of the holders thereof for federal income tax purposes and (ii) 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 interest on Bonds held by certain corporations may

* Preliminary, subject to change.

be indirectly subject to alternative minimum tax imposed under the Internal Revenue Code of 1986, as amended (the "Code"), because of its inclusion in the reported income or earnings and profits of such corporate holder. 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, foreign corporations, individual recipients of Social Security or Railroad Retirement benefits, Subchapter S corporations 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. 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 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 certificate relating to arbitrage. Failure to comply with 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 more than $10,000,000 of tax-exempt obligations (other than private activity bonds) during the calendar year 2011. 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)), a deduction is allowed for 80% of that portion of such financial institution's interest expense allocable to interest on the Bonds.

7. Under existing laws of the State of West Virginia, as presently written and applied, the Bonds and the interest thereon are exempt from personal and corporate income taxes imposed directly thereon by the State of West Virginia.

8. The Series 2001 Bonds have been paid within the meaning and with the effect expressed in the ordinance authorizing their issuance, and the covenants, agreements and other obligations of the Issuer to the holders and owners of the Series 2001 Bonds have been satisfied and discharged.

It is to be understood that the rights of the holders of the Bonds and the enforceability of the Bonds and the Ordinance may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Very truly yours,

BOWLES RICE McDAVID GRAFF & LOVE LLP

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December __, 2011

City of Martinsburg
232 North Queen Street
Martinsburg, West Virginia 25401

Re: $20,000* City of Martinsburg Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011 B (Taxable)

Ladies and Gentlemen:

We have examined a certified record of proceedings relating to the issuance and sale of $20,000* Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011 B (Taxable) (the "Bonds") of the City of Martinsburg, West Virginia (the "Issuer"). The Bonds are being issued for the purpose of providing funds to (i) refund all of the Issuer's outstanding Combined Waterworks and Sewerage System Revenue Bonds, Series 2001 (the "Series 2001 Bonds") issued on September 6, 2001, to pay a portion of the costs of the acquisition and construction of certain additions, betterments and improvements to the existing combined waterworks and sewerage system of the Issuer (the "System"); and (ii) pay the costs of issuing the Bonds.

The Bonds were authorized by an ordinance enacted by the Council of the Issuer on October 20, 2011, and put into effect following a public hearing held on November 10, 2011, as supplemented and amended by supplemental resolutions adopted on November 10, 2011 and December 8, 2011 (said ordinance as so supplemented and amended is referred to herein as the "Ordinance"), and are issued pursuant to Chapter 8, Article 20 and Chapter 13, Article 2E of the Code of West Virginia, 1931, as amended (collectively, the "Act").

As to questions of fact material to our opinion, we have relied upon the representations of the Issuer, the Escrow Trustee, the Depository Bank, the Registrar and the Paying Agent contained in the Ordinance, the Escrow Agreement, the Registrar's Agreement (all as defined 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.

* Preliminary, subject to change.

Based upon the foregoing, we are of the opinion that:

1. The Issuer is a duly organized and validly existing municipal corporation under and pursuant to the Constitution and laws of the State of West Virginia and has full legal right, power and authority to issue the Bonds, to refund the Series 2001 Bonds, to own and operate the System, and to enact and perform its obligations under the terms and provisions of the Ordinance.

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

3. The Bonds have been duly authorized and validly executed and delivered by the Issuer in accordance with the Constitution of the State of West Virginia, the Act and the Ordinance.

4. The Bonds constitute valid and legally binding special obligations of the Issuer, enforceable in accordance with their terms and the terms of the Ordinance and are payable solely from and secured by a lien on and pledge of the Gross Revenues derived from the operation of the System and moneys in the Series 2011 B Bonds Sinking Fund and Series 2011 B Bonds Reserve Account (all as defined in the Ordinance), on a parity with respect to lien, pledge and sources of and security for payment with the Issuer's Combined Waterworks and Sewerage System Revenue Bonds, Series 2000A (West Virginia DWTRF Program), dated September 27, 2000, originally issued in the aggregate principal amount of $7,564,000, the Issuer's Combined Waterworks and Sewerage System Revenue Bonds, Series 2000B (West Virginia Infrastructure Fund), dated September 27, 2000, originally issued in the aggregate principal amount of $3,000,000, the Issuer's Combined Waterworks and Sewerage System Revenue Bonds, Series 2000C (West Virginia Water Development Authority), dated September 27, 2000, originally issued in the aggregate principal amount of $1,976,352, and the Issuer's Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011 A, dated the date hereof, originally issued in the aggregate principal amount of $8,900,000*.

5. Under existing laws, regulations, rulings and judicial decisions of the United States of America, as presently written and applied, the interest on the Bonds is included in gross income of the owners thereof for federal income tax purposes. We offer no opinion as to the federal tax consequences of purchasing, holding or disposing of the Bonds.

6. Under existing laws of the State of West Virginia, as presently written and applied, the Bonds and the interest thereon are exempt from personal and corporate income taxes imposed directly thereon by the State of West Virginia.

---

* Preliminary, subject to change.

7. The Series 2001 Bonds have been paid within the meaning and with the effect expressed in the ordinance authorizing their issuance, and the covenants, agreements and other obligations of the Issuer to the holders and owners of the Series 2001 Bonds have been satisfied and discharged.

It is to be understood that the rights of the holders of the Bonds and the enforceability of the Bonds and the Ordinance may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Very truly yours,

BOWLES RICE McDAVID GRAFF & LOVE LLP

APPENDIX E

CONTINUING DISCLOSURE CERTIFICATE

$_____

CITY OF MARTINSBURG (WEST VIRGINIA)
Combined Waterworks and Sewerage System Refunding Revenue Bonds,
Series 2011 A (Tax-Exempt)
and
Combined Waterworks and Sewerage System Refunding Revenue Bonds,
Series 2011 B (Taxable)

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "Certificate") dated November __, 2011, from the City of Martinsburg, Berkeley County, West Virginia (the "Issuer") is being delivered to Crews & Associates, Inc., the Underwriters of the Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011 A (Tax-Exempt) and Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011 B (Taxable) (collectively, the "Series 2011 Bonds"), as initial purchasers of the Series 2011 Bonds and this Certificate is being issued in connection with the issuance of the Series 2011 Bonds.

SECTION 1. Purpose. This Certificate is being executed and delivered by the Issuer for the benefit of the holders and beneficial owners of the Series 2011 Bonds and in order to assist the Underwriters in complying with SEC Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Ordinance of the Issuer enacted on October 20, 2011, as supplemented (the "Ordinance"), and the Purchase Contract, as hereafter defined, which apply to any capitalized term used in this Certificate unless otherwise defined herein, the following capitalized terms shall have the following meanings:

"Annual Financial Information" means the financial information (which shall be based on financial statements prepared in accordance with generally accepted accounting principles ("GAAP")) and operating data with respect to the Issuer, provided at least annually, of the type included in those sections of the final official statement with respect to the Series 2011 Bonds attached thereto as Appendix ___, which Annual Financial Information shall include Audited Financial Statements if available on the due date set forth herein, and, if not then available, unaudited financial statements.

"Audited Financial Statements" means the Issuer's annual financial statements, prepared in accordance with GAAP, which financial statements shall have been audited by a firm of independent certified public accountants.

"Beneficial Owner" shall mean any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2011 Bonds (including persons holding Series 2011 Bonds through nominees, depositories or other intermediaries).

"Dissemination Agent" shall initially mean the Issuer and any later appointed Dissemination Agent or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

"EMMA" means the Electronic Municipal Market Access system described in 1934 Act Release No. 59062 and maintained by the Municipal Securities Rulemaking Board for purposes of the Rule.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Certificate.

"National Repository" shall mean the Municipal Securities Rulemaking Board, Washington, D.C., the sole Nationally Recognized Municipal Securities Information Repository for purposes of the Rule.

"Participating Underwriters" shall mean the original underwriters of the Series 2011 Bonds who are required to comply with the Rule in connection with their offering of the Series 2011 Bonds.

"Purchase Contract" shall mean the Bond Purchase Agreement dated November __, 2011, between Crews & Associates, Inc. (the "Underwriters"), and the Issuer, by which the Underwriters agreed to purchase the Series 2011 Bonds from the Issuer upon the terms set forth therein.

"Repository" shall mean each National Repository and the State Repository.

"Rule" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"Series 2011 Bonds" shall mean the Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011 A (Tax-Exempt) and Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011 B (Taxable).

"State Repository" shall mean any public or private repository or entity designated by the State as the state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Certificate, there is no State Repository.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than 180 days after the end of the Issuer's fiscal year (presently June 30), commencing with the report for the fiscal year ending June 30, 2012, provide to each Repository Annual Financial Information and Audited Financial Statements, which are consistent with the requirements of Section 4 of this Certificate. The Annual Financial Information and Audited Financial Statements may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Certificate. The Issuer shall provide the Trustee with a copy of each report filed under this Certificate. If the Issuer's fiscal year changes, the Issuer shall give notice of such change in the same manner as for a Listed Event under Section 5(a).

(b) Not later than fifteen (15) Business Days prior to said date, the Issuer shall provide

the Annual Financial Information and Audited Financial Statements to the Dissemination Agent (if other than the Issuer). If the Issuer is unable to provide to the Repositories the Annual Financial Information and Audited Financial Statements by the date required in subsection (a), the Issuer shall send a notice to the Repositories, in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Financial Information and Audited Financial Statements the name and address of each Repository; and

(ii) if the Dissemination Agent is other than the Issuer, file a report with the Issuer certifying that the Annual Financial Information and Audited Financial Statements have been provided pursuant to this Certificate, stating the date they were provided and listing the Repositories to which they were provided.

(d) All documents provided to the Municipal Securities Rulemaking Board shall be provided in an electronic formant and shall be accompanied by identifying information as prescribed by the Municipal Securities Rulemaking Board.

SECTION 4. Content of Annual Financial Information and Audited Financial Statements. The Issuer's Annual Financial Information and Audited Financial Statements shall contain or include by reference the following:

(a) Within ninety (90) days of the Issuer's fiscal year ending June 30, 2012, and each subsequent fiscal year, for delivery to each Repository in the format required by the Rule, unaudited general purpose financial statements of the Issuer, and

(b) Within one hundred eighty (180) days of the Issuer's fiscal year ending June 30, 2012, and each subsequent fiscal year, for delivery to each Repository in the format required by the Rule, such information and data of the Issuer for the prior fiscal year, including (i) the audited financial statements, prepared in accordance with generally accepted accounting principles in effect from time to time, and (ii) actual data of the type found in the Official Statement under the caption "HISTORICAL AND BUDGETED REVENUES."

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or the Issuer, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Issuer shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events, if applicable, with respect to the Series 2011 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 of security holders;

8. bond calls;

9. defeasances;

10. release, substitution, or sale of property securing repayment of the securities, except as provided by the Ordinance; and

11. rating changes.

(b) Whenever the Issuer obtains knowledge of the occurrence of any of the Listed Events, the Issuer shall as soon as possible determine if such event **would be material** under applicable federal securities laws.

(c) If the Issuer determines that knowledge of the occurrence of any of the Listed Events **would be material** under applicable federal securities laws, the Issuer shall promptly file a notice of such occurrence with each Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a) (4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Series 2011 Bonds pursuant to the Ordinance.

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under this Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2011 Bonds. If such termination occurs prior to the final maturity of the Series 2011 Bonds, the Issuer shall give notice of such termination in the same manner as for any of the Listed Events under Section 5(a).

SECTION 7. Dissemination Agent. The Issuer has appointed itself as Dissemination Agent to assist it in carrying out its obligations under this Certificate. The Issuer may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Certificate.

SECTION 8. Amendment, Waiver. Notwithstanding any other provision of this Certificate, the Issuer may amend this Certificate, and any provision of this Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Series 2011 Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2011 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Series 2011 Bonds in the same manner as provided in the Ordinance for amendments to the Ordinance, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Series 2011 Bonds.

In the event of any amendment or waiver of a provision of this Certificate, the Issuer shall describe such amendment in the next Annual Financial Information and Audited Financial Statements, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for any of the Listed Events under Section 5(a), and (ii) the Annual Financial Information and Audited Financial Statements for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication, or including any other information in any Annual Financial Information and Audited Financial Statements or notice of occurrence of any of the Listed Events, in addition to that which is required by this Certificate. If the Issuer chooses to include any information in any Annual Financial Information and Audited Financial Statements or notice of occurrence of any of the Listed Events in addition to that which is specifically required by this Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it in any future Annual Financial Information and Audited Financial Statements or notice of occurrence of any of the Listed Events.

SECTION 10. Default. In the event of a failure of the Issuer to comply with any provision of this Certificate (and, at the request of the Original Purchaser), any Holder or Beneficial Owner of the Series 2011 Bonds may take such actions as may be necessary and appropriate, including

seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Certificate. A default under this Certificate shall not be deemed an Event of Default under the Ordinance, and the sole remedy under this Certificate in the event of any failure of the Issuer to comply with this Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent, if other than the Issuer, shall have only such duties as are specifically set forth in this Certificate, and, to the extent permitted by law, the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 2011 Bonds.

SECTION 12. Beneficiaries. This Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Underwriters and holders and beneficial owners from time to time of the Series 2011 Bonds, and shall create no rights in any other person or entity.

Date: November __, 2011

CITY OF MARTINSBURG

By: _____
Its: Mayor

By: _____
Its: City Manager

Exhibit A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Martinsburg

Name of Issue: Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011 A (Tax-Exempt) and Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011 B (Taxable)

Date of Issuance: November __, 2011

Notice is hereby given that the Issuer has not provided an annual report with respect to the above-named bonds as required by its covenant made in connection with the above-referenced bond issue. The Issuer anticipates that the annual report will be filed by _____.

Dated this ___ day of _____, 20__.

CITY OF MARTINSBURG

By: _____
Its: Mayor

APPENDIX F

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

ASSURED GUARANTY
MUNICIPAL

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

Effective Date:

BONDS: $ in aggregate principal amount of

Premium: $

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

SPECIMEN

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

SPECIMEN

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

NEW ISSUE-BOOK ENTRY ONLY

Ratings: See RATINGS herein

In the opinion of Bond Counsel, under existing laws, regulations, rulings and judicial decisions of the United States of America, as presently written and applied, interest on the Series 2011 A Bonds including any original issue discount properly allocable to an owner thereof is excludable from gross income of the holders thereof for federal income tax purposes, and interest on the Series 2011 A Bonds will not be treated as a preference item for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, interest paid to corporate holders of the Series 2011 A Bonds may be indirectly subject to alternative minimum tax under certain circumstances. Further, in the opinion of Bond Counsel, under existing laws of the State of West Virginia, the Series 2011 A Bonds and the interest thereon, are exempt from taxation by the State of West Virginia. See "TAX MATTERS" herein.

$8,830,000
CITY OF MARTINSBURG (WEST VIRGINIA)
COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS, SERIES 2011 A (TAX-EXEMPT)

Dated: December 28, 2011

Due: September 1, as shown on inside cover

The Series 2011 A Bonds (the "Bonds" or the "Series 2011 A Bonds") are issuable only as fully registered bonds without coupons in denominations of $5,000 and integral multiples thereof for any year of maturity. All of the Series 2011 A Bonds initially will be maintained under a book-entry system under which The Depository Trust Company, New York, New York ("DTC"), will act as securities depository. Purchases of the Series 2011 A Bonds will be in book-entry form only. Semiannual interest on the Series 2011 A Bonds is payable March 1, 2012, and each March 1 and September 1 thereafter. So long as the Series 2011 A Bonds are maintained under a book-entry system, payments of the principal of and premium, if any, and interest on the Series 2011 A Bonds will be made when due by the West Virginia Municipal Bond Commission, Charleston, West Virginia, as Paying Agent (the "Paying Agent"), to DTC in accordance with the Ordinance and the Supplemental Resolutions, and the Paying Agent will have no obligation to make any payments to any beneficial owner of any Series 2011 A Bonds. See "THE SERIES 2011 A Bonds - Book-Entry Only System." The Series 2011 A Bonds are subject to redemption prior to maturity as described herein.

Proceeds of the Series 2011 A Bonds will be used, together with other funds available therefor, to: (i) refund all of the City's Combined Waterworks and Sewerage System Revenue Bonds, Series 2001; (ii) provide funds in the amount of $620,410, to be deposited in the Series 2011 A Bonds Reserve Account; and (iii) pay certain costs of issuance of the Series 2011 A Bonds and related costs.

The Series 2011 A Bonds are payable from and further secured by the Gross Revenues derived from the existing combined waterworks and sewerage system of the City and any extensions, improvements and betterments thereto on parity with the Prior Bonds, as hereinafter defined, and any additional parity bonds that may hereafter be issued by the City as permitted by the Ordinance, as hereinafter defined, and the Series 2011 A Bonds are also payable from funds on deposit in the Series 2011 A Bonds Sinking Fund and Series 2011 A Bonds Reserve Account therein. The Series 2011 A Bonds do not constitute an 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 principal or premium, if any, of and the interest on the Series 2011 A Bonds, except from the Gross Revenues and such funds on deposit. Neither the full faith and credit nor the taxing power of the City shall be deemed to be pledged to, nor shall any tax be levied for, the payment or the principal of or the premium, if any, or interest on the Series 2011 A Bonds.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by **ASSURED GUARANTY MUNICIPAL CORP.**

ASSURED GUARANTY MUNICIPAL

The City has designated the Series 2011 A Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b) of the Internal Revenue Code of 1986, as amended.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision. The Series 2011 A Bonds are offered when, as and if issued and received by the Underwriter, subject to prior sale, to withdrawal or modification of the offering without notice and to the unqualified approval of legality by Bowles Rice McDavid Graff & Love LLP, Charleston, West Virginia, Bond Counsel. Bowles Rice McDavid Graff & Love LLP, Martinsburg, West Virginia, Counsel to the City, will pass upon certain legal matters for the City. Steptoe & Johnson PLLC, Charleston, West Virginia, as counsel to the Underwriter, will pass upon certain legal matters for the Underwriter. It is expected that the Series 2011 A Bonds will be available for delivery in New York, New York on or about December 28, 2011.

Crews&Associates
Member First Security Bancorp

Dated: December 14, 2011

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES OR YIELDS***

Series 2011 A Bonds

Maturity Date (September 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP
2012	$240,000	2.000%	0.750%	100.839%	573632 FD3
2013	$360,000	2.000%	1.000%	101.656%	573632 FE1
2014	$360,000	2.000%	1.200%	102.099%	573632 FF8
2015	$370,000	2.000%	1.450%	101.960%	573632 FG6
2016	$380,000	2.000%	1.600%	101.793%	573632 FH4
2017	$385,000	2.000%	1.800%	101.073%	573632 FJ0
2018	$395,000	2.000%	2.000%	100.000%	573632 FK7
2019	$400,000	3.000%	2.200%	104.244%*	573632 FL5
2020	$415,000	3.000%	2.450%	102.895%*	573632 FM3
2021	$430,000	3.000%	2.650%	101.830%*	573632 FN1
2022	$440,000	3.000%	2.900%	100.517%*	573632 FP6
2023	$455,000	3.000%	3.000%	100.000%	573632 FQ4
2024	$465,000	3.000%	3.100%	98.955%	573632 FR2
2028	$535,000	3.600%	3.600%	100.000%	573632 FT8
2029	$550,000	3.700%	3.700%	100.000%	573632 FU5

$1,490,000	3.500% Term Bonds	Due September 1, 2027	Yield 3.500%	Price 100.000%	CUSIP 573632FS0
$1,160,000	3.875% Term Bonds	Due September 1, 2031	Yield 4.000%	Price 98.304%	CUSIP 573632FV3

* Priced to September 1, 2017 optional par call

CITY OF MARTINSBURG, WEST VIRGINIA

MAYOR
George Karos

COUNCIL MEMBERS
Gregg Wachtel – Council Member-At-Large
Rodney Woods – Council Member-At-Large
Dennis J. Etherington – Council Member Ward 1
Richard Yauger - Council Member Ward 2
Max Parkinson - Council Member Ward 3
Roger Lewis - Council Member Ward 4
Betty Gunnoe - Council Member Ward 5

CITY MANAGER
Mark Baldwin

RECORDER
Gena Long

BOND COUNSEL
Bowles Rice McDavid Graff & Love LLP
Charleston, West Virginia

UNDERWRITER'S COUNSEL
Steptoe & Johnson PLLC
Charleston, West Virginia

ISSUER'S COUNSEL
Bowles Rice McDavid Graff & Love LLP
Martinsburg, West Virginia

AUDITORS
Cox Nichols Hollida, CPAs and Consultants, LLP
Martinsburg, West Virginia

UNDERWRITER
Crews & Associates, Inc.
Charleston, West Virginia

DEPOSITORY BANK
Jefferson Security Bank

REGISTRAR
United Bank, Inc.

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 Series 2011 A 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 Martinsburg, West Virginia, or the Underwriter to give any information or to make any representations, other than as contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. The information set forth herein has been obtained from the City of Martinsburg 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 Underwriter. The information and any expression of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the City of Martinsburg, West Virginia, as it relates to the System, since the date hereof. This Official Statement is submitted in connection with the sale of securities referred to herein, and may not be reproduced or used, in whole or in part, for any other purposes.

The information contained in this Official Statement has been obtained by the Underwriter from sources believed to be reliable, but the accuracy or completeness of such information is not guaranteed by, and should not be construed as a promise by the Underwriter. The presentation of such information is intended to show recent historic information and is not intended to indicate future or continuing trends. No representation is made that the past experience, as shown by such financial and other information, will necessarily continue or be repeated in the future. This Official Statement contains, in part, estimates and matters of opinion, whether or not expressly stated to be such, which are not intended as statements or representations of fact or certainty, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under and circumstances, create any implication that there has been no change in the affairs of the Issuer.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2011 A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The Underwriter has gathered the information in this Official Statement from sources it believes to be reliable, including primarily the City. The Underwriter does not guarantee this information as to its completeness or its accuracy.

By its purchase of the Series 2011 A Bonds, an investor is acknowledging that it has reviewed all the information it deems necessary to make an informed decision, and that it is not relying on any representation of the Underwriter or any of its officers, representatives, agents or directors in reaching its decision to purchase the Series 2011 A Bonds.

The investor, by its purchase of the Series 2011 A Bonds, acknowledges its consent for the Underwriter to rely upon the investor's understanding of and agreement to the preceding two paragraphs as such relates to the disclosure and fair dealing obligations that may be applicable to the Underwriter under applicable securities laws and regulations.

Forward-Looking Statements

This Official Statement, and particularly the information contained in the captions "FINANCING PLAN" and "THE SYSTEM," contains statements relating to future results that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimated," "forecasted," "intended," "expected," "anticipated," "projected" and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. For a discussion of certain of such risks and possible variations in results, see the information under "RISK FACTORS."

The following sentence has been provided by the Underwriter for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The Series 2011 A Bonds will not be registered under the Securities Act of 1933, as amended, or any state securities law, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency has determined or confirmed the accuracy of this Official Statement.

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "Bond Insurance" and "Appendix F- Specimen Municipal Bond Insurance Policy".

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OFFICIAL STATEMENT

$8,830,000
CITY OF MARTINSBURG (WEST VIRGINIA)
COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS, SERIES 2011 A (TAX-EXEMPT)

INTRODUCTION

This Official Statement, including the cover page and appendices, is provided for the purpose of setting forth certain information concerning the City of Martinsburg, West Virginia (the "City"), the City's combined waterworks and sewerage system hereinafter described and the City's $8,830,000 in aggregate principal amount of Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011 A (Tax-Exempt) (the "Bonds" or the "Series 2011 A Bonds"). The Series 2011 A Bonds are being issued pursuant to the Constitution and laws of the State of West Virginia (the "State"), specifically Chapter 8, Article 20 and Chapter 13, Article 2E of the Code of West Virginia of 1931, as amended (collectively, the "Act"), and an ordinance enacted by the Council of the City on October 20, 2011 (the "Original Ordinance"), as supplemented and amended by supplemental resolutions adopted by the Council of the City pursuant to the Original Ordinance (the "Supplemental Resolutions" and together with the Original Ordinance, the "Ordinance").

The proceeds of the Series 2011 A Bonds, together with other funds available therefor, will be used as follows: (i) to refund all of the City's Combined Waterworks and Sewerage System Revenue Bonds, Series 2001 (the "Refunded Bonds"); (ii) to provide funds in the amount of $620,410, to be deposited in the Series 2011 A Bonds Reserve Account; and (iii) to pay certain costs of issuance of the Series 2011 A Bonds and related costs.

The Series 2011 A Bonds are payable from and secured by the Gross Revenues, as defined in the Ordinance, derived from the existing combined waterworks and sewerage system of the City and any extensions, improvements or betterments thereto (the "System") on parity with the Prior Bonds, as hereinafter defined, and any additional parity bonds that may hereafter be issued by the City as permitted by the Ordinance (the Series 2011 A Bonds, the Prior Bonds and any such additional parity bonds are collectively referred to herein as the "Bonds"), and the Series 2011 A Bonds are also payable from funds on deposit in the Series 2011 A Bonds Sinking Fund and Series 2011 A Bonds Reserve Account therein. The Series 2011 A Bonds do not constitute an 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 Series 2011 A Bonds or premium, if any, or the interest thereon except from such Gross Revenues and such funds on deposit.

Pursuant to the Ordinance and the ordinances enacted with respect to other Bonds outstanding payable from the Gross Revenues, 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 produce for each fiscal year Gross Revenues (as defined in the Ordinance), sufficient to (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and

interest on the Series 2011 A Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2011 A Bonds, including the Prior Bonds, as hereinafter defined; provided that, in the event that amounts equal to or in excess of the reserve requirements are on deposit, respectively, in the Series 2011 A Bonds Reserve Account and reserve accounts for obligations on a parity with the Series 2011 A Bonds, including the Prior Bonds, are funded at least at the requirement therefor, such balance each year need only equal at least 110% of the maximum amount required in any year for payment of principal of and interest on the Series 2011 A Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2011 A Bonds, including the Prior Bonds. See "ADDITIONAL SECURITY FOR THE SERIES 2011 A BONDS - Rate Covenant."

The Series 2011 A Bonds will be dated, will mature, will bear interest and will be subject to redemption prior to maturity as more fully described on the cover page and under the heading "THE SERIES 2011 A BONDS" herein. The Series 2011 A Bonds initially will be maintained under a book-entry system. So long as the Series 2011 A Bonds are maintained under a book-entry system, the manner of payment, the denominations, the transfer and exchange of ownership and the method of providing notice of redemption to the owners of the Series 2011 A Bonds shall be determined as described under the "BOOK-ENTRY ONLY SYSTEM" herein. If the book-entry system is discontinued, principal of, interest, and premium, if any, on the Series 2011 A Bonds will be payable by the West Virginia Municipal Bond Commission, Charleston, West Virginia, as paying agent (the "Paying Agent"), to the owners thereof at the addresses appearing in the books kept by United Bank, Inc., Charleston, West Virginia, as registrar (the "Registrar"). For further information describing the method of payment and other matters in the event the book-entry system is discontinued, see "THE SERIES 2011 A BONDS" herein.

For a description of the exclusion of interest on the Series 2011 A Bonds from gross income for federal and state income tax purposes see "TAX MATTERS" herein.

The City may issue additional bonds on a parity with the Series 2011 A Bonds for the purpose of financing the cost of the construction or acquisition of additions, improvements and betterments to the System and/or refunding one or more or all series of bonds subject, in each case, to certain tests and conditions provided for by the Ordinance. See "ADDITIONAL SECURITY FOR THE SERIES 2011 A BONDS - Additional Parity Bonds."

The Series 2011 A Bonds are offered when, as and if issued and received on behalf of the underwriter appearing on the cover page hereof (the "Underwriter"), subject to prior sale, to withdrawal or modification of the offering without notice and to the unqualified approval of the legality by Bowles Rice McDavid Graff & Love LLP, Charleston, West Virginia, Bond Counsel. Bowles Rice McDavid Graff & Love LLP, Martinsburg, West Virginia, as counsel for the City, will pass upon certain legal matters for the City. Steptoe & Johnson PLLC, Charleston, West Virginia, as counsel to the Underwriter, will pass upon certain legal matters for the Underwriter.

Brief descriptions of the Series 2011 A Bonds, the System, the City and certain provisions of the Ordinance and the Act, as defined in the Ordinance and hereinbefore, 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, 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 Series 2011 A 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 shall have the respective meanings given them in the Ordinance. Copies of the Ordinance and other applicable documents may be obtained from the City or, during the period of offering the Series 2011 A Bonds, from the Underwriter.

FINANCING PLAN

Estimated Sources and Uses of Funds

Sources of Funds:	
Principal Amount of Bonds	$8,830,000.00
Transfer from Bond Fund	230,419.59
Transfer from DSRF	693,324.01
Net Reoffering Premium	48,329.25
Total Sources	$9,802,072.85
Uses of Funds:	
Current Refunding Fund	$8,933,349.36
Series 2011 A Bonds DSRF	620,410.00
Gross Bond Insurance Premium	91,015.45
Underwriter's Discount	88,300.00
Costs of Issuance [1]	68,998.04
Total Uses	$9,802,072.85

(1) Includes legal and financing fees and other miscellaneous expenses relating to the issuance of the Series 2011 A Bonds.

THE SERIES 2011 A BONDS

General

The Series 2011 A Bonds shall be dated as of the date provided in a Supplemental Resolution and shall bear interest from the interest payment date next preceding the date of authentication or, if authenticated after the Record Date but prior to the applicable interest payment date or on such interest payment date, from such interest payment date or, if no interest on such Series 2011 A Bonds has been paid, from the date thereof; provided however, that, if, as shown by the records of the Registrar, interest on such Series 2011 A Bonds shall be in default, Series 2011 A Bonds issued in exchange for Series 2011 A Bonds surrendered for transfer or exchange shall bear interest from the date to which interest has been paid in full on the initial Series 2011 A Bonds surrendered. The Series 2011 A Bonds will bear interest from their date, payable semiannually on each March 1 and September 1, commencing March 1, 2012, upon original issuance, at the rates per annum and will mature on the dates and in the amounts set forth on the cover page of this Official Statement.

The Series 2011 A Bonds will be issued as fully registered bonds without coupons in denominations of $5,000 and integral multiples thereof for any year of maturity. The Series 2011 A Bonds initially shall be maintained under a book-entry system; Beneficial Owners shall have no right to receive physical possession of the Series 2011 A Bonds and payments of principal or redemption price of and interest on the Series 2011 A Bonds will be made as described herein under

"BOOK-ENTRY ONLY SYSTEM." If the book-entry system is discontinued, interest on the Series 2011 A Bonds will be payable by check or draft made payable and mailed to the owners thereof at the addresses appearing in the books kept by the Registrar as of the 15th day of the month preceding such interest payment date (the "Record Date"). If the book-entry system is discontinued, principal of and premium, if any, on the Series 2011 A Bonds will be payable to the owner thereof upon surrender thereof at the office of the Paying Agent.

So long as the Series 2011 A Bonds are maintained under a book-entry system, transfers of ownership interests in the Series 2011 A Bonds will be made as described herein under "BOOK--ENTRY ONLY SYSTEM." If the book-entry system is discontinued, ownership of any Series 2011 Bond may be transferred upon surrender thereof to the Registrar, together with a written instrument of transfer satisfactory to the Registrar, duly executed by the registered owner or his duly authorized attorney or legal representative. Upon any such transfer of a Series 2011 Bond, there will be issued another Series 2011 Bond or Series 2011 A Bonds, at the option of the transferee, of the same aggregate principal amount, series, maturity and interest rate as said Series 2011 Bond. For every exchange or transfer of Series 2011 A 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. The party requesting such transfer shall pay any service charge of the Registrar and any applicable tax or other governmental charge.

Optional Redemption

The Series 2011 A Bonds maturing on or after September 1, 2018 are subject to optional redemption prior to their stated maturity in whole or in part on any date on or after September 1, 2017, at the option of the City at par plus accrued interest thereon to the date set for redemption.

Mandatory Redemption

The Series 2011 A Bonds maturing on September 1, 2027 are subject to annual mandatory redemption prior to maturity by random selection on September 1 of the years and in the principal amounts set forth below, at the redemption price of 100% of the principal amount of each Bond so called for redemption plus interest accrued to the date fixed for redemption:

Bonds Maturing 2027

Year	Principal Amount
2025	$480,000
2026	$495,000
2027	$515,000

The Series 2011 A Bonds maturing on September 1, 2031 are subject to annual mandatory redemption prior to maturity by random selection on September 1 of the years and in the principal amounts set forth below, at the redemption price of 100% of the principal amount of each Bond so called for redemption plus interest accrued to the date fixed for redemption:

Bonds Maturing 2031

Year	Principal Amount
2030	$570,000
2031	$590,000

If less than all the Series 2011 A Bonds are to be redeemed, the Bonds to be redeemed shall be identified by reference to the Series designation, date of issue, CUSIP numbers and Maturity Dates.

Notice of Redemption

So long as the Series 2011 A Bonds are maintained under a book-entry system, notice of the call for any redemption of the Series 2011 A Bonds shall be given as described below under "BOOK-ENTRY ONLY SYSTEM." At any other time, notice to the registered owner of any redemption shall be given by the Registrar not less than 30 nor more than 60 days prior to the date fixed for redemption by registered or certified mail at the address appearing in the Register. Failure to receive such notice or any defect in the mailing thereof shall not affect the validity of any proceedings for the redemption of the Series 2011 A Bonds; and failure to mail such notice shall not affect the validity of any such proceedings for any Series 2011 Bond with respect to which no such failure has occurred. Notice of redemption having been given in the manner hereinabove and in the Ordinance described and moneys necessary therefor having been deposited with the Paying Agent, the Series 2011 A Bonds specified in such notice shall on the date fixed for redemption be deemed paid, and interest thereon shall cease to accrue.

BOOK-ENTRY ONLY SYSTEM

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

The Depository Trust Company

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2011 A Bonds. The Series 2011 A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2011 Bond will be issued for each maturity, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and

pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's rating: AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at **www.dtcc.com** and www.dtc.org.

3. Purchases of the Series 2011 A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2011 A Bonds on DTC's records. The ownership interest of each actual purchaser of the Series 2011 A Bonds ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2011 A Bonds, except in the event that use of the book-entry system for the Series 2011 A Bonds is discontinued.

4. To facilitate subsequent transfers, all the Series 2011 A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2011 A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2011 A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts the Series 2011 A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2011 A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2011 A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2011 A Bonds documents. For example, Beneficial Owners of the Series 2011 A Bonds may wish to ascertain that the nominee holding the Series 2011 A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Series 2011 A Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2011 A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Bondholders as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2011 A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds on the Series 2011 A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Registrar or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Series 2011 A Bonds at any time by giving reasonable notice to the City or the Registrar. Under such circumstances, in the event that a successor depository is not obtained, Series 2011 A Bonds are required to be printed and delivered.

10. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2011 A Bonds will be printed and delivered to DTC.

BOND INSURANCE

BOND INSURANCE POLICY

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an appendix to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

ASSURED GUARANTY MUNICIPAL CORP.

AGM is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Assured Guaranty Municipal Holdings Inc. ("Holdings"). Holdings is an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. No shareholder of AGL, Holdings or AGM is liable for the obligations of AGM.

AGM's financial strength is rated "AA-" (stable outlook) by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") and "Aa3" (negative outlook) by Moody's Investors Service, Inc. ("Moody's"). An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On November 30, 2011, S&P published a Research Update in which it downgraded AGM's financial strength rating from "AA+" to "AA-". At the same time, S&P removed the financial strength rating from CreditWatch negative and changed the outlook to stable. AGM can give no assurance as to any further ratings action that S&P may take. Reference is made to the Research Update, a copy of which is available at www.standardandpoors.com, for the complete text of S&P's comments.

The most recent rating action by Moody's on AGM took place on December 18, 2009, when Moody's issued a press release stating that it had affirmed the "Aa3" insurance financial strength rating of AGM, with a negative outlook. Reference is made to the press release, a copy of which is available at www.moodys.com for the complete text of Moody's comments. Moody's is in the process of reviewing AGL and its subsidiaries and there can be no assurance as to any ratings action that Moody's may take with respect to AGM.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2010, as amended by its Form 10-K/A; its Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2011 and June 30, 2011, each as amended by its Form 10-Q/A; and its Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2011.

Capitalization of AGM

At September 30, 2011, AGM's consolidated policyholders' surplus and contingency reserves were approximately $3,105,604,840 and its total net unearned premium reserve was approximately $2,207,101,966, in each case, in accordance with statutory accounting principles.

AGM's statutory financial statements for the fiscal year ended December 31, 2010 and for the quarterly periods ended March 31, 2011, June 30, 2011 and September 30, 2011, which have been filed with the New York State Department of Financial Services and posted on AGL's website at http://www.assuredguaranty.com, are incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2010, as amended by Amendment No. 1 on Form 10-K/A (filed by AGL with the SEC on March 1, 2011 and October 31, 2011, respectively);

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011, as amended by Amendment No. 1 on Form 10-Q/A (filed by AGL with the SEC on May 10, 2011 and November 14, 2011, respectively);

(iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2011, as amended by Amendment No. 1 on Form 10-Q/A (filed by AGL with the SEC on August 9, 2011 and November 14, 2011, respectively); and

(iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2011 (filed by AGL with the SEC on November 14, 2011).

All information relating to AGM included in, or as exhibits to, documents filed by AGL pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AGM or one of its affiliates may purchase a portion of the Bonds or any uninsured bonds offered under this Official Statement and may hold such Bonds or uninsured bonds for investment or may sell or otherwise dispose of such Bonds or uninsured bonds at any time or from time to time.

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE".

ADDITIONAL SECURITY FOR THE SERIES 2011 A BONDS

The Series 2011 A 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 Series 2011 A Bonds except from said sources.

Outstanding Prior Bonds

The City has outstanding the following bonds payable from the Gross Revenues of the System that are on parity with the Series 2011 A Bonds, being the City's: (i) Combined Waterworks and Sewerage System Revenue Bonds, Series 2000 A (West Virginia DWTRF Program), dated September 27, 2000, originally issued in the aggregate principal amount of $7,564,000, of which approximately $4,437,692 is currently outstanding (the "Series 2000 A Bonds"), (ii) Combined Waterworks and Sewerage System Revenue Bonds, Series 2000 B (West Virginia Infrastructure Fund), dated September 27, 2000, originally issued in the aggregate principal amount of $3,000,000, of which approximately $1,832,114 is currently outstanding (the "Series 2000 B Bonds"), and (iii) Combined Waterworks and Sewerage System Revenue Bonds, Series 2000 C (West Virginia Water Development Authority), dated September 27, 2000, originally issued in the aggregate principal amount of $1,976,352, of which approximately $1,789,593 is currently outstanding (the "Series 2000 C Bonds" and, together with the Series 2000 A Bonds and the Series 2000 B Bonds, the "Prior Bonds").

Sources of Payment

The payment of the debt service on the Series 2011 A Bonds shall be secured forthwith equally and ratably by a first lien on and pledge of the Gross Revenues derived from the System, on parity with the Prior Bonds and any additional parity bonds that may hereafter be issued by the City as permitted by the Ordinance, and the Series 2011 A Bonds are also payable from the funds on deposit in the Series 2011 A Bonds Sinking Fund, and the Series 2011 A Bonds 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 Series 2011 A Bonds and the Prior Bonds and to make the payments into the respective Sinking Funds and all other payments provided for in the Ordinance, and the funds in the Series 2011 A Bonds Sinking Funds and the Series 2011 A Bonds Reserve Account therein, are irrevocably pledged to the payment of the principal of, premium, if any, and

interest on the Series 2011 A Bonds as the same become due and for the other purposes provided in the Ordinance.

Rate Covenant

Prior to the issuance of the Series 2011 A Bonds, equitable rates or charges for the use of and service rendered by the System have been established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Recorder, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from said System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the Series 2011 A Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2011 A Bonds, including the Prior Bonds; provided that, in the event that amounts equal to or in excess of the reserve requirements are on deposit, respectively, in the Series 2011 A Bonds Reserve Account and reserve accounts for obligations on a parity with the Series 2011 A Bonds, including the Prior Bonds, are funded at least at the requirement therefor, such balance each year need only equal at least 110% of the maximum amount required in any year for payment of principal of and interest on the Series 2011 A Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2011 A Bonds, including the Prior Bonds.

The Issuer has obtained any and all approvals of rates and charges required by State law and has taken any other action required to establish and impose such rates and charges, with all requisite appeal periods having expired without successful appeal. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth and approved and described in the water rate ordinance enacted by the Issuer on January 26, 2006 and the sewer rate ordinance enacted by the City on January 26, 2006.

So long as the Series 2011 A Bonds are outstanding, the Issuer covenanted to fix and collect rates, fees and other charges for the use of the System and to take all such actions necessary to provide funds sufficient to produce the required sums set forth in the Bond Legislation. In the event the schedule of rates and charges initially established for the System in connection with the Series 2011 A Bonds shall prove to be insufficient to produce the required sums set forth in the Bond Legislation, the Issuer covenanted and agreed that it will, to the extent and in the manner authorized by law, immediately adjust and increase such schedule of rates and charges and take all such actions necessary to provide funds sufficient to produce the required sums set forth in the Bond Legislation.

Series 2011 A Bonds Reserve Account

$620,410 of proceeds of the Series 2011 A Bonds will be deposited in the Series 2011 A Bonds Reserve Account.

In the event of a transfer from the Series 2011 A Bonds Reserve Account to the Series 2011 A Bonds Sinking Fund as aforesaid, the City shall restore the balance to the Series 2011 A Bonds Reserve Account in an amount up to the Series 2011 A Bonds Reserve Requirement, and the City shall replenish the Series 2011 A Bonds Reserve Account with the first Gross Revenues available after all required payments have been made in full in the order set forth in the Ordinance.

Application of Revenues

See APPENDIX C – FORM OF BOND ORDINANCE - Section 5.03

Enforcement of Collections

See APPENDIX C – FORM OF BOND ORDINANCE – Section 7.13

Additional Parity Bonds

See APPENDIX C – FORM OF BOND ORDINANCE – Section 7.07

THE SYSTEM

Annual Water Usage History by Source - City of Martinsburg

Year Ended June 30	Residential Gallons	Commercial Gallons	Resale Gallons	Total
2011	295,238,000	192,581,000	98,741,000	586,560,000
2010	295,611,000	196,989,000	117,182,000	609,782,000
2009	303,886,000	208,194,000	133,531,000	645,613,000
2008	353,788,000	182,254,000	160,974,000	697,016,000
2007	329,085,000	220,401,000	190,466,000	739,952,000

Daily Water Consumption History by Source (MGD)- City of Martinsburg

Year Ended June 30	Residential Gallons	Commercial Gallons	Resale Gallons	Total
2011	.81	.53	.27	1.61
2010	.81	.54	.32	1.67
2009	.83	.54	.36	1.73
2008	.97	.50	.44	1.91
2007	.90	.60	.52	2.02

Customer History

Water Customer Count by Type - City of Martinsburg

Year Ended June 30	Residential	Commercial	Resale	Total
2011	5,598	702	111	6,411
2010	5,596	722	101	6,419
2009	5,596	722	101	6,419
2008	5,571	721	98	6,390
2007	5,483	799	1	6,283

Sewer Customer Count by Type - City of Martinsburg

Year Ended June 30	Residential	Commercial	Total
2011	5,263	707	5,970
2010	5,224	719	5,943
2009	5,279	731	6,010
2008	5,317	744	6,061
2007	5,305	737	6,042

Major Water Users - Top 10	**Gallons Nov. 2010 - Oct. 2011**	**Revenue**
Berkeley County PSWD	92,469,000	$ 292,202
City Hospital	22,460,000	$ 166,964
Martins' Landing Apartments	14,722,000	$ 117,504
Berkeley County Board of Education	8,054,000	$ 45,888
Holiday Inn	5,464,000	$ 41,278
*Essroc (Capital Cement)	4,965,000	$ -
Frederick Plaza Land Trust	4,285,000	$ 32,560
Foxcroft Apartments	3,183,000	$ 24,410
Ten South Management	3,010,000	$ 22,677
Giant Food Stores	2,859,000	$ 22,014
Hampton Inn	2,565,000	$ 19,840

*Contract with the City for water at no cost (water source).

Water Source

The City currently uses the following sources for its supply:

Source	Gallons/day	Pumping Method
Kilmer Spring	4 to 6 million	Gravity
Big Spring	5 million	Deep Well

Wholesale Contracts

Berkeley County PSWD purchases water from the City. Through multiple accounts, Berkeley PSWD purchased over 92 million gallons in the fiscal year ending June 30, 2011 at a value of $292,635.

Certain City Officers and Personnel

Mark Baldwin has been Martinsburg's City Manager since December 31, 1996. He has over twenty three years experience as the chief executive officer of full service communities. He holds a Bachelor and Masters degree in Public Administration with additional Municipal Administration training.

Mark Spickler has served as Martinsburg's Finance Director since May 21, 1990. He holds a Bachelor's degree in accounting from Shepherd College in Shepherdstown, WV.

Stephen Knipe has served as Martinsburg's Utilities Director since June 12, 1975. He has both public and private sector experience and over sixteen years management experience in sewer operations and five years management experience in combined water and sewer operations.

Twenty-one (21) persons are employed in the Water Department and nine (9) persons are employed in the Sewer Department. None of the City employees are union members. The City considers its historical and current relationship with employees assigned to the system to be good.

Rates

Water System Rates and Charges

The current schedule of water rates and charges has been in place since March 13, 2006. The City Council passed an ordinance modifying the previously prevailing schedule of water rates and charges on January 26, 2006. The following table sets for the current water rates and charges.

All Metered Customers and Bulk Sales	Rates per 1000 gallons
First 2,000 gallons used monthly Or 4,000 gallons used bi-monthly Or 6,000 gallons used quarterly	$6.75
Next 31,333 gallons used monthly Or 62,666 gallons used bi-monthly Or 94,000 gallons used per quarterly	$5.93
Over 33,333 gallons used monthly Or 66,666 gallons used bi-monthly Or 100,000 gallons used quarterly	$4.62
Rates for Resale to other Systems	
Rate per 1,000 gallons	$3.16

Minimum Charges

No bill will be rendered for less than the following amounts, according to the size of meter installed, to-wit:

Meter Size	Monthly	Bi-Monthly	Quarterly
5/8-inch meter	$13.50	$27.00	$40.50
3/4-inch meter	$20.25	$40.50	$60.75
1-inch meter	$33.75	$67.50	$101.25
1-1/4-inch meter	$49.28	$98.56	$147.84
1-1/2-inch meter	$67.50	$135.00	$202.50
2-inch meter	$108.00	$216.00	$324.00
3-inch meter	$202.50	$405.00	$607.50
4-inch meter	$337.50	$675.00	$1,012.50
6-inch meter	$675.00	$1,350.00	$2,025.00
8-inch meter	$1,080.00	$2,160.00	$3,240.00

Reconnection Charge

Whenever the supply of water is turned off for violations of rules, non-payment of bills or fraudulent use of water; the reconnection charge shall be $25.00 per occurrence.

Service Connection Charge

The service connection charge for each new service connection to the water system shall be $500.00.

Delayed Payment Penalty

The above tariff is net. On all current usage billings not paid in full within twenty (20) days of the date of bill, 10% will be added to the net current amount unpaid. The delayed payment penalty is not interest and is only to be collected once for each bill where it is appropriate.

Disconnection for Non-Payment

If any bill is not paid within 30 days from the date of the bill, the customer will be discontinued and will not be restored until all part due bills have been paid in full, together with all penalty charges, subject to applicable rules of the Public Service Commission of West Virginia.

Capital Improvement Fee

Capital Improvement Fees are fees collected to fund future water capital improvement projects.

On or after March 13, 2006, a Capital Improvement Fee shall be applicable to each residential and commercial connection made to the City's water system of an unserved structure of facility upon the request for City service. The Capital Improvement Fees are due as of the date of the issuance of a building permit by the City of Martinsburg and the issuance of a final water availability letter issued by the City. Any building permit applications which have been submitted for an unserved structure of facility and are awaiting review and final approval or are in the process of review and final approval but which have not resulted in the issuance of a permit as of the date this ordinance becomes effective are subject to the terms of this ordinance.

The Capital Improvement Fee shall be paid in accordance with the following Water System Capital Improvement Fee Schedule by Meter Size:

Meter Size		Factor ADF@ 293 gpd	$ per gal. 4.44	CIF
5/8-inch		1	293	$1,301
3/4-inch		1.1	322	$1,431
1-inch		1.4	350	$1,554
1-1/2-inch		1.8	450	$1,998
2-inch	Standard	2.9	725	$3,219
	Compound	2.5	625	$2,775
3-inch	Standard	11	2750	$12,210
	Compound	16	4000	$17,760
4-inch	Standard	14	3500	$15,540
	Compound	25	6250	$27,750
6-inch	Standard	21	5250	$23,310
	Compound	50	12500	$55,500
8-inch	Standard	29	7250	$32,190
	Compound	80	20000	$88,800

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

Sewer System Rates and Charges

The current schedule of water rates and charges has been in place since March 13, 2006. The City Council passed an ordinance modifying the previously prevailing schedule of sewer rates and charges on January 26, 2006. The following table sets for the current sewer rates and charges.

Rates - All Metered Customers Except Customers in the Wheatland Service Area	Rates per 1,000 gallons
First 2,000 gallons used monthly Or 4,000 gallons used bi-monthly Or 6,000 gallons used quarterly	$3.85
Next 31,333 gallons used monthly Or 62,666 gallons used bi-monthly Or 94,000 gallons used per quarterly	$3.38
Over 33,333 gallons used monthly Or 66,666 gallons used bi-monthly Or 100,000 gallons used quarterly	$2.63

Minimum Charges – All metered customers except customers in the Wheatland service area

No bill will be rendered for less than the following amounts:

Monthly	$7.70
Bi-Monthly	$15.40
Quarterly	$23.10

Rates - All Wheatland service area customers

First 2,000 gallons used monthly Or 4,000 gallons used bi-monthly Or 6,000 gallons used quarterly	$6.05
Next 31,333 gallons used monthly Or 62,666 gallons used bi-monthly Or 94,000 gallons used per quarterly	$5.67
Over 33,333 gallons used monthly Or 66,666 gallons used bi-monthly Or 100,000 gallons used quarterly	$5.44

Minimum Charges – All Wheatland service area customers

No bill will be rendered for less than the following amounts:

Monthly	$12.10
Bi-Monthly	$24.20
Quarterly	$36.30

Rates – Unmetered Customers (Flat Rate)

Monthly	$27.22
Bi-Monthly	$54.44
Quarterly	$81.67

Disconnection/Reconnection/Administrative Charge

Whenever water service has been disconnected for non-payment of sewer bills in conjunction with a water service termination agreement with the Berkeley County Public Service Water District, a disconnection fee of $10.00 shall be charged; or in the event the delinquent sewer bill is collected by the water district, an administrative fee of $10.00 shall be charged.

Whenever water service has been previously disconnected or otherwise withheld for non-payment of a sewer bill in conjunction with a water service termination agreement with the Berkeley County Public Service Water District, is reconnected, a reconnection fee of $10.00 shall be charged.

Service Connection Charge

The service connection charge for each new connection to the sewer system shall be $500.00

Delayed Payment Penalty

The above tariff is net. On all current usage billings not paid in full within twenty (20) days of the date of bill, 10% will be added to the net current amount unpaid. The delayed payment penalty is not interest and is only to be collected once for each bill where it is appropriate.

Capital Improvement Fee

Capital Improvement Fees are fees collected to fund future sewer capital improvement projects.

On or after March 13, 2006, a Capital Improvement Fee shall be applicable to each residential and commercial connection made to the City's sewer system of an unserved structure of facility upon the request for City service. The Capital Improvement Fees are due as of the date of the issuance of a building permit by the City of Martinsburg and the issuance of a final sewer availability letter issued by the City. Any building permit applications which have been submitted for an unserved structure of facility and are awaiting review and final approval or are in the process of review and final approval but which have not resulted in the issuance of a permit as of the date this ordinance becomes effective are subject to the terms of this ordinance.

The Capital Improvement Fee shall be paid in accordance with the following Sewer System Capital Improvement Fee Schedule by Meter Size:

Meter Size		Factor ADF@ 293 gpd	$ per gal. 9.04	CIF
5/8-inch		1	250	$2,260
3/4-inch		1.1	275	$2,486
1-inch		1.4	350	$3,164
1-1/2-inch		1.8	450	$4,068
2-inch	Standard	2.9	725	$6,554
	Compound	2.5	625	$5,650
3-inch	Standard	11	2750	$24,860
	Compound	16	4000	$36,160
4-inch	Standard	14	3500	$31,640
	Compound	25	6250	$56,500
6-inch	Standard	21	5250	$47,460
	Compound	50	12500	$113,000
8-inch	Standard	29	7250	$65,540
	Compound	80	20000	$180,800

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

Public Service Commission

The tariffs, rates, joint rates, tolls and schedules of municipality utilities are not subject to the general authority of the West Virginia Public Service Commission (the "PSC") to enforce, originate, establish, change and promulgate rates and charges. However, such rates and charges shall be just, reasonable, applied without unjust discrimination or preference, and based primarily on the costs of providing such services. Municipal utility rates and charges shall become effective not sooner than forty-five (45) days after adoption. Notice of intent to effect a rate change shall be specified on the monthly bill sent to the customers. Such rates and charges shall be filed with the PSC, together with such information showing the basis of such rates and charges and such other information as the PSC considers necessary.

The PSC shall review and approve or modify such rates upon the filing of a petition, within thirty (30) days of the adoption of the ordinance changing said rates or charges, (1) by any customer aggrieved by the changed rates or charges, who presents to the PSC a petition signed by not less than twenty-five percent (25%) of the customers served by a municipal utility or (2) by any customer or group of customers who presents a petition alleging discrimination between said customer or group of customers and other customers of the municipal utility, accompanied by evidence of discrimination. Upon the filing of a petition or sufficient showing of discrimination, the PSC shall suspend the adoption of the rate change contained in the ordinance for a period of one hundred

twenty (120) days from the date said rates or charges would otherwise go into effect or until an order approving, disapproving or modifying the rate change is issued.

The PSC shall have general supervision of all municipal utilities. The PSC may ascertain the quality and quantity of water and shall have power to order such improvements as will best promote the public interests.

Billing and Collections

The City renders a monthly bill to commercial and other high volume customers of the System. Residential customers are billed once every three 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 termination notices and termination of service 30 days after the initial due date. Service on a delinquent account remains terminated until payment of the account is made. A reconnection charge of $25.00 is required to reinstate a previously delinquent account.

The City has a policy of writing off accounts determined to be uncollectable. 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	**Doubtful Accounts***	**A/R - Write-Offs**
FY 2010-2011	$ 878,403	$ 1,581
FY 2009-2010	$ 795,190	$ 2,528
FY 2008-2009	$ 714,990	$ 6,059

* Provision for doubtful accounts consists mostly of A/R that are more than a year old.
Amount is cumulative; approximately $80,000 is added each year.
FY 2010-2011 represents an accumulation of nearly 11 years of Doubtful Accounts.

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 Expenditures

The City Manager, City Finance Department and Department Heads prepare draft budgets for System operations within their respective departments. The City budget is compiled from these and other draft budgets by the City Manager and Finance Director and submitted to the City Council on or before March 10th of each year. The budget is required by Charter to indicate operating expenditures and capital expenditures proposed for the ensuing fiscal year, detailed by office, department and agency in terms of their respective work programs, and the method of financing such expenditures. The total of proposed expenditures may not exceed the total estimated income. Prior to March 28th of each year, but following a public hearing, City Council is required to adopt the budget. Supplemental appropriations, or a reduction of appropriations, may be made by 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, the City Manager and the Department Head approve purchase orders and payments are approved by the City Manager prior to disbursement of funds by the City Finance Department. Separate accounting records are kept by the Finance Department for the Water and Sewer Departments.

Method of Accounting

The City maintains its accounts pertaining to the system on an accrual basis and in accordance with the guidelines of the West Virginia Public Service Commission. 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.

Summary of Historical Revenues and Expenses

Summary Statement of Income and Expense
(Fiscal Year Ended June 30)
Water

	2011	2010	2009	2008	2007
Operating Revenues	$3,640,839	$3,526,579	$3,652,189	$4,576,165	$4,136,528
Operating Expenses	$2,280,816	$2,129,568	$2,210,644	$2,054,680	$2,057,029
Depreciation Expense	577,394	569,965	566,471	560,387	573,695
Taxes	44,445	48,740	53,103	48,948	43,000
Total Operation Expenses	$2,902,655	$2,748,273	$2,830,218	$2,664,015	$2,673,724
Total Operation Income	$738,184	$778,306	$821,971	$1,912,150	$1,462,804
Other Income	$139,173	$127,653	$167,005	$285,707	$325,149
Interest on Long Term Debt	693,762	716,461	741,174	767,515	792,351
Amortization of Premium on debt	15,778	16,217	17,104	17,947	18,754
Total Interest Charges	$709,540	$732,678	$758,278	$785,462	$811,105
Net Income	$167,817	$173,281	$230,698	$1,412,395	$976,848

Summary Statement of Income and Expense
(Fiscal Year Ended June 30)
Sewer

	2011	2010	2009	2008	2007
Operating Revenues	$1,890,168	$1,866,724	$1,869,132	$2,068,344	$2,091,471
Operating Expenses	$1,281,509	$1,121,924	$1,256,536	$1,094,535	$1,291,824
Depreciation Expense	171,385	171,943	173,898	172,767	168,141
Taxes	22,515	21,163	24,235	21,915	19,930
Total Operation Expenses	$1,475,409	$1,315,030	$1,454,669	$1,289,217	$1,479,895
Total Operation Income	$414,759	$551,694	$414,463	$779,127	$611,576
Other Income	$40,962	$48,807	$56,011	$88,070	$78,112
Interest on Long Term Debt	0	0	8,962	26,224	60,986
Amortization of Debt Discount & Expense	0	0	1,471	2,858	4,165
Total Interest Charges	$0	$0	$10,433	$29,082	$65,151
Net Income	$455,721	$600,501	$460,041	$838,115	$624,537

Summary Statement of Income and Expense
(Fiscal Year Ended June 30)
Water & Sewer

	2011	2010	2009	2008	2007
Operating Revenues	$5,531,007	$5,393,303	$5,521,321	$6,644,509	$6,227,999
Operating Expenses	$3,562,325	$3,251,492	$3,467,180	$3,149,215	$3,348,853
Depreciation Expense	748,779	741,908	740,369	733,154	741,836
Taxes	66,960	69,903	77,338	70,863	62,930
Total Operation Expenses	$4,378,064	$4,063,303	$4,284,887	$3,953,232	$4,153,619
Total Operation Income	$1,152,943	$1,330,000	$1,236,434	$2,691,277	$2,074,380
Other Income	$180,135	$176,460	$223,016	$373,777	$403,261
Interest on Long Term Debt	693,762	716,461	750,136	793,739	853,337
Amortization of Debt Discount & Expense	15,778	16,217	18,575	20,805	22,919
Total Interest Charges	$709,540	$732,678	$768,711	$814,544	$876,256
Net Income	$623,538	$773,782	$690,739	$2,250,510	$1,601,385

Coverage Ratios

The following table presents the historical debt service coverage ratios for the Prior Bond and the Bonds for the fiscal years ended and ending June 30, 2007 through June 30, 2011:

Historical Coverage Ratios

	2011	2010	2009	2008	2007
Total Operating Revenues	$5,452,493	$5,118,216	$5,336,312	$5,217,559	$5,440,324
Total Operating Expenses	($4,378,064)	($4,063,303)	($4,284,887)	($3,953,232)	($4,153,619)
Operating Income	1,074,429	1,054,913	1,051,425	1,264,327	1,286,705
Plus Depreciation & Interest Income	928,914	918,368	963,385	1,106,931	1,145,097
Cash Available for Debt Service	$2,003,343	$1,973,281	$2,014,810	$2,371,258	$2,431,802
Debt Service requirement	$1,478,748	$1,478,748	$1,947,333	$1,944,173	$1,939,318
Coverage	135.47%	133.44%	103.46%*	121.97%	125.39%

*The City defeased the Series 1995 Bonds in Fiscal Year 2009.

Projected Coverage Ratios ***(without the benefit of refunding)***	**2012**	**2013**	**2014**
Total Operating Revenues	$ 5,170,000	$ 5,180,000	$ 5,190,000
Total Operating Expenses	$ 4,170,000	$ 4,175,000	$ 4,180,000
Operating Income	$ 1,000,000	$ 1,005,000	$ 1,010,000
Plus Depreciation & Interest Income	$ 935,000	$ 940,000	$ 945,000
Cash Available for Debt Service	$ 1,935,000	$ 1,945,000	$ 1,955,000
Debt Service Requirement	$ 1,474,319	$ 1,472,390	$ 1,470,638
Coverage	131%	132%	133%

Retirement System

In October 2005, the City elected to participate in the West Virginia Public Employees Retirement System, which is a cost-sharing multi-employer pension plan. Please see the City's 2010 Audit, beginning at page 45, for a complete description of the City's pension plan and history of contributions.

ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth for each fiscal year the amounts payable from Revenues as principal of and interest on the Series 2011 A Bonds and the Prior Bonds.

Fiscal Year	Series 2000A	Series 2000B	Series 2000C	Series 2001	Series 2011	Total
2012	459,800	200,018	128,930	704,388.97	46,315.50	1,539,452.47
2013	459,800	200,018	128,930	-	502,260.00	1,291,008.00
2014	459,800	200,018	128,930	-	616,260.00	1,405,008.00
2015	459,800	200,018	128,930	-	609,060.00	1,397,808.00
2016	459,800	200,018	128,930	-	611,760.00	1,400,508.00
2017	459,800	200,018	128,930	-	614,260.00	1,403,008.00
2018	459,800	200,018	128,930	-	611,610.00	1,400,358.00
2019	459,800	200,018	128,930	-	613,810.00	1,402,558.00
2020	459,800	200,018	128,930	-	608,860.00	1,397,608.00
2021	459,800	200,018	128,930	-	611,635.00	1,400,383.00
2022	114,950	50,004	128,930	-	613,960.00	907,844.24
2023	-	-	128,930	-	610,910.00	739,840.00
2024	-	-	128,930	-	612,485.00	741,415.00
2025	-	-	128,930	-	608,685.00	737,615.00
2026	-	-	128,930	-	608,310.00	737,240.00
2027	-	-	128,930	-	606,247.50	735,177.50
2028	-	-	128,930	-	608,572.50	737,502.50
2029	-	-	128,930	-	609,930.00	738,860.00
2030	-	-	128,930	-	605,125.00	734,055.00
2031	-	-	128,930	-	603,906.25	732,836.25
2032	-	-	128,930	-	601,431.25	730,361.25
2033	-	-	128,930	-	-	128,930.00
2034	-	-	128,930	-	-	128,930.00
2035	-	-	128,930	-	-	128,930.00
2036	-	-	128,930	-	-	128,930.00
2037	-	-	128,930	-	-	128,930.00
2038	-	-	128,930	-	-	128,930.00
2039	-	-	128,930	-	-	128,930.00
Total	4,712,950	2,050,184	3,610,040	704,388.97	12,135,393	23,212,956.21

BOND ORDINANCE

See APPENDIX C – FORM OF BOND ORDINANCE, for the Bond Ordinance enacted by the City on October 20, 2011. The Ordinance includes, inter alia, a description of the intended uses of the proceeds of the Series 2011 A Bonds, the System's application of revenues and flow of funds, general covenants imposed upon the City and the System as a result of the issuance of the Series 2011 A Bonds and defaults and remedies associated with the issuance of the Series 2011 A Bonds.

RISK FACTORS

An investment in the Series 2011 A Bonds is subject to a number of significant risk factors. The following is a discussion of certain risks that could affect payments to be made with respect to the Series 2011 A Bonds. Such discussion is not, and is not intended to be, exhaustive, should be read in conjunction with all other parts of this Official Statement, and should not be considered as a complete description of all risks that could affect such payments. Prospective purchasers of the Series 2011 A Bonds should analyze carefully the information contained in this Official Statement, including the Appendices hereto, and additional information in the form of the complete documents summarized herein, copies of which are available as described in this Official Statement.

Market for the Bonds

There can be no assurance that a secondary market for the Series 2011 A Bonds will develop or, if developed, that such a market could be sustained. The Underwriter assumes no obligation to establish or maintain such a market and is not obligated to repurchase any of the Series 2011 A Bonds at the request of the owner thereof. No rating has been assigned to the Series 2011 A Bonds, and the absence of a rating could adversely affect the ability of an owner to sell the Series 2011 A Bonds or the price received upon such sale.

Certain Matters Relating to Enforceability

The remedies available upon a default under the Ordinance and the Series 2011 A Bonds will, in many respects, be dependent upon judicial actions, which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including the United States Bankruptcy Code, the remedies specified in the Ordinance may not be readily available or may be limited. The various legal opinions to be delivered in connection with the issuance of the Series 2011 A Bonds will be expressly subject to the qualification that the enforceability of the Ordinance and the Series 2011 A Bonds is limited by bankruptcy, reorganization, insolvency, moratorium and other similar laws affecting the rights of creditors and by the exercise of judicial discretion in appropriate cases.

TAX MATTERS

In the opinion of Bowles Rice McDavid Graff & Love LLP, Charleston, West Virginia, 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 Series 2011 A Bonds including any original issue discount properly allocable to an owner thereof is excludable from gross income of the holders thereof for federal income tax purposes and will not be treated as a preference item 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.

The City has designated the Series 2011 A Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b) 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 institution's interest expense allocable to interest on the Series 2011 A Bonds.

The Code imposes certain requirements as a condition to exclusion from gross income of the interest on the Series 2011 A Bonds for federal income tax purposes, including a requirement that the City rebate to the United States Treasury certain arbitrage earnings. The City will covenant or certify that it will comply with all applicable requirements of the Code. Failure of the City to comply with such requirements could result in interest on the Series 2011 A Bonds being included in gross income for federal income tax purposes from the date of issue.

Prospective purchasers of the Series 2011 A Bonds should be aware that ownership of the Series 2011 A 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, certain S corporations with "excess net passive income," foreign corporations subject to the branch profits tax, life insurance companies and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the Series 2011 A Bonds. Bond Counsel does not express any opinion regarding such collateral tax consequences. Prospective purchasers of the Series 2011 A Bonds should consult their tax advisors regarding collateral federal income tax consequences.

Bond Counsel is further of the opinion that under the laws of the State of West Virginia, as presently written and applied, the Series 2011 A Bonds and the interest thereon are exempt from taxation by the State of West Virginia or any county or municipality thereof.

Original Issue Premium

"Acquisition Premium" is the excess of the cost of a bond over the stated redemption price of such bond at maturity or, for bonds that have one or more earlier call dates, the amount payable at the next earliest call date. The Series 2011 A Bonds that mature September 1, 2012, September 1, 2013, September 1, 2014, September 1, 2015, September 1, 2016, September 1, 2017, September 1, 2019, September 1, 2020, September 1, 2021 and September 1, 2022, (collectively, the "Premium Bonds") are being initially offered and sold to the public at an Acquisition Premium. For federal income tax purposes, the amount of Acquisition Premium on each bond the interest on which is excludable from gross income for federal income tax purposes ("tax-exempt bonds") must be amortized and will reduce the bondholder's adjusted basis in that bond. However, no amount of amortized Acquisition Premium on tax-exempt bonds may be deducted in determining bondholder's taxable income for federal income tax purposes. The amount of any Acquisition Premium paid on the Premium Bonds, or on any of the Bonds, that must be amortized during any period will be based on the "constant yield" method, using the original bondholder's basis in such bonds and compounding semiannually. This amount is amortized ratably over that semiannual period on a daily basis.

Holders of any Series 2011 A Bonds, including any Premium Bonds, purchased at an Acquisition Premium should consult their own tax advisors as to the actual effect of such Acquisition Premium with respect to their own tax situation and as to the treatment of Acquisition Premium for State of West Virginia tax purposes.

Original Issue Discount

The Series 2011 A Bonds maturing September 1, 2024 and September 1, 2031 (the "Discount Bonds") are being offered and sold to the public at an original issue discount ("OID") from the amounts payable at maturity thereon. OID is the excess of the stated redemption price

of a bond at maturity (the face amount) over the "issue price" of such bond. The issue price is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of bonds of the same maturity are sold pursuant to that initial offering. For federal income tax purposes, OID on each bond will accrue over the term of the bond, and for the Discount Bonds, the amount of accretion will be based on a single rate of interest, compounded semiannually (the "yield to maturity"). The amount of OID that accrues during each semi-annual period will do so ratably over that period on a daily basis. With respect to an initial purchaser of a Discount Bond at its issue price, the portion of OID that accrues during the period that such purchaser owns the Discount Bond is added to such purchaser's tax basis for purposes of determining gain or loss at the maturity, redemption, sale or other disposition of that Discount Bond and thus, in practical effect, is treated as stated interest, which is excludable from gross income for federal income tax purposes.

Holders of Discount Bonds should consult their own tax advisors as to the treatment of OID and the tax consequences of the purchase of such Discount Bonds other than at the issue price during the initial public offering and as to the treatment of OID for State of West Virginia tax purposes.

APPROVAL OF LEGALITY

Legal matters incident to the authorization, sale and issuance of the Series 2011 A Bonds are subject to the unqualified approving opinion of Bowles Rice McDavid Graff & Love LLP, Charleston, West Virginia, Bond Counsel. Bowles Rice McDavid Graff & Love LLP, Martinsburg, West Virginia, as counsel for the City, will pass upon certain legal matters for the City. Steptoe & Johnson PLLC, Charleston, West Virginia, as counsel to the Underwriter, will pass upon certain legal matters for the Underwriter.

ABSENCE OF MATERIAL LITIGATION

There is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court, public board or body, now pending or, to the best knowledge of the 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 effect on the City's financial position or on the validity of the Series 2011 A Bonds, the Ordinance or any agreement to which the City is a party and which is a part of the issuance of the Series 2011 A Bonds.

NEGOTIABLE INSTRUMENTS

Pursuant to State law, the Series 2011 A Bonds are and have all the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia. See "THE SERIES 2011 A BONDS - General."

UNDERWRITING

The Series 2011 A Bonds are being purchased by the Underwriter named on the cover of this Official Statement. The Purchase Contract provides that the Underwriter will purchase all the Series 2011 A Bonds, if any are purchased, at a purchase price equal to $8,830,000 less an Underwriter's discount of $88,300 and plus a net reoffering premium of $48,329.25 plus accrued interest. The obligation to make such purchase is subject to the terms and conditions set forth in the Purchase Contract, including the approval of certain legal matters by counsel. The Underwriter may

change the initial public offering prices from time to time. The Underwriter may offer and sell Series 2011 A Bonds to certain dealers (including dealers depositing Series 2011 A Bonds into investment trusts) and certain dealer banks acting as agents at prices lower than the public offering prices stated on the cover page hereof.

FINANCIAL STATEMENTS

Included herein as Appendix B are the audited financial statements of the City as of and for the twelve-month period ended June 30, 2010, and the report with respect to the audited financial statements as of and for the twelve-month period ended June 30, 2010, dated December 22, 2010, of CoxHollidaPrice LLP, certified public accountants.

CONTINUING DISCLOSURE

The City has agreed in the Ordinance to execute and deliver contemporaneously with the issuance of the Series 2011 A Bonds, in accordance with the Continuing Disclosure Certificate, which shall be delivered in substantially the form attached hereto as Appendix D, for the benefit of the Registered Owners of the Series 2011 A Bonds to provide certain financial and operating information of the System (the "Annual Information") not later than one hundred eighty (180) days following the end of the fiscal year of the System, commencing in 2012. The Annual Information and each notice of material events will be filed electronically by the City with the Electronic Municipal Markets Access system ("EMMA").

This continuing disclosure obligation is being undertaken by the City to assist the Underwriter in complying with Rule 15c2-12 promulgated by the SEC. The City has agreed to give notice in a timely manner to EMMA of any failure to supply the requested information. However, any such failure will not constitute a default under the terms of the Series 2011 A Bonds. Registered Owners may contact the Recorder of the City at 232 North Queen Street, Martinsburg, West Virginia 25401 for more information. Under the Continuing Disclosure Certificate, the sole remedy for such failure is to seek an order for specific performance. See "APPENDIX E – FORM OF CONTINUING DISCLOSURE CERTIFICATE."

RATINGS

Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") is expected to assign the Series 2011 A Bonds an insured rating of "AA-" (stable outlook) based upon the issuance of the municipal bond insurance policy by AGM at the time of delivery of the Bonds.

MISCELLANEOUS

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

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representation of fact. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or owners of any of the Series 2011 A Bonds. The City has authorized the execution and distribution of this Official Statement.

CITY OF MARTINSBURG, WEST VIRGINIA

By: George Karos
Mayor

CITY OF MARTINSBURG

COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS,

SERIES 2011

BOND ORDINANCE

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CITY OF MARTINSBURG
COMBINED WATERWORKS AND SEWERAGE SYSTEM
REFUNDING REVENUE BONDS, SERIES 2011

BOND ORDINANCE

ORDINANCE AUTHORIZING THE REFUNDING OF ALL OR PART OF THE CITY OF MARTINSBURG COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2001 AND THE ISSUANCE BY THE CITY OF MARTINSBURG OF NOT MORE THAN NINE MILLION FIVE HUNDRED THOUSAND DOLLARS ($9,500,000.00) IN AGGREGATE PRINCIPAL AMOUNT OF CITY OF MARTINSBURG COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS, SERIES 2011, IN ONE OR MORE SERIES, THE PROCEEDS OF WHICH, TOGETHER WITH OTHER FUNDS OF THE CITY AVAILABLE FOR SAID PURPOSE, SHALL BE EXPENDED FOR SUCH REFUNDING AND TO PAY COSTS IN CONNECTION THEREWITH; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDERS OF SUCH COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS; AUTHORIZING A PRELIMINARY OFFICIAL STATEMENT, OFFICIAL STATEMENT, BOND PURCHASE AGREEMENT, CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS RELATING TO THE OFFERING AND SALE OF SUCH COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS; AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT ENACTED AND ORDAINED BY THE COMMON COUNCIL OF THE CITY OF MARTINSBURG:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01. Authority for this Ordinance. This Ordinance (together with any order, ordinance or resolution supplemental hereto or amendatory hereof, the "Bond Legislation") is enacted pursuant to the provisions of Chapter 8, Article 20 and Chapter 13, Article 2E of the Code of West Virginia, 1931, as amended (collectively, the "Act") and other applicable provisions of law.

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

A. City of Martinsburg (the "Issuer") is a municipal corporation and political subdivision of the State of West Virginia in Berkeley County of said State.

B. The Issuer owns and operates a municipal combined waterworks and sewerage system (collectively, the "System").

C. The acquisition and construction of the System were financed and refinanced by issuance of several series of bonds or refunding bonds, of which there are presently Outstanding the Issuer's Combined Waterworks and Sewerage System Revenue Bonds, Series 2000A (West Virginia DWTRF Program), dated September 27, 2000, originally issued in the aggregate principal amount of $7,564,000 (the "Series 2000A Bonds"), the Issuer's Combined Waterworks and Sewerage System Revenue Bonds, Series 2000B (West Virginia Infrastructure Fund), dated September 27, 2000, originally issued in the aggregate principal amount of $3,000,000 (the "Series 2000B Bonds"), and the Issuer's Combined Waterworks and Sewerage System Revenue Bonds, Series 2000C (West Virginia Water Development Authority), dated September 27, 2000, originally issued in the aggregate principal amount of $1,976,352 (the "Series 2000C Bonds" and, together with the Series 2000A Bonds and the Series 2000B Bonds, the "Series 2000 Bonds"), and the Issuer's Combined Waterworks and Sewerage System Revenue Bonds, Series 2001, dated September 1, 2001, originally issued in the aggregate principal amount of $10,750,000 (the "Series 2001 Bonds" and, together with the Series 2000 Bonds, the "Prior Bonds"), which Series 2000 Bonds were issued pursuant to an ordinance enacted by the Issuer on September 14, 2000, and put into effect following a public hearing held on September 25, 2000 (the "Series 2000 Bonds Ordinance") and which Series 2001 Bonds were issued pursuant to an ordinance enacted by the Issuer on July 19, 2001, and put into effect following a public hearing held on July 30, 2001 (the "Series 2001 Bonds Ordinance" and, together with the Series 2000 Bonds Ordinance, the "Prior Ordinances").

D. The Issuer derives revenues from the System, and, except for the pledges thereof to secure and pay the Prior Bonds, said revenues are not currently pledged or encumbered in any manner.

E. The Issuer has determined that debt service savings can be realized by the refunding of all or part of the Series 2001 Bonds with the proceeds of the Issuer's Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011 (the "Series 2011 Bonds") to be issued in one or more series, one or more of which series may be taxable, in an aggregate principal amount not to exceed $9,500,000, and other funds of the Issuer available for such purpose.

F. The Issuer has met all of the requirements set forth in the Series 2000 Bonds Ordinance for the issuance of the Series 2011 Bonds on a parity with the Series 2000 Bonds with respect to lien, pledge and sources of and security for payment, and the Issuer has determined that, upon issuance the Series 2011 Bonds shall be on a parity with the Series 2000 Bonds.

G. The estimated revenues to be derived from the operation of the System will be sufficient to pay all the costs of the operation and maintenance of said System, the principal of and interest on the Series 2011 Bonds and the Series 2000 Bonds, and all sinking funds, reserve accounts and other payments provided for herein and in the Series 2000 Bonds Ordinance.

H. It is further deemed necessary for the Issuer to issue the Series 2011 Bonds, in the total aggregate principal amount of not more than $9,500,000, in one or more series, one or more series of which may be taxable, the proceeds of which, together with other available funds of the Issuer, will be used to refund all or part of the Series 2001 Bonds, including without limitation the payment of the principal of and redemption premium and interest to the date of redemption on the Series 2001 Bonds and costs relating to the issuance of the Series 2011 Bonds (specifically including, but not limited to, the cost of a municipal bond insurance policy, if such a policy is determined to be advantageous to the Issuer) and the refunding of all or part of the Series 2001 Bonds and the funding of the Series 2011 Bonds Reserve Account through either a deposit of cash or the purchase by the Issuer of a Reserve Account Insurance Policy.

I. It is in the best interest of the Issuer that its Series 2011 Bonds be issued and sold to Crews & Associates, Inc. (the "Original Purchaser") pursuant to the terms and provisions of a bond purchase agreement by and between the Issuer and the Original Purchaser (the "Bond Purchase Agreement"), the execution and delivery of which are approved herein and the form of which may be approved by a Supplemental Resolution.

J. There are no outstanding obligations of the Issuer other than the Series 2000 Bonds which will rank either senior and prior to or on parity with the Series 2011 Bonds as to liens and sources of and security for payment.

K. The Series 2011 Bonds shall be issued with a lien on the Gross Revenues, as hereinafter defined, on a parity with the lien held by the Holders of the Series 2000 Bonds.

Prior to the issuance of the Series 2011 Bonds, the Issuer will obtain (i) a certificate of an Independent Certified Public Accountant stating that the parity tests of the Series 2000 Bonds is met to the extent required by the Series 2000 Bonds Ordinance and (ii) the written consent of the Holder of the Series 2000 Bonds to the issuance of the Series 2001 Bonds on parity with the Series 2000 Bonds.

L. The Issuer has complied with all requirements of West Virginia law and the Bond Purchase Agreement relating to the refunding of all or part of the Series 2001 Bonds and the issuance of the Series 2011 Bonds or will have so complied prior to issuance of any thereof.

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

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

"Act" means collectively Chapter 8, Article 20 and Chapter 13, Article 2E of the Code of West Virginia, 1931, as amended and in effect on the date of enactment hereof.

"Authorized Officer" means the Mayor or City Manager of the Issuer or any other officer of the Issuer specifically designated by resolution of the Council of the Issuer duly appointed as such by the Governing Body.

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

"Bond 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 Bowles Rice McDavid Graff & Love LLP.

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

"Bond Purchase Agreement" means the Bond Purchase Agreement between the Issuer and the Original Purchaser relating to the sale and purchase of the Series 2011 Bonds.

"Bond Register" means the books of the Issuer maintained by the Registrar for the registration and transfer of Series 2011 Bonds.

"Bonds" means, collectively, the Series 2000 Bonds, the Series 2011 Bonds and, where appropriate, any Bonds on a parity therewith authorized to be issued hereunder or by another ordinance of the Issuer.

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

"Business Day" means any day other than a Saturday, Sunday or a day on which the Paying Agent is authorized by law to remain closed.

"BPH" means the West Virginia Bureau for Public Health, a division of the West Virginia Department of Health and Human Resources, or any successor thereto.

"Certificate of Authentication and Registration" means the certificate of authentication and registration on the Series 2011 Bonds in substantially the form set forth in the bond form attached hereto as Exhibit A.

"City Manager" means the City Manager of the Issuer.

"Closing Date" means the date upon which there is an exchange of the Series 2011 Bonds for an advance of more than a de minimis amount of the principal of the Series 2011 Bonds by the Original Purchaser.

"Code" shall mean the Internal Revenue Code of 1986, as amended and supplemented from time to time, and Regulations thereunder.

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

"Council" means the West Virginia Infrastructure and Jobs Development Council or any successor thereto.

"Debt Service," with reference to a specified period, means the amount of principal, including any sinking fund payments, and interest payable with respect to the Series 2011 Bonds during such period.

"Depository Bank" means the bank designated as such in the Supplemental Resolution, and its successors and assigns, which shall be a member of the FDIC.

"Depreciation Fund" means the Depreciation Fund established or continued by the Prior Ordinances and continued by Section 5.01 hereof.

"DTC" means The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York, or any successor thereto or assign thereof, as securities depository for the Series 2011 Bonds.

"DTC-eligible" means, with respect to the Series 2011 Bonds, meeting the qualifications prescribed by The Depository Trust Company, New York, New York.

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

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

A. The excess of

(i) The aggregate amount earned from the Closing Date on all Nonpurpose Investments in which Gross Proceeds of the Series 2011 Bonds are invested [other than amounts attributable to an excess described in this clause (A) of this definition of Excess Investment Earnings], over

(ii) The amount that would have been earned if the Yield on such Nonpurpose Investments other than amounts attributable to an excess described in this clause (A) of this definition of Excess Investment Earnings] had been equal to the Yield on the Series 2011 Bond, plus

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

"Escrow Agent" means the escrow agent under the Escrow Agreement, which shall be appointed pursuant to the Supplemental Resolution.

"Escrow Agreement" means the agreement to be entered into between the Issuer and the Escrow Agent, providing for the defeasance and ultimate payment of the Series 2001 Bonds, the deposit therein of proceeds of the Series 2011 Bonds, the disposition of moneys in the various funds and accounts of the Series 2001 Bonds under the Series 2001 Bonds Ordinance and other matters in connection therewith, the form of which shall be approved by the Supplemental Resolution.

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

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

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

"Government Obligations" means direct and general obligations of the United States of America, of obligations that are unconditionally guaranteed as to principal and interest by the United States of America, including (in the case of direct and general obligations of the United States of America) evidences of ownership of proportionate interests in future interest and principal payments of such obligations; provided that, investments in such proportionate interests shall be limited to circumstances wherein (a) a bank or trust company acts as custodian and holds the underlying United States obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States obligations; and (c) the underlying United States obligations are held in a special account separate from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated.

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

(i) Original proceeds, namely, net amounts received by or for the Issuer as a result of the sale of the Series 2011 Bonds, excluding original proceeds which become transferred proceeds (determined in accordance with applicable Regulations) of obligations issued to refund in whole or in part the Series 2011 Bonds;

(ii) Investment proceeds, namely, amounts received at any time by or for the Issuer, such as interest and dividends, resulting from the investment of any original proceeds (as referenced in clause (i) above) or investment proceeds (as referenced in this clause (ii)) in Nonpurpose Investments, increased by any profits and decreased (if necessary, below zero) by any losses on any such investments, excluding investment proceeds which become transferred proceeds (determined in accordance with applicable Regulations) of obligations issued to refund in whole or in part the Series 2011 Bonds;

(iii) Transferred proceeds, namely, original proceeds of any prior obligations, and interest earnings and profits less losses resulting from investment of such original proceeds in Nonpurpose Investments, which are deemed to become proceeds of the Series 2011 Bonds ratably as original proceeds of the Series 2011 Bonds and interest earnings and profits resulting from investment of such original proceeds in Nonpurpose Investments discharge the outstanding principal of any such prior obligations, all on the date of such ratable discharge;

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

(v) Amounts in the Series 2011 Bonds Reserve Account and in any other fund established as a reasonably required reserve or replacement fund;

(vi) Investment Property pledged as security for payment of Debt Service on the Series 2011 Bonds by the Issuer;

(vii) Amounts, other than as specified in this definition, used to pay Debt Service on the Series 2011 Bonds; and

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

"Gross Revenues" means the aggregate gross operating and non-operating revenues of the System determined in accordance with generally accepted accounting principles, after deduction of prompt payment discounts, if any, and reasonable provision for uncollectible accounts, and include any gains from the sale or other disposition of, capital assets, but does not include any increase in the value of, capital assets (including Qualified Investments).

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

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

"Investment Property" means any security (as said term is defined in Section 165(g)(2) (A) or (B) of the Code), obligation, annuity contract, investment-type property or in the case of a bond other than a private activity bond, any residential rental property for family units which is not located within the jurisdiction of the Issuer and which is not acquired to implement a court ordered or approved housing desegregation plan. Except as provided in the following sentence, the term "Investment Property" does not include any tax-exempt bond. With respect to an issue other than an issue a part of which is a specified private activity bond (as defined in Section 57(a)(5)(C) of the Code), the term "Investment Property" includes a specified private activity bond (as so defined).

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

"Mayor" means the Mayor of the Issuer.

"Net Proceeds" means the face amount of the Series 2011 Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds deposited in the Series 2011 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 2011 Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

"Net Revenues" means Gross Revenues less Operating Expenses.

"Nonpurpose Investment" means any Investment Property as defined in Section 148(b) of the Code, that is not a purpose investment.

"Operating Expenses" means the current expenses, paid or accrued, of repair, operation and maintenance of the System, and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses (other than those capitalized as part of the costs of any project relating to the acquisition or construction of additions, betterments or improvements of the System), supplies, labor, wages, the cost of materials and supplies used for current operations, fees and expenses of fiscal agents and of the Depository Bank, Registrar and Paying Agent or Paying Agents, payments to pensions 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 sale or other disposition of or any decrease in the value of capital assets, amortization of debt discount or such miscellaneous deductions are reapplicable to prior accounting periods.

"Operation and Maintenance Fund" means the Operation and Maintenance Fund established or continued by the Prior Ordinances and continued by Section 5.01 hereof.

"Original Purchaser" means Crews & Associates, Inc., which is expected to be the original purchaser of the Series 2011 Bonds.

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

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

"Participant" means the person or entity registered as such with DTC.

"Paying Agent" means the West Virginia Municipal Bond Commission, or such entity or authority as may be designated by the Issuer.

"Prior Bonds" means the Series 2000 Bonds and the Series 2001 Bonds.

"Prior Ordinances" means the Series 2000 Bonds Ordinance and the Series 2001 Bonds Ordinance.

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

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

(1) Government Obligations.

(2) Obligations issued or guaranteed by the following instrumentalities or agencies of the United States of America:

(a) Federal Home Loan Bank System,

(b) Export-Import Bank of the United States.

(c) Federal Financing Bank,

(d) Government National Mortgage Association,

(e) Farmers Home Administration,

(f) Federal Home Loan Mortgage Company,

(g) Federal Housing Administration, and

(h) Federal National Mortgage Association.

(3) Direct and general long-term obligations of any state to the payment of which the full faith and credit of the state is pledged and which are rated in either of the two highest rating categories by either Moody's Investors Service, Inc. (hereinafter referred as "Moody's") or Standard and Poor's Corporation (hereinafter referred to as "S&P") or, in the event each of such rating agencies rate such obligations, by each of them.

(4) Direct and general short term obligations of any state described in (3) above which are rated in the highest rating category by either Moody's or S&P or, in the event each of such rating agencies rate such obligations, by each of them.

(5) Interest-bearing demand or time deposits or interests in money-market portfolios issued by state banks or trust companies or any national banking associations which are members of the Federal Deposit Insurance Corporation ("FDIC") or savings and loan associations which are members of the Federal Savings and Loan Insurance Corporation ("FSLIC"). These deposits or interests shall be (a) continuously and fully secured by the FDIC and FSLIC and with banks that are rated at least P-1 or Aa by Moody's or at least A-1 or AA by S&P, or (b) fully secured by Government Obligations. Such Government Obligations must have a market value at all times at least equal to the principal amounts of the deposits or interests. The Government Obligations must be held by the Depository Bank (who shall not be the provider of the collateral) or by any Federal Reserve Bank or depository, as custodian for the institution issuing the deposits or interests. The Depository Bank shall have a perfected first lien in the Government Obligations serving as collateral and such collateral shall be free from all third party liens.

(6) Repurchase agreements, the maturity of which are 30 days or less, entered into with financial institutions such as banks or trust companies organized under state law or national banking associations, insurance companies, or government bond dealers reporting to, trading with, and recognized as primary dealers by the Federal Reserve Bank of New York or banks rated "A" or above by

S&P and Moody's. Such repurchase agreements shall be secured by Government Obligations. The Government Obligations must have a fair market value, exclusive of accrued interest, at least equal to the amount invested in the repurchase agreements. The Depository Bank (who shall not be the provider of the collateral) must have a perfected first lien in, and retain possession of, the collateral and the collateral must be free from all third party claims. The collateral must be valued weekly, marked-to-market at current market price, plus accrued interest and the value thereof must be equal at least 102% of the amount of cash transferred by the Issuer to the dealer bank or securities firm under such repurchase agreement, plus accrued interest. If the value of the collateral falls below 102% of the value of such cash transferred by the Issuer, additional cash and/or acceptable securities shall be transferred.

(7) Public housing bonds issued by public agencies. Such bonds must be fully secured by a pledge of annual contributions under a contract with the United States government; temporary notes, preliminary loan notes or project notes secured by a requisition or payment agreement with the United States; or state or public agency or municipality obligations rated in the highest rating category by a nationally recognized bond rating agency.

(8) Shares of a diversified open-end management investment company (as defined in the Investment Company Act of 1940) or shares in a regulated investment company (as defined in Section 851(a) of the Internal Revenue Code of 1986, as amended) that is (a) a money market fund that has been rated in the highest rating category by Moody's or S&P or (b) money market accounts of the Depository Bank or any state or federal bank that is rated at least P-1 or Aa by Moody's or at least A-1 or AA by S&P or whose one bank holding company parent is rated at least A-1 or AA By S&P or at least P-1 or Aa by Moody's or that has a combined capital and surplus of not less than $50,000,000.

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

"Record Date" means the day of the month which shall be so stated in the Series 2011 Bonds, regardless of whether such day is a Saturday, Sunday or legal holiday.

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

"Redemption Price" means the price at which the Series 2011 Bond may be called for redemption and includes the principal amount of the Series 2011 Bonds to be redeemed, plus the premium, if any, required to be paid to effect such redemption.

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

"Registrar" means the Bond Registrar.

"Regulations" means temporary and permanent regulations promulgated under the Code, and includes applicable regulations promulgated under the Internal Revenue Code of 1954, as amended.

"Representation Letter" means the Letter Agreement between the Issuer and DTC.

"Reserve Accounts" means, collectively, the Series 2000 Bonds Reserve Accounts and the Series 2011 Bonds Reserve Account.

"Reserve Account Insurance Policy" means any surety bond, letter of credit or other instrument which may be applied by the Issuer to satisfy all or any portion of the Reserve Requirement for the Series 2011 Bonds or any subsequent series of Bonds.

"Reserve Requirement" means, collectively, the respective amount required to be on deposit in the Reserve Accounts for the Series 2011 Bonds and Series 2000 Bonds.

"Revenue Fund" means the Revenue Fund established or continued by the Prior Ordinances and continued by Section 5.01 hereof.

"Series 2000 Bonds Ordinance" means the Bond Ordinance enacted on September 14, 2000, and put into effect following a public hearing held on September 25, 2000, authorizing among other things, the issuance of the Series 2000 Bonds, as supplemented and amended.

"Series 2000 Bonds" means collectively the Series 2000A Bonds, the Series 2000B Bonds and the Series 2000C Bonds.

"Series 2000 Bonds Reserve Accounts" means collectively the Series 2000A Bonds Reserve Account, the Series 2000B Bonds Reserve Account and the Series 2000C Bonds Reserve Account.

"Series 2000 Bonds Sinking Funds" means collectively the Series 2000A Bonds Sinking Fund, the Series 2000B Bonds Sinking Fund and the Series 2000C Bonds Sinking Fund.

"Series 2000A Bonds" means the Combined Waterworks and Sewerage System Revenue Bonds, Series 2000A (West Virginia DWTRF Program) of the Issuer, dated September 27, 2000, originally issued in the aggregate principal amount of $7,564,000, authorized by the Series 2000 Bonds Ordinance.

"Series 2000A Bonds Reserve Account" means the Series 2000A Bonds Reserve Account established in the Series 2000A Bonds Sinking Fund pursuant to Section 5.02 of the Series 2000 Bonds Ordinance and continued by Section 5.02 hereof.

"Series 2000A Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 2000A Bonds in the then concurrent or any succeeding year.

"Series 2000A Bonds Sinking Fund" means the Series 2000A Bonds Sinking Fund established by Section 5.02 of the Series 2000 Bonds Ordinance and continued by Section 5.02 hereof.

"Series 2000B Bonds" means the Combined Waterworks and Sewerage System Revenue Bonds, Series 2000B (West Virginia Infrastructure Fund) of the Issuer, dated September 27, 2000, originally issued in the aggregate principal amount of $3,000,000, authorized by the Series 2000 Bonds Ordinance.

"Series 2000B Bonds Reserve Account" means the Series 2000B Bonds Reserve Account established in the Series 2000B Bonds Sinking Fund pursuant to Section 5.02 of the Series 2000 Bonds Ordinance and continued by Section 5.02 hereof.

"Series 2000B Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 2000B Bonds in the then concurrent or any succeeding year.

"Series 2000B Bonds Sinking Fund" means the Series 2000B Bonds Sinking Fund established by Section 5.02 of the Series 2000 Bonds Ordinance and continued by Section 5.02 hereof.

"Series 2000C Bonds" means the Combined Waterworks and Sewerage System Revenue Bonds, Series 2000C (West Virginia Water Development Authority) of the Issuer, dated September 27, 2000, originally issued in the aggregate principal amount of $1,976,352, authorized by the Series 2000 Bonds Ordinance.

"Series 2000C Bonds Reserve Account" means the Series 2000C Bonds Reserve Account established in the Series 2000C Bonds Sinking Fund pursuant to Section 5.02 of the Series 2000 Bonds Ordinance and continued by Section 5.02 hereof.

"Series 2000C Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 2000C Bonds in the then concurrent or any succeeding year.

"Series 2000C Bonds Sinking Fund" means the Series 2000C Bonds Sinking Fund established by Section 5.02 of the Series 2000 Bonds Ordinance and continued by Section 5.02 hereof.

"Series 2011 Bonds" means the not more than $9,500,000 in aggregate principal amount of Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011, authorized by this Ordinance, which may be issued in one or more series and which series may be taxable or tax-exempt, as determined by a Supplemental Resolution of the Issuer.

"Series 2011 Bonds Costs of Issuance Fund" means the Series 2011 Bonds Costs of Issuance Fund established by Section 5.01 hereof.

"Series 2001 Bonds Ordinance" means the Bond Ordinance enacted on July 19, 2001, and put into effect following a public hearing held on July 30, 2001, authorizing among other things, the issuance of the Series 2001 Bonds, as supplemented and amended.

"Series 2011 Bonds Redemption Account" means the Series 2011 Bonds Redemption Account for the Series 2011 Bonds established by Section 5.02 hereof.

"Series 2011 Bonds Reserve Account" means the Series 2011 Bonds Reserve Account established in the Series 2011 Bonds Sinking Fund pursuant to Section 5.02 hereof.

"Series 2011 Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 2011 Bonds in the then concurrent or any succeeding year, assuming that the principal of any Term Bonds is deemed due on the earlier of their stated maturity date or the date on which they are required to be redeemed pursuant to mandatory redemption.

"Series 2011 Bonds Sinking Fund" means the Series 2011 Bonds Sinking Fund established by Section 5.02 hereof.

"Sinking Funds" means, collectively, the Series 2000 Bonds Sinking Funds and the Series 2011 Bonds Sinking Fund.

"State" means the State of West Virginia.

"Supplemental Resolution" means any resolution, ordinance or order of the Issuer supplementing or amending this Ordinance and, when preceded by the article "the," refers specifically to the Supplemental Resolution authorizing the sale of the Series 2011 Bonds; provided, that any matter intended by this Ordinance to be included in the Supplemental Resolution with respect to the Series 2011 Bonds and not so included may be included in another Supplemental Resolution.

"Surety Bond" means any surety bond which may be issued by a provider of a Reserve Account Insurance Policy in connection with the Series 2011 Bonds or a subsequent series of Bonds.

"Surplus Revenues" means the Net Revenues not required by the Bond Legislation to be set aside and held for the payment of or security for the Series 2011 Bonds, the Series 2000 Bonds or any other obligations of the Issuer, as further defined in Section 5.03(A)(7) hereof.

"System" means, collectively, the complete existing municipal combined waterworks and sewerage system of the Issuer, consisting of a water filtration and treatment plant, reservoirs, water tanks, distribution lines and booster stations and a sewage treatment plant, collection and transportation lines and lift stations now owned by the Issuer or any integral part thereof, and all other facilities necessary, appropriate, useful, convenient or incidental in connection with or to a waterworks or sewage treatment and collection system, and any additions, betterments and improvements thereto hereafter acquired or constructed for said waterworks or sewage treatment and collection system from any sources whatsoever, both within and without the Issuer.

"Term Bonds" means Series 2011 Bonds subject to mandatory sinking fund redemption, as described by Section 3.07 hereof.

"Yield" means that yield which, when used in computing the present worth of all payments of principal and interest (or other payments in the case of Nonpurpose Investments which require payments in a form not characterized as principal and interest) on a Nonpurpose Investment or on the Series 2011 Bonds produces an amount equal to the purchase price of such Nonpurpose Investment or the Series 2011 Bonds, all computed as prescribed in applicable Regulations.

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.

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

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.

ARTICLE II

AUTHORIZATION OF REFUNDING OF ALL OR PART OF SERIES 2001 BONDS

Section 2.01. Authorization of Refunding of All or Part of Series 2001 Bonds. There is hereby authorized the refunding of all or part of the Series 2001 Bonds with the proceeds of the Series 2011 Bonds and other funds available for said purpose. In connection with the refunding of all or part of the Series 2001 Bonds, proceeds of the Series 2011 Bonds, together with other available funds of the Issuer, shall be applied to (i) the outstanding principal of and redemption premium and interest on the Series 2001 Bonds to their redemption date, (ii) to the costs relating to the issuance of the Series 2011 Bonds (specifically including, but not limited to, the cost of a municipal bond insurance policy, if such a policy is determined to be advantageous to the Issuer), and (iii) to the funding of the Series 2011 Bonds Reserve Account through either a deposit of cash or the purchase by the Issuer of a Reserve Account Insurance Policy. The determination of whether to refund all or part of the Series 2001 Bonds and, if it is determined to refund only part of the Series 2001 Bonds, the determination of which of the Series 2001 Bonds are to be refunded shall be set forth in the Supplemental Resolution.

ARTICLE III

THE SERIES 2011 BONDS

Section 3.01. Form and Payment of Bonds. No Series 2011 Bond shall be issued pursuant to this Ordinance except as provided in this Article III. All Series 2011 Bonds issued pursuant to this Ordinance shall be issued as fully registered Bonds without coupons, in the denomination of $5,000 or any integral multiple thereof for any year of maturity. The Series 2011 Bonds shall be dated as of the date provided in such Supplemental Resolution and shall bear interest from the interest payment date next preceding the date of authentication or, if authenticated after the Record Date but prior to the applicable interest payment date or on such interest payment date, from such interest payment date or, if no interest on such Series 2011 Bonds has been paid, from the date thereof; provided however, that, if, as shown by the records of the Registrar, interest on such Series 2011 Bonds shall be in default, Series 2011 Bonds issued in exchange for Series 2011 Bonds surrendered for transfer or exchange shall bear interest from the date to which interest has been paid in full on the initial Series 2011 Bonds surrendered.

The principal of and the premium, if any, on the Series 2011 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. The interest on the Series 2011 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 Series 2011 Bonds, by wire transfer to a domestic bank account specified in writing to the Paying Agent at least 5 days prior to such interest payment date by such Registered Owner.

In the event any Bond is redeemed in part, such Bond shall be surrendered to and cancelled 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 2011 Bonds shall be executed in the name of the Issuer by the Mayor and the 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 Recorder by his or her manual or facsimile signature; provided, that, all such signatures and the seal may be by facsimile. In case any one or more of the officers who shall have signed or sealed any of the Series 2011 Bonds shall cease to be such officer of the Issuer before the Series 2011 Bonds so signed and sealed have been actually sold and delivered, such Series 2011 Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Series 2011 Bonds had not ceased to hold such office. Any Series 2011 Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Series 2011 Bonds shall hold the proper office in the Issuer, although at

the date of such Series 2011 Bonds such person may not have held such office or may not have been so authorized.

Section 3.03. Authentication and Registration. No Series 2011 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 attached hereto and incorporated herein by reference with respect to the Series 2011 Bonds, shall have been duly manually executed by the Registrar. Any such manually executed Certificate of Authentication and Registration upon any 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 Series 2011 Bonds issued hereunder.

Section 3.04. Book-Entry Bonds.

A. Except as provided in subparagraph (C) of this Section 3.04, the Registered Owner of all of the Series 2011 Bonds shall be DTC, and the Series 2011 Bonds shall be registered in the name of Cede & Co. Payment of principal and interest for any Series 2011 Bond registered as of each Record Date in the name of Cede & Co. shall be made by wire transfer of New York clearing house or equivalent next-day funds to the account of Cede & Co. on the interest payment date for the Series 2011 Bonds at the address indicated on the Record Date for Cede & Co. in the Bond Register.

B. The Issuer and the Bond Registrar may treat DTC (or its nominee) as the sole and exclusive owner of the Series 2011 Bonds registered in its name for the purposes of payment of the principal or redemption price of or interest on the Series 2011 Bonds, selecting the Series 2011 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 2011 Bonds, obtaining any consent or other action to be taken by Bondholders and for all other purposes whatsoever, and neither the Issuer nor the Bond Registrar shall be affected by any notice to the contrary. Neither the Issuer nor the Bond Register shall have any responsibility or obligation to any Participant, any person claiming a beneficial ownership interest in the Series 2011 Bonds under or through DTC or any Participant, or any Participant of any amount in respect of the principal or redemption price of or interest on the Series 2011 Bonds; any notice which is permitted or required to be given to Bondholders under this Ordinance; the selection by DTC or any Participant of any person to receive payment in the event of a partial redemption of the Series 2011 Bonds; or any consent given or other action taken by DTC as Bondholder. The Paying Agent shall pay all principal of and premium, if any, and interest on the Series 2011 Bonds only to or "upon the order of" (as that term is used in the Uniform Commercial Code as adopted in the State) and all such payments shall be valid and effective to fully satisfy and discharge the Issuer's obligations with respect to the principal or redemption price of and interest

on the Series 2011 Bonds to the extent of the sum or sums so paid. No person other than DTC shall receive an authenticated Series 2011 Bond for each separate stated maturity evidencing the obligation of the Issuer to make payments of principal or redemption price and interest pursuant to this Ordinance. Upon delivery by DTC to the Issuer of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions herein with respect to Record Dates, the word "Cede & Co." in this Ordinance shall refer to such new nominee of DTC.

C. In the event the Issuer determines that it is in the best interest of the Owners that they be able to obtain Bond certificates, the Issuer may notify DTC, whereupon DTC will notify the Participants, of the availability through DTC of Bond certificates. In such event, the Issuer shall issue and the Bond Registrar shall authenticate, transfer and exchange Bond certificates as requested by DTC and any other Bondholders in appropriate amounts. DTC may determine to discontinue providing its services with respect to the Series 2011 Bonds at any time by giving notice to the Issuer and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is no successor securities depository), the Issuer shall be obligated to deliver Bond certificates as described herein. In the event Bond certificates are issued, the provisions herein shall apply to, among other things, the transfer and exchange of such certificates and the method of payment of principal of and interest on such certificates. Whenever DTC requests the Issuer to do so, the Issuer will assist DTC in taking appropriate action after reasonable notice (a) to make available one or more separate certificates evidencing the Series 2011 Bonds to any Participant having the Series 2011 Bonds credited to its DTC account or (b) to arrange for another securities depository to maintain custody of certificates evidencing the Series 2011 Bonds.

D. Notwithstanding any other provisions of this Ordinance to the contrary, so long as any Series 2011 Bond is registered in the name of Cede & Co., all payments with respect to the principal or redemption price of and interest on such Bond and all notices with respect to such Series 2011 Bond shall be made and given, respectively, to DTC as provided in the Representation Letter. When the Issuer gives notice to DTC or its nominee as Bondholder, it shall request that DTC forward (or cause to be forwarded) the notices to the Participants so that such Participants may forward (or cause to be forwarded) such notices to the Owners.

E. In connection with any notice or other communication to be provided to Bondholders pursuant to this Ordinance by the Issuer with respect to any consent or other action to be taken by Bondholders, the Issuer shall establish a record date for such consent or other action and give DTC notice of such record date not less than 15 calendar days in advance of such record date to the extent possible. Notice to DTC shall be given only when DTC is the sole Bondholder.

Section 3.05. Negotiability and Registration. Subject to the requirements for transfer set forth below, the Series 2011 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 Series 2011 Bonds, shall be conclusively deemed to have agreed that such Series 2011 Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State, and each successive Holder shall further be conclusively deemed to have agreed that said Series 2011 Bonds shall be incontestable in the hands of a bona fide holder for value.

So long as any of the Series 2011 Bonds remains Outstanding, the Registrar shall keep and maintain books for the registration and transfer of the Series 2011 Bonds. The Series 2011 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 in an 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.

The Series 2011 Bonds, 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, may at the option of the Holder thereof be exchanged for an equal aggregate principal amount of Series 2011 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, Series 2011 Bonds shall be delivered in accordance with the provisions of this Ordinance. All Series 2011 Bonds surrendered in any such transfer or exchange shall forthwith be cancelled by the Registrar. Transfers and exchanges of Series 2011 Bonds shall be made by the Registrar without charge to the Holder or the transferee thereof, except as provided below. For every such transfer or exchange of Series 2011 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 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 or during the period commencing on any Record Date and ending on the next interest payment date therefor.

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Series 2011 Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may execute, in its discretion, and the Registrar shall authenticate, register and deliver any new Bond of like series, maturity and principal amount as the Bond so mutilated, destroyed, stolen or lost, in exchange and upon surrender and cancellation of, such mutilated Bond or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing the Issuer and the Registrar proof of his ownership thereof and that said Bond has been destroyed, stolen or lost and

satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer or the Registrar may prescribe and paying such expenses as the Issuer or the Registrar may incur. The name of the Bondholder listed in the Bond Register shall constitute proof of ownership. All Series 2011 Bonds so surrendered shall be submitted to and cancelled 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 apply the same, upon being indemnified as aforesaid, and, if such Bond be lost, stolen or destroyed, without surrender therefor.

Any such duplicate Series 2011 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 Series 2011 Bonds, be at any time found by any one, and such duplicate Series 2011 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 Series 2011 Bonds issued hereunder.

Section 3.07. 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 2011 Bonds Redemption Account in accordance with Subsection 5.03(A)(2) shall include (after credit as provided below) on the first of each month, beginning on the first day of that month which is 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 Series 2011 Bonds shall be set forth in the Supplemental Resolution, provided, that in the event the period to elapse between the date of such initial deposit in the Series 2011 Bonds Sinking Fund and the next ensuing principal payment or mandatory redemption date is less than 12 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next ensuing principal payment date or mandatory redemption date, the required amount of principal coming due on such date.

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 to its mandatory redemption obligation for any such Term Bonds which prior to said date have been redeemed (otherwise than pursuant to this section) and cancelled 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 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 Commission may use the moneys in the Series 2011 Bonds Redemption Account to purchase Term Bonds at a price less than the par value thereof and accrued interest thereon. The 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 2011 Bonds Sinking Fund), as will exhaust as nearly as practicable such Series 2011 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.

Section 3.08. Notice of Redemption. Unless waived by any Holder of the Series 2011 Bonds to be redeemed, official notice of any such 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 and the registered owner of the Series 2011 Bond or Series 2011 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.

All official notices of redemption shall be dated and shall state:

(1) The redemption date,

(2) The redemption price,

(3) If less than all Outstanding series 2011 Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts and CUSIP numbers, if any, assigned to the Series 2011 Bonds) of the Series 2011 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 Series 2011 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 or as may be required by the Issuer.

Prior to any redemption date, the Issuer shall deposit with the Paying Agent an amount of money sufficient to pay the redemption price of all the Series 2011 Bonds or portions of bonds which are to be redeemed on that date.

Official notice of redemption having been given as aforesaid, the Series 2011 Bonds or portions of Series 2011 Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the Issuer shall default in the payment of the redemption price) such Series 2011 Bonds or portions of Series 2011 Bonds shall cease to bear interest. Upon surrender of such Series 2011 Bonds for redemption in accordance with said notice, such Series 2011 Bonds shall be paid by the Paying Agent 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 Series 2011 Bond, there shall be prepared for the registered owner a new Series 2011 Bond or Series 2011 Bonds of the same maturity in the amount of the unpaid principal. All Series 2011 Bonds which have been redeemed shall be cancelled 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 Series 2011 Bonds, and failure to mail such notice shall not affect the validity of proceedings for the redemption of any portion of Series 2011 Bonds for which there was no such failure.

Section 3.09. 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 3.10. Temporary Bonds. Until Series 2011 Bonds 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 Series 2011 Bonds in temporary form, substantially in the form of the definitive Series 2011 Bonds, with appropriate omissions, variations and insertions, and in authorized denominations. Until exchanged for Series 2011 Bonds in definitive form, such Series 2011 Bonds in temporary form shall be entitled to the lien and benefit created under this Ordinance. Upon the presentation and surrender of any Series 2011 Bond or Series 2011 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 Series 2011 Bond or Series 2011 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 3.11. Bonds not to be Indebtedness of the Issuer. The Series 2011 Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Gross Revenues derived from the operation of the System as herein provided, unexpended proceeds thereof in the Series 2011 Bonds Costs of Issuance Fund and amounts, if any, in the Series 2011 Bonds Reserve Account. No holder or holders of any of the Series 2011 Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Series 2011 Bonds or the interest thereon.

Section 3.12. Bonds Secured by Pledge of Gross Revenues. The payment of the debt service of all the Series 2011 Bonds shall be secured forthwith equally and ratably with each other, by a lien on and pledge of the Gross Revenues, on a parity with the lien on Gross Revenues in favor of the Holders of the Series 2000 Bonds. Such Gross Revenues in an amount sufficient to pay the principal of and interest on and other payments for the Series 2011 Bonds and the Series 2000 Bonds and to make the payments into the Sinking Funds and the Reserve Accounts therein are hereby irrevocably pledged to the payment of the principal of and interest on the Series 2011 Bonds and the Series 2000 Bonds as the same become due.

Section 3.13. Issuance of Series 2011 Bonds. For the purposes of refunding all or part of the Series 2001 Bonds, funding a debt service reserve account for the Series 2011 Bonds through either a deposit of cash or the purchase by the Issuer of a Reserve Account Insurance Policy, and paying costs in connection with the issuance of such Series 2011 Bonds (specifically including, but not limited to, the cost of a municipal bond insurance policy, if such a policy is determined to be advantageous to the Issuer), or any of the above purposes, there shall be issued the Series 2011 Bonds of the Issuer, in an aggregate principal amount of not more than $9,500,000. The Series 2011 Bonds shall be designated "Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011" and shall be issued in one or more series, one or more of which series may be taxable, 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 2011 Bonds maturing in the year of maturity for which the denomination is to be specified. The Series 2011 Bonds shall be numbered from R-1 consecutively upward. The Series 2011 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 redemption provisions; and shall have such other terms, all as the Issuer shall prescribe herein and in the Supplemental Resolution.

Section 3.14. Delivery of Series 2011 Bonds. The Issuer shall execute and deliver the Series 2011 Bonds to the Registrar, and the Registrar shall authenticate, register and deliver the Series 2011 Bonds to the Original Purchaser upon receipt of the documents set forth below:

A. A list of the names in which the Series 2011 Bonds are to be registered upon original issuance, together with such taxpayer identification and other information as the Register 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 2011 Bonds to the Original Purchaser; and

C. The unqualified approving opinion upon the Series 2011 Bonds by Bond Counsel.

Section 3.15. Form of Series 2011 Bonds. The Series 2011 Bonds shall be substantially in the form set forth in Exhibit A, attached hereto and incorporated herein by reference, with such appropriate variations, omissions and insertions as are permitted or required by this Ordinance or the Supplemental Resolution or as are deemed necessary by the Registrar and the Issuer, including any variations necessary to render the Series 2011 Bonds DTC-eligible. If additional series of the Series 2011 Bonds are authorized by the Supplemental Resolution, the form thereof shall be approved by the Supplemental Resolution.

Section 3.16. Sale of Series 2011 Bonds; Approval and Ratification of Execution of Bond Purchase Agreement with Original Purchaser. The Series 2011 Bonds shall be sold to the Original Purchaser pursuant to the terms and conditions of the Bond Purchase Agreement. If not so authorized by previous ordinance, the Mayor is specifically authorized and directed to execute the said Bond Purchase Agreement in such form as may be approved by the Supplemental Resolution, and the Recorder is directed to affix the seal of the Issuer, attest the same and deliver the said Bond Purchase Agreement to the Original Purchaser.

Section 3.17. Series 2011 Bonds are Issued as Parity Bonds With Respect to Series 2000 Bonds. The Series 2011 Bonds are issued as and shall constitute parity bonds with

respect to the Series 2000 Bonds. The Issuer has met the requirements of the Series 2000 Bond Ordinances for the issuance of the Series 2011 Bonds on a parity with the Series 2000 Bonds and has obtained the consent of the Holder of the Series 2000 Bonds to the issuance of the Series 2011 Bonds on a parity therewith.

ARTICLE IV

BOND INSURANCE

Section 4.01. Bond Insurance. The Issuer reserves the right to obtain bond insurance relating to the Series 2011 Bonds if it is found to be advantageous to the Issuer. If bond insurance is obtained for the Series 2011 Bonds, the Issuer reserves the right to supplement and amend this Bond Ordinance with respect to such bond insurance.

ARTICLE V

FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

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

A. Revenue Fund (created or continued by the Prior Ordinances);

B. Depreciation Fund (created or continued by the Prior Ordinances);

C. Operation and Maintenance Fund (created or continued by the Prior Ordinances);

D. Earnings Fund (created or continued by the Prior Ordinances);

E. Rebate Fund (created or continued by the Prior Ordinances); and

F. Series 2011 Bonds Costs of Issuance Fund.

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

A. Series 2000A Bonds Sinking Fund (established by the Series 2000 Bonds Ordinance);

B. Within the Series 2000A Bonds Sinking Fund, the Series 2000A Bonds Reserve Account (established by the Series 2000 Bonds Ordinance);

C. Series 2000B Bonds Sinking Fund (established by the Series 2000 Bonds Ordinance);

D. Within the Series 2000B Bonds Sinking Fund, the Series 2000B Bonds Reserve Account (established by the Series 2000 Bonds Ordinance);

E. Series 2000C Bonds Sinking Fund (established by the Series 2000 Bonds Ordinance);

F. Within the Series 2000C Bonds Sinking Fund, the Series 2000C Bonds Reserve Account (established by the Series 2000 Bonds Ordinance);

G. Series 2011 Bonds Sinking Fund;

H. Within the Series 2011 Bonds Sinking Fund, the Series 2011 Bonds Reserve Account; and

I. Series 2011 Bonds Redemption Account.

Section 5.03. System Revenues; Flow of Funds.

A. The entire Gross Revenues derived from the operation of the System shall be deposited upon receipt in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in this Bond Legislation and shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner herein provided. All Gross Revenues at any time remaining on deposit in the Revenue Fund shall be disposed of only in the following manner and order of priority.

1. The Issuer shall first, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Commission (i) for deposit in the Series 2000A Bonds Sinking Fund, a sum equal to 1/3rd of the amount of interest which will become due on the Series 2000A Bonds on the next ensuing quarterly interest payment date; (ii) for deposit in the Series 2000B Bonds Sinking Fund, a sum equal to 1/3rd of the amount of interest which will become due on the Series 2000B Bonds on the next ensuing quarterly interest payment date; (iii) for deposit in the Series 2000C Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on the Series 2000C Bonds on the next ensuing semiannual interest payment date; and (iv) beginning 6 months prior to the first interest payment date on the Series 2011 Bonds, for deposit in the Series 2011 Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on the Series 2011 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 2011 Bonds Sinking Fund and the next ensuing semiannual interest payment date is less than 6 months, then such monthly payments shall be 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, and provided further, that there shall be allowed as a credit against the respective payments any amounts on deposit in the respective Sinking Funds as accrued interest, capitalized interest or otherwise.

2. The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Commission (i) for deposit in the Series 2000A Bonds Sinking Fund, a sum equal to 1/3rd of the amount of principal which will mature and become due on the Series 2000A Bonds on the next ensuing quarterly principal payment date, (ii) for deposit in the Series 2000B Bonds Sinking Fund, a sum equal to 1/3rd of the amount

of principal which will mature and become due on the Series 2000B Bonds on the next ensuing quarterly principal payment date; (iii) for deposit in the Series 2000C Bonds Sinking Fund, a sum equal to 1/12th of the amount of principal which will mature and become due on the Series 2000C Bonds on the next ensuing annual principal payment date; and (iv) beginning 12 months prior to the first principal payment date of the Series 2011 Bonds, for deposit in the Series 2011 Bonds Sinking Fund, and in the Series 2011 Bonds Redemption Account therein in the case of Term Bonds, a sum equal to 1/12th of the amount of principal which will mature and become due on the Series 2011 Bonds on the next ensuing annual principal payment date, provided, that in the event the period to elapse between the date of such initial deposit in the Series 2011 Bonds Sinking Fund and the next ensuing annual principal payment date is less than 12 months, then such monthly payments shall be increased proportionately to provide, 1 month prior to the next ensuing annual principal payment date, the required amount of principal coming due on such date.

3. The Issuer shall next, from the moneys remaining in the Revenue Fund each month, transfer from the Revenue Fund and deposit in the Operation and Maintenance Fund an amount sufficient to pay current Operating Expenses of the System.

4. The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Commission (i) an amount equal to 1/120th of the Series 2000A Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2000A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2000A Bonds Reserve Requirement; (ii) for deposit in the Series 2000B Bonds Reserve Account, an amount equal to 1/120th of the Series 2000B Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2000B Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2000B Bonds Reserve Requirement; (iii) for deposit in the Series 2000C Bonds Reserve Account, an amount equal to 1/120th of the Series 2000C Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2000C Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2000C Bonds Reserve Requirement; and (iv) beginning 6 months prior to the first principal payment date of the Series 2011 Bonds, if not fully funded upon issuance of the Series 2011 Bonds, for deposit in the Series 2011 Bonds Reserve Account, an amount equal to 1/120th of the Series 2011 Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2011 Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2011 Bonds Reserve Requirement.

5. The Issuer shall next, from the moneys remaining in the Revenue Fund, on the first day of each month, transfer to the Depreciation Fund a sum equal to 2 1/2% of

the Gross Revenues each month, exclusive of any payments for the account of any Reserve Account in the respective Sinking Funds.

Withdrawals and disbursements may be made by the Issuer from the Depreciation Fund only for the following purposes and in the following order of priority:

(a) To make up any deficiency in any Reserve Account (so that the amount on deposit therein is at least equal to the Reserve Requirement);

(b) For the payment of the principal (including the principal amount to be paid under the mandatory redemption schedules) of or interest on the Bonds, but only in the event that at the time of such withdrawal there are not sufficient funds for such purpose in the respective Sinking Funds (including the respective Reserve Accounts);

(c) For the payment of the reasonable costs of land and depreciable renewals, repairs, extensions, improvements and additions to the System;

(d) For the payment of debt service on obligations not on a parity with the Bonds, the proceeds of which obligations were used to finance such land and depreciable renewals, repairs, extensions, improvements and additions to the System; or

(e) Moneys in the Depreciation Fund in excess of a sum which is sufficient for the purposes of capital replacements, additions or improvements for the System or any part thereof during the then present Fiscal Year and the next ensuing Fiscal Year may be transferred, upon resolution of the Issuer, to Series 2000 Bonds Sinking Funds or the Series 2011 Bonds Redemption Account and used for optional redemption or for purchase of Bonds. In the event of purchase of Bonds, the Issuer may direct the purchase of Bonds offered for sale at the lowest price below the redemption price of such Bonds.

6. The Issuer shall next, each month pay to any provider of a Reserve Account Insurance Policy any interest which may be owed on amounts advanced under any Surety Bond.

7. The Issuer may next, each month, after making the above required transfers of money from the Revenue Fund, accrue the surplus then remaining in the Revenue

Fund. Any such surplus in the Revenue Fund shall be deemed "Surplus Revenues" and may be used for any lawful purpose of the System, including payment of debt service on subordinate indebtedness of the System.

8. If on any monthly payment date the Revenues of the System are insufficient to make the required deposits in any of the funds as hereinabove provided, the deficiency shall be made up on the next ensuing payment dates by payments in addition to the payments which are otherwise required to be made into the funds on such ensuing payment dates, provided, however, that the priority of curing deficiencies in the funds and accounts herein shall be in the same order as payments are to be made pursuant to this Section 5.03, and the Gross Revenues shall be applied to such deficiencies before being applied to any other payments hereunder.

9. Principal and interest payments into the respective Sinking Funds, and any payments made for the purpose of funding a deficiency in any Reserve Account shall be made on a parity and pro rata with respect to the Series 2000 Bonds and the Series 2011 Bonds in accordance with the respective principal amounts then Outstanding.

B. Moneys in the Series 2011 Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest on the Series 2011 Bonds as the same shall become due. Moneys in the Series 2011 Bonds Reserve Account shall be used only for the purpose of paying principal of and interest on the Series 2011 Bonds as the same shall come due, when other moneys in the Series 2011 Bonds Sinking Fund are insufficient therefor, and for no other purpose.

All investment earnings on moneys in the Series 2011 Bonds Sinking Fund, the Series 2011 Bonds Reserve Account and the Series 2011 Bonds Redemption Account shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payment due on the Series 2011 Bonds, and then to the next ensuing principal payment due thereon.

Any withdrawals from the Series 2011 Bonds Reserve Account which result in a reduction in the balance therein to below the Series 2011 Bonds Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments have been made in full in the order set forth above.

As and when additional Bonds ranking on a parity with the Series 2011 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 of additional parity Bonds.

The Issuer shall not be required to make any further payments into the Series 2011 Bonds Sinking Fund or the Series 2011 Bonds Reserve Account when the aggregate amount of funds therein are at least equal to the respective aggregate principal amount of the Series 2011 Bonds issued pursuant to this Bond Legislation then Outstanding and all interest to accrue until the maturity thereof.

The Commission is hereby designated as the fiscal agent for the administration of the Series 2011 Bonds Sinking Fund, the Series 2011 Bonds Reserve Account and the Series 2011 Bonds Redemption Account created hereunder, and all amounts required for said accounts shall be remitted to the Commission from the Revenue Fund by the Issuer at the time provided herein.

Moneys in the Series 2011 Bonds Sinking Fund, the Series 2011 Bonds Reserve Account and the Series 2011 Bonds Redemption Account shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The Series 2011 Bonds Sinking Fund, the Series 2011 Bonds Reserve Account and the Series 2011 Bonds Redemption Account shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 2011 Bonds, respectively, under the conditions and restrictions set forth herein.

C. The Issuer shall on the first day of each month (if the first day is not a business day, then the first business day of each month), deposit with the Commission the required interest, principal and reserve account payments with respect to the Series 2011 Bonds and all such payments shall be remitted to the Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Bond Legislation. All remittances made by the Issuer to the Commission shall clearly identify the fund or account into which each amount is to be deposited.

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

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

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

Section 5.04. Reserve Account Insurance Policy. In lieu of funding the Reserve Account for any series of Bonds with cash or Qualified Investments, the Reserve Requirement may be satisfied by the purchase by the Issuer of a Reserve Account Insurance Policy and/or the deposit into the Reserve Account of a reserve account letter of credit in an amount at least equal to the Reserve Requirement.

ARTICLE VI

BOND PROCEEDS

Section 6.01. Application of Bond Proceeds; Pledge of Unexpended Bond Proceeds. From the moneys received from time to time from the sale of any or all of the Series 2011 Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Series 2011 Bonds, there shall first be deposited with the Commission in the Series 2011 Bonds Sinking Fund, the amount, if any, specified in the Supplemental Resolution as capitalized interest.

B. From the proceeds of the Series 2011 Bonds, there shall be deposited with the Commission in the Series 2011 Bonds Sinking Fund, the amount, if any, constituting accrued interest on the Series 2011 Bonds.

C. Next, from the proceeds of the Series 2011 Bonds, there shall be deposited with the Commission in the Series 2011 Bonds Reserve Account, the amount, if any, set forth in the Supplemental Resolution for funding of the Series 2011 Bonds Reserve Account.

D. Next, from the proceeds of the Series 2011 Bonds, there shall be deposited in the Escrow Fund an amount sufficient to pay on the redemption date for the Series 2001 Bonds all outstanding principal of and interest and redemption premium on the Series 2001 Bonds.

E. The remaining monies from the sale of the Series 2011 Bonds shall be deposited with the Depository Bank in the Series 2011 Bonds Costs of Issuance Fund. The monies in the Series 2011 Bonds Costs of Issuance Fund shall be applied solely to payment of the costs of issuing the Series 2011 Bonds in the manner set forth in Section 6.02.

F. Upon the earlier to occur of (i) the payment of all costs of issuing the Series 2011 Bonds, or (ii) the date which is 90 days after the Closing Date, any remaining proceeds of the Series 2011 Bonds in the Series 2011 Bonds Costs of Issuance Fund shall be deposited in the Series 2011 Bonds Sinking Fund.

G. The Depository Bank shall act as a trustee and fiduciary for the Holders of the Series 2011 Bonds with respect to the Series 2011 Bonds Costs of Issuance Fund and shall comply with all requirements with respect to the disposition of such funds set forth in the Bond Legislation. Moneys in the Series 2011 Bonds Costs of Issuance Fund shall be used solely to pay costs of issuing the Series 2011 Bonds and until so transferred or expended, are hereby pledged as additional security for the respective Series 2011 Bonds.

Section 6.02. Disbursements From the Series 2011 Bonds Costs of Issuance Fund. Except as provided in Section 6.01 hereof, disbursements from the Series 2011 Bonds Costs of Issuance Fund shall be made after submission to the Depository Bank, of a certificate, signed by an Authorized Officer, stating that:

1. None of the items for which the payment is proposed to be made has formed the basis for any disbursement theretofore made;

2. Each item for which the payment is proposed to be made is or was necessary in connection with the issuance of the Series 2011 Bonds;

3. Each of such costs has been otherwise properly incurred; and

4. Payment for each of the items proposed is then due and owing.

Pending such application, moneys in the Series 2011 Bonds Costs of Issuance Fund shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

Upon the earlier to occur of (i) the payment of all costs of issuing the Series 2011 Bonds, or (ii) the date which is 90 days after the Closing Date, any remaining proceeds of the Series 2011 Bonds shall be deposited in the Series 2011 Bonds Sinking Fund.

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01. General Covenants of the Issuer. All the covenants, agreements and provisions of this Bond Legislation shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Series 2011 Bonds. In addition to the other covenants, agreements and provisions of this Bond Legislation, the Issuer hereby covenants and agrees with the Holders of the Series 2011 Bonds as hereinafter provided in this Article VII. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of the Series 2011 Bonds or the interest thereon is Outstanding and unpaid.

Section 7.02. Bonds not to be Indebtedness of the Issuer. The Series 2011 Bonds shall not be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory limitation of indebtedness, but shall be payable solely from the funds pledged for such payment by this Bond Legislation. No Holder or Holders of any of the Series 2011 Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Series 2011 Bonds or the interest thereon.

Section 7.03. Bonds Secured by Pledge of Gross Revenues; Lien Positions With Respect to Series 2000 Bonds. The payment of the debt service of the Series 2011 Bonds issued hereunder shall be secured forthwith equally and ratably by a first lien on the Gross Revenues derived from the operation of the System on a parity with the lien on such Gross Revenues in favor of the Holders of the Series 2000 Bonds. Gross Revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Series 2000 Bonds and the Series 2011 Bonds and to make the payments into all funds and accounts, and all other payments provided for in the Bond Legislation and the Series 2000 Bonds Ordinance are hereby irrevocably pledged, in the manner provided herein, to such payments as the same become due, and for the other purposes provided in the Bond Legislation.

Section 7.04. Initial Schedule of Rates and Charges. The Issuer has obtained any and all approvals of rates and charges required by State law and has taken any other action required to establish and impose such rates and charges, with all requisite appeal periods having expired without successful appeal. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth and approved and described in the Ordinance enacted by the Issuer on January 26, 2006.

So long as the Series 2011 Bonds are outstanding, the Issuer covenants and agrees to fix and collect rates, fees and other charges for the use of the System and to take all such actions necessary to provide funds sufficient to produce the required sums set forth in the Bond Legislation. In the event the schedule of rates and charges initially established for the System in connection with the Series 2011 Bonds shall prove to be insufficient to produce the required

sums set forth in this Bond Legislation, the Issuer hereby covenants and agrees that it will, to the extent and in the manner authorized by law, immediately adjust and increase such schedule of rates and charges and take all such actions necessary to provide funds sufficient to produce the required sums set forth in this Bond Legislation.

Section 7.05. Sale of the System. So long as the Series 2000 Bonds are Outstanding, the Issuer shall not sell, mortgage, lease or otherwise dispose of the System, or any part thereof, except as provided in the Series 2000 Bonds Ordinance. Additionally, so long as the Series 2011 Bonds are Outstanding and except as otherwise required by law, the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Series 2011 Bonds and Series 2000 Bonds Outstanding, or to effectively defease this Bond Legislation in accordance with Article X hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall immediately be remitted to the Commission for deposit in the Series 2000A Bonds Sinking Fund, the Series 2000B Bonds Sinking Fund, the Series 2000C Bonds Sinking Fund and the Series 2011 Bonds Sinking Fund, respectively, pro rata, with respect to the principal amount of each of the Series 2011 Bonds and Series 2000 Bonds then Outstanding, and, Issuer shall direct the Commission to apply such proceeds to the payment of principal of and interest on the Series 2011 Bonds and Series 2000 Bonds in such manner. Any balance remaining after the payment of all the Series 2011 Bonds and Series 2000 Bonds and interest thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, is not in excess of $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 may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Revenue Fund. If the amount to be received from such sale, lease or other disposition of said property, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, shall be in excess of $50,000 but not in excess of $200,000, the Issuer shall first, in writing, determine upon consultation with the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then, if it be so advised, by resolution duly adopted, authorize such sale, lease or other disposition of such property in accordance with the laws of the State. The proceeds derived from any such sale, lease or other disposition of such property shall be deposited in the Depreciation Fund. Such 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

Bond Legislation. No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, shall be in excess of $200,000 and insufficient to pay the Series 2011 Bonds and Series 2000 Bonds then Outstanding without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of the Series 2011 Bonds and Series 2000 Bonds then outstanding. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Series 2011 Bonds and Series 2000 Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 7.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. Except as provided in this Section 7.06 and in Section 7.07, so long as any of the Series 2011 Bonds are Outstanding, the Issuer shall not issue any other obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Series 2011 Bonds. All obligations issued by the Issuer after the issuance of the Series 2011 Bonds and payable from the revenues of the System, except such additional parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on and source of and security for payment from such revenues and in all other respects, to the Series 2011 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 at the time of the issuance of such subordinate obligations have been made and are current. Except as provided above, the Issuer shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or being on a parity with the lien of the Series 2011 Bonds, and the interest thereon, if any, upon any of the income and revenues of the System pledged for payment of the Series 2011 Bonds and the interest thereon, if any, in this Bond Legislation, or upon the System or any part thereof.

Section 7.07. Parity Bonds. So long as any of the Series 2000 Bonds are Outstanding, the limitations on the issuance of parity obligations set forth in the Series 2000 Bonds Ordinance shall be applicable. In addition, no Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of the Series 2011 Bonds pursuant to this Bond Legislation, except under the conditions and in the manner herein provided.

No such Parity Bonds shall be issued except for the purpose of financing the costs of the construction or acquisition of additions, extensions, improvements or betterments to the System or refunding one or more series of the Series 2000 Bonds and/or the Series 2011 Bonds, or both such purposes.

No Parity Bonds shall be issued at any time, however, unless and until there has been procured and filed with the Recorder a written statement by the Independent Certified Public Accountants reciting the conclusion that the Net Revenues actually derived, subject to the

adjustments hereinafter provided for, from the System during any 12 consecutive months, within the 18 months immediately preceding the date of the actual issuance of such Parity Bonds, plus the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the completion of the improvements to be financed by such Parity Bonds, if any, shall not be less than 115% of the largest aggregate amount that will mature and become due in any succeeding Fiscal Year for principal of and interest on the following:

(1) The Series 2000 Bonds and Series 2011 Bonds then Outstanding;

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

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

The "estimated average increased annual Net Revenues to be received in each of the 3 succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from (a) the improvements to be financed by such Parity Bonds and (b) any increase in rates enacted by the Issuer, the period for appeal of which has expired (without successful appeal) prior to the date of delivery of such Parity Bonds, and shall not exceed the amount to be stated in a certificate of the Independent Certified Public Accountants, which shall be filed in the office of the Recorder prior to the issuance of such Parity Bonds.

The Net Revenues actually derived from the System during the 12-consecutive-month period hereinabove referred to may be adjusted by adding to such Net Revenues such additional Net Revenues which would have been received, in the opinion of the said Independent Certified Public Accountants on account of increased rates, rentals, fees and charges for the System enacted by the Issuer, the period for appeal of which has expired (without successful appeal) prior to issuance of such Parity Bonds.

All covenants and other provisions of this Bond Legislation (except as to details of such Parity Bonds inconsistent herewith) shall be for the equal benefit, protection and security of the Holders of the Series 2011 Bonds and the Holders of any Parity Bonds subsequently issued from time to time within the limitations of and in compliance with this section. Bonds issued on a parity, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the revenues of the System and their source of and security for payment from said revenues, without preference of any Bond of one series over any other Bond of the same series. The Issuer shall comply fully with all the increased payments into the various funds and accounts created in this Bond Legislation required for and on account of such Parity Bonds, in addition to the payments required for Bonds theretofore issued pursuant to this Bond Legislation.

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on the revenues of the System is subject to the prior and superior lien of the Series 2011 Bonds on such revenues. The Issuer shall not issue any obligations whatsoever payable from the revenues of the System, or any part thereof, which rank prior to or, except in the manner and under the conditions provided in this section, equally, as to lien on and source of and security for payment from such revenues, with the Series 2011 Bonds.

No Parity Bonds shall be issued any time, however, unless all the payments into the respective funds and accounts provided for in this Bond Legislation and the Series 2000 Bond Ordinance with respect to the Series 2011 Bonds and Series 2000 Bonds then Outstanding, and any other payments provided for in this Bond Legislation, shall have been made in full as required to the date of delivery of such Parity Bonds, and the Issuer shall then be in full compliance with all the covenants, agreements and terms of this Bond Legislation.

Section 7.08. Books, Records and Audit. The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and any Holder of a Series 2000 Bond or Series 2011 Bond shall have the right at all reasonable times to inspect the System, and all parts thereof, and all records, accounts and data of the 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 for the System shall be maintained by the Issuer. Subsidiary records as may be required shall be kept in the manner, on the forms, in the books and along with other bookkeeping records as prescribed by the Issuer.

The Issuer shall file with the Original Purchaser, 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 Certified Public Accountants (or, if required by State law, by the West Virginia State Tax Department), shall mail upon request, and make available generally, the report of said Independent Accountants (or State Tax Department),

or a summary thereof, to any Holder or Holders of Series 2011 Bonds issued pursuant to this Ordinance and shall file said report with the Original Purchaser.

Section 7.09. Rates. Prior to the issuance of the Series 2011 Bonds, equitable rates or charges for the use of and service rendered by the System have been established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Recorder, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from said System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the Series 2011 Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2011 Bonds, including the Series 2000 Bonds; provided that, in the event that amounts equal to or in excess of the reserve requirements are on deposit, respectively, in the Series 2011 Bonds Reserve Account and reserve accounts for obligations on a parity with the Series 2011 Bonds, including the Series 2000 Bonds, such balance each year need only equal at least 110% of the maximum amount required in any year for payment of principal of and interest on the Series 2011 Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2011 Bonds, including the Series 2000 Bonds.

Section 7.10. 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 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 until the Issuer shall have approved such increased expenditures by a resolution duly adopted. The Issuer shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Original Purchaser and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to the Original Purchaser and to any Bondholder or anyone acting for and in behalf of such Bondholder who requests the same.

Section 7.11. Report of Consulting Engineers. The Issuer shall, at least once every 2 years, retain recognized qualified independent Consulting Engineers to review the operation, maintenance and repair of the System and to report to the Issuer in writing their

recommendations and comments pertaining to the System. Such biennial report of the Consulting Engineers, or a summary thereof, shall be made available, upon request, to the Original Purchaser and any Bondholder.

Section 7.12. No Competing Franchise. To the extent legally allowable, the Issuer will not grant or cause, consent to or allow the granting of, any franchise or permit to any person, firm, corporation, body, agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the System.

Section 7.13. Enforcement of Collections. The Issuer will diligently enforce and collect all fees, rentals or other charges for the services and facilities of the System, and take all steps, actions and proceedings for the enforcement and collection of such fees, rentals or other charges which shall become delinquent to the full extent permitted or authorized by the Act, the rules and regulations of the Public Service Commission of West Virginia and other laws of the State of West Virginia.

Whenever any fees, rates, rentals or other charges for the services and facilities of the System shall remain unpaid for a period of 20 days after the same shall become due and payable, the property and the owner thereof, as well as the user of the services and facilities, shall be delinquent until such time as all such rates and charges are fully paid. To the extent authorized by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, rates, rentals and other charges, if not paid, when due, shall become a lien on the premises served by the System. The Issuer further covenants and agrees that, it will, to the full extent permitted by law and the rules and regulations promulgated by the Public Service Commission of West Virginia, discontinue and shut off the services of the System and any services and facilities of the water system, if so owned by the Issuer, to all users of the services of the System delinquent in payment of charges for the services of the System and will not restore such services of either system until all delinquent charges for the services of the System, plus reasonable interest and penalty charges for the restoration of service, have been fully paid and shall take all further actions to enforce collections to the maximum extent permitted by law. If the water facilities are not owned by the Issuer, the Issuer shall enter into a termination agreement with the water provider, subject to any required approval of such agreement by the Public Service Commission of West Virginia and all rules, regulations and orders of the Public Service Commission of West Virginia.

Section 7.14. No Free Services. The Issuer will not render or cause to be rendered any free services of any nature by the System, nor will any preferential rates be established for users of the same class; and in the event the Issuer, or any department, agency, instrumentality, officer or employee of the Issuer shall avail itself or themselves of the facilities or services provided by the System, or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer and any such department, agency, instrumentality, officer or employee. The revenues so received shall be deemed to be revenues derived from the operation of the System, and shall be deposited

and accounted for in the same manner as other revenues derived from such operation of the System.

Section 7.15. Insurance. The Issuer will carry such insurance and in such amounts as is customarily carried with respect to works and properties similar to the System, with a reputable insurance carrier or carriers, against loss or damage by fire, explosion, hurricane, earthquake, cyclone, occupancy or other hazards and risks. In time of war, the Issuer shall also carry in said amount such insurance as may be available against loss or damage by the risks and hazards of war. The proceeds of all such insurance policies shall be placed in the Depreciation Fund and used only for the repair and restoration of the damaged or destroyed properties or for the other purposes provided herein for the Depreciation Fund. The Issuer will also carry liability insurance for damage or injury to persons or property in amounts adequate for such purposes and customarily carried with respect to works and properties similar to the System. The Issuer shall carry such other insurance as is deemed necessary by the Issuer, including but not limited to flood insurance and business interruption insurance, to the extent available at reasonable cost to the Issuer.

Section 7.16. Mandatory Connections. The mandatory use of the System is essential and necessary for the protection and preservation of the public health, comfort, safety, convenience and welfare of the inhabitants and residents of, and the economy of, the Issuer and in order to assure the rendering harmless of sewage and water-borne waste matter produced or arising within the territory served by the System. Accordingly, every owner, tenant or occupant of any house, dwelling or building located near the System, where sewage will flow by gravity or be transported by such other methods approved by the State Division of Health from such house, dwelling or building into the System, to the extent permitted by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, shall connect with and use the System and shall cease the use of all other means for the collection, treatment and disposal of sewage and waste matters from such house, dwelling or building where there is such gravity flow or transportation by such other method approved by the State Division of Health and such house, dwelling or building can be adequately served by the System, and every such owner, tenant or occupant shall, after a 30-day notice of the availability of the System, pay the rates and charges established therefor.

Any such house, dwelling or building from which emanates sewage or water-borne waste matter and which is not so connected with the System is hereby declared and found to be a hazard to the health, safety, comfort and welfare of the inhabitants of the Issuer and a public nuisance which shall be abated to the extent permitted by law and as promptly as possible by proceedings in a court of competent jurisdiction.

Section 7.17. Permits and Orders. The Issuer has obtained all permits required by state and federal laws for and all orders and approvals from the Public Service Commission of West Virginia, the BPH and the Council necessary for the operation of the System and all

approvals for issuance of the Series 2011 Bonds required by state law, with all requisite appeal periods having expired without successful appeal or been waived.

Section 7.18. Compliance With Law. The Issuer shall perform, satisfy and comply with all terms and conditions of the Act. The Issuer also agrees to comply with the Act and all applicable laws, rules and regulations issued by the Authority, the Council and the BPH or other state, federal or local bodies in regard to the operation, maintenance and use of the System.

Section 7.19. Tax Covenants. The Issuer hereby further covenants and agrees as follows:

A. PRIVATE BUSINESS USE LIMITATION. The Issuer shall assure that (i) not in excess of 10% of the Net Proceeds of the Series 2011 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 2011 Bonds during the term thereof is, under the terms of the Series 2011 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 to any property used or to be used for a Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for a Private Business Use; and (ii) that, in the event that both (A) in excess of 5% of the Net Proceeds of the Series 2011 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 2011 Bonds during the term thereof is, under the terms of the Series 2011 Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for said Private Business Use or in payments in respect of property used or to be used for said Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for said Private Business Use, then said excess over said 5% of Net Proceeds of the Series 2011 Bonds used for a Private Business Use shall be used for a Private Business Use related to the governmental use of the Project, or if the Series 2011 Bonds are for the purpose of financing more than one project, a portion of the Project, and shall not exceed the proceeds used for the governmental use of that portion of the Project to which such Private Business Use is related, all of the foregoing to be determined in accordance with the Code.

B. PRIVATE LOAN LIMITATION. The Issuer shall assure that not in excess of the lesser of 5% of the Net Proceeds of the Series 2011 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 2011 Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

D. INFORMATION RETURN. The Issuer will file all statements, instruments and returns necessary to assure that tax-exempt status of the Series 2011 Bonds and the interest thereon, including, without limitation, the information return required under Section 149(e) of the Code.

E. FURTHER ACTIONS. The Issuer will take any and all actions that may be required of it so that the interest on the Series 2011 Bonds will be and remain excludable from gross income for federal income tax purposes, and will not take any actions, or fail to take any actions, the result of which would adversely affect such exclusion.

F. TAXABLE SERIES OF SERIES 2011 BONDS EXCLUDED. Any taxable series of the Series 2011 Bonds shall be excluded from the foregoing provisions of this Section 7.19.

Section 7.20. Statutory Mortgage Lien. For the further protection of the Holders of the Series 2011 Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, shall take effect immediately upon delivery of the Series 2011 Bonds and shall be for the equal benefit of all Holders of Series 2011 Bonds; provided, however, that the statutory mortgage lien in favor of the Holders of the Series 2011 Bonds shall be on a parity with the statutory mortgage lien in favor of the Holders of the Series 2000 Bonds.

Section 7.21. Continuing Disclosures. In order to provide the written undertaking for the benefit of the owners of the Series 2011 Bonds required by the Securities and Exchange Commission Rule 15c2-12, the Issuer shall enter into a Continuing Disclosure Agreement in such form as may be approved by the Supplemental Resolution, and the Mayor is authorized and directed to execute and deliver such Continuing Disclosure Agreement on behalf of the Issuer, with such changes as the Mayor shall approve, such approval to be conclusively evidenced by the execution of such Certificate by the Mayor.

Section 7.22. Preliminary Official Statement; Official Statement. The distribution of the Preliminary Official Statement with respect to the Series 2011 Bonds shall be and the same is hereby approved. The form of the Preliminary Official Statement shall be in such form as may be approved by the Supplemental Resolution. The Mayor is hereby authorized and directed to execute and deliver a final official statement on behalf of the Issuer, which shall be in substantially the form of the Preliminary Official Statement with such changes, insertions and omissions as may be required to reflect the terms of the sale of the Series 2011 Bonds and as the Mayor may approve (the "Official Statement"). The execution of the Official Statement by the Mayor shall be conclusive evidence of such approval. Copies of the Official Statement are hereby authorized to be prepared and furnished to the Original Purchaser for distribution.

ARTICLE VIII

INVESTMENT OF FUNDS; NON ARBITRAGE

Section 8.01. Investments. So long as any of the Series 2000 Bonds remain Outstanding, the Series 2000 Bonds Ordinance shall govern the investment of moneys held as part of the funds and accounts created or continued by the Series 2000 Bonds Ordinance. Any moneys held as a part of the funds and accounts created or continued by this Bond Legislation shall be invested and reinvested by the Commission, the Depository Bank, or such other bank or national banking association holding such fund or account, as the case may be, at the written direction of the Issuer in any Qualified Investments to the fullest extent possible under applicable laws, this Bond Legislation, the need for such moneys for the purposes set forth herein, and the specific restrictions and provisions set forth in this Section 8.01.

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

The Depository Bank shall keep complete and accurate records of all funds, accounts and investments, and shall distribute to the Issuer, at least once each year (or more often if reasonably requested by the Issuer), a summary of such funds, accounts, and investment earnings. The Issuer shall retain all such records and any additional records with respect to such funds, accounts and investment earnings so long as any of the Series 2011 Bonds are Outstanding and so long thereafter as necessary to comply with the Code and assure the exclusion of interest on the Series 2011 Bonds (excluding however any taxable series of the Series 2011 Bonds) from gross income for federal income tax purposes.

Section 8.02. Certificate as to Arbitrage. The Issuer shall deliver a certificate as to 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 (or the exemption therefrom) and other tax matters as a condition to issuance of the Series 2011 Bonds as may be necessary in order to fully comply with Section 148(f) of the Code, and other provisions of the Code

pertaining to the exclusion of interest on the Series 2011 Bonds (excluding however any taxable series of the Series 2011 Bonds) from the gross income of the recipients thereof for purposes of federal income taxation and the Issuer covenants to take such actions, and refrain from taking such actions, as may be necessary to fully comply with such Section 148(f) of the Code and such Regulations, regardless of whether such actions may be contrary to any of the provisions of this Bond Legislation.

Section 8.03. Arbitrage. The Issuer covenants that (i) it shall not take, or permit or suffer to be taken, any action with respect to the proceeds of the Series 2011 Bonds (excluding however any taxable series of the Series 2011 Bonds) which would cause such Bonds to be "arbitrage bonds" under Section 148 of the Code and Regulations prescribed thereunder, and (ii) it will take all actions that may be required of it (including, without implied limitation, the timely filing of a federal information return with respect to such Bonds) so that the interest on such Bonds (excluding however any taxable series of the Series 2011 Bonds) will be and remain excluded from gross income for federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 8.04. Rebate of Excess Investment Earnings to the United States. In order to comply with Section 148(f) of the Code, the Issuer shall take the following actions:

A. EARNINGS FUND AND REBATE FUND. All interest earnings and profits on amounts in all funds and accounts established under this Ordinance, other than (i) interest earnings and profits on any funds referenced in Subsection C(5) of this Section if such earnings in any Bond Year are less than $100,000, provided that, if none of the Series 2011 Bonds are private activity bonds (including any "qualified 501(c)(3) bond" as defined under Section 145 of the Code), if the average maturity of the Series 2011 Bonds (determined in accordance with Section 174(b)(2)(A) of the Code) is at least 5 years and if the rate of interest on the Series 2011 Bonds does not vary during the term of the issue, then this clause (i) of this Section 8.04 shall be applied without regard to such dollar limitation, which interest earnings and profits shall be retained in the fund or account from which such earnings or profits arose to the extent not otherwise provided herein, (ii) interest earnings and profits on amounts in funds and accounts which do not constitute Gross Proceeds, and (iii) interest earnings and profits on the Rebate Fund shall, upon receipt by the Depository Bank, be deposited in the Earnings Fund. In addition, all interest earnings and profits on Gross Proceeds in funds held by the Issuer shall, upon receipt, be paid to the Depository Bank for deposit in the Earnings Fund. Annually, on or before the 30th day following the end of each Bond Year or on the preceding business day in the event that such day is not a business day, the Issuer shall transfer from the Earnings Fund to the Rebate Fund for purposes of ultimate payment to the United States an amount equal to Excess Investment Earnings, all as more particularly described in this Section. Following the transfer referenced in the preceding sentence, the Issuer shall transfer all amounts remaining in the Earnings Fund to be used for the payment of Debt Service on the next interest payment date and for such purpose, Debt Service due from the Issuer on such date shall be credited by an amount

equal to the amount so transferred. Notwithstanding the foregoing, the Issuer shall withdraw moneys from the Earnings Fund, if needed for the purpose of paying Debt Service or principal of or interest on the Series 2011 Bonds. In the event of withdrawal of any moneys from the Earnings Fund the Issuer shall restore such withdrawal from the first Gross Revenues available therefor, after payment of Debt Service or principal of or interest on the Series 2011 Bonds.

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

C. CALCULATION OF EXCESS INVESTMENT EARNINGS. Within 30 days following the last day of the first Bond Year, the Issuer shall calculate the Excess Investment Earnings. Thereafter, within 30 days following the last day of each Bond Year and within 30 days following the maturity date of the Series 2011 Bonds, the Issuer shall calculate the amount of Excess Investment Earnings. Said calculations shall be made or caused to be made by the Issuer in accordance with the following:

(1) Except as provided in (2), in determining the amount described in clause A(i) of the definition of Excess Investment Earnings, the aggregate amount earned on Nonpurpose Investments shall include (i) all income realized under federal income tax accounting principles (whether or not the person earning such income is subject to federal income tax) with respect to such Nonpurpose Investments and with respect to the reinvestment of investment receipts from such Nonpurpose Investments (without regard to the transaction costs incurred in acquiring, carrying, selling or redeeming such Nonpurpose Investments), including, but not limited to, gain or loss realized on the disposition of such Nonpurpose Investments (without regard to when such gains are taken into account under Section 453 of the Code relating to taxable year of inclusion of gross income), and income under Section 1272 of the Code (relating to original issue discount) and (ii) any unrealized gain or loss as of the date of retirement of the series 2011 Bonds in the event that any Nonpurpose Investment is retained after such date.

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

(3) In determining the amount described in clause (A)(ii) of the definition of Excess Investment Earnings, the Yield on the Series 2011 Bonds shall be determined based on the actual Yield of the Series 2011 Bonds during the period between the Closing Date of the Series 2011 Bonds and the date the computation is made (with adjustments for original issue discount or premium).

(4) In determining the amount described in clause (B) of the definition of Excess Investment Earnings, all income attributable to the excess described in clause (A) of said definition must be taken into account, whether or not that income exceeds the Yield of the Series 2011 Bonds, and no amount may be treated as "negative arbitrage."

(5) In determining the amount of Excess Investment Earnings, there shall be excluded any amount earned on any fund or account which is used primarily to achieve a proper matching of revenues and Debt Service within each Bond Year and which is depleted at least once a year except for a reasonable carryover amount not in excess of the greater of 1 year's earnings on such fund or account or 1/12th of annual Debt Service (which may include a portion of a fund or account, although not a separate and distinct fund or account) as well as amounts earned on said earnings if the gross earnings on such fund or account for the Bond Year is less than $100,000, provided that, if none of the Series 2011 Bonds are private activity bonds (including any "qualified 501(c)(3) bond" as defined under Section 145 of the Code), if the average maturity of the issue of the Series 2011 Bonds (determined in accordance with Section 147(b)(2)(A) of the Code) is at least 5 years and if the rate of interest on the issue of the Series 2011 Bonds does not vary during the term of the issue, then all amounts earned on such fund or account as well as amounts earned on said earnings shall be excluded in determining the amount of Excess Investment Earnings.

D. PAYMENT TO THE UNITED STATES. The Issuer shall pay from the Rebate Fund an amount equal to excess Investment Earnings to the United States in installments with the first payment to be made not later than 30 days after the end of the 5th Bond Year and with subsequent payments to be made not later than 5 years after the preceding payment was due. The Issuer shall assure that each such installment is in an amount equal to at least 90% of the Excess Investment Earnings with respect to the Gross Proceeds as of the close of the computation period. Not later than 60 days after the retirement of the Series 2011 Bonds, the Issuer shall pay from the Rebate Fund to the United States 100% of the theretofore unpaid Excess Investment Earnings in the Rebate Fund. In the event that there are any amounts remaining in the Rebate Fund following the payment required by the preceding sentence, the Issuer may use such amounts remaining for any lawful purpose of the System. The Issuer shall remit payments to the United States at the address prescribed by the Regulations as the same may be in time to time in effect with such reports and statements as may be prescribed by such Regulations. In the event that, for any reason, amounts in the Rebate Fund are insufficient to make the payments to the United States which are required by this Subsection D, the Issuer shall assure that such payments are made by the Issuer to the United States, on a timely basis, from any funds lawfully available therefor.

E. FURTHER OBLIGATIONS OF ISSUER. The Issuer shall assure that Excess Investment Earnings are not paid or disbursed except as required in this Section. To that end the Issuer shall assure that investment transactions are on an arm's length basis and that Nonpurpose Investments are acquired at their fair market value. In the event that Nonpurpose

Investments consist of certificates of deposit or investment contracts, investment in such Nonpurpose Investments shall be made in accordance with the procedures described in applicable Regulations as from time to time in effect. The Issuer shall keep the moneys in the Earnings Fund and Rebate Fund invested and reinvested to the fullest extent practicable in Government Obligations with maturities consonant with the required use thereof and investment profits and earnings shall be credited to the account of such fund on which earned.

F. MAINTENANCE OF RECORDS. The Issuer shall keep, and retain for a period of 6 years following the retirement of the Series 2011 Bonds, records of the determinations made pursuant to this Section 8.04.

G. INDEPENDENT CONSULTANTS. In order to provide for the administration of this Section 8.04, the Issuer and the Depository Bank (at the expense of the Issuer) may provide for the employment of independent attorneys, accountants or consultants compensated on such reasonable basis as the Issuer or the Depository Bank may deem appropriate.

H. FURTHER AGREEMENT. Notwithstanding the foregoing, the Issuer further covenants to comply with all Regulations from time to time in effect and applicable to the Series 2011 Bonds as may be necessary in order to fully comply with Section 148(f) of the Code, and to the extent necessary to comply with such Regulations, to take such actions, or refrain from taking such actions as may be necessary, regardless of whether such actions may be contrary to any of the provisions of this Section 8.04.

I. TAXABLE SERIES OF BONDS EXCLUDED. Any taxable series of the Series 2011 Bonds shall be excluded from the foregoing provisions of this Section 8.04.

ARTICLE IX

DEFAULT AND REMEDIES

Section 9.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Series 2011 Bonds:

A. If default occurs in the due and punctual payment of the principal of or interest on the Series 2011 Bonds; or

B. If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Series 2011 Bonds, set forth in this Bond Legislation, any supplemental resolution or in the Series 2011 Bonds, and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Commission, the Depository Bank, Registrar or any other Paying Agent or a Holder of a Series 2011 Bond; 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 Series 2000 Bonds or the Series 2000 Bonds Ordinance.

Section 9.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of a Bond may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his or her rights and, in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Holders of the Bonds, including the right to require the Issuer to perform its duties under the Act and the Bond Legislation relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Bonds, (iv) by action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Holders of the Bonds, and (v) by action or bill in equity enjoin any acts in violation of the Bond Legislation with respect to the Bonds, or the rights of such Registered Owners; provided that all rights and remedies of the Holders of the Series 2011 Bonds shall be on a parity with the Holders of the Series 2000 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 9.03. Appointment of Receiver. Any Holder of a Bond, may, by proper legal action, compel the performance of the duties of the Issuer under the Bond Legislation and the Act, including, after commencement of operation of the System, the making and collection of sufficient rates and charges for services rendered by the System and segregation of the revenues therefrom and the application thereof. If there be any Event of Default with respect to such Bonds, any Holder of a Bond, shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System on behalf of the Issuer with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of Operating Expenses of the System, the payment of the Bonds and interest and the deposits into the funds and accounts hereby established, and to apply such rates, rentals, fees, charges or other avenues in conformity with the provisions of this Bond Legislation and the Act.

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

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

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

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

Section 9.04. 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 X

DEFEASANCE; DISCHARGE OF PLEDGE OF ORDINANCE

Section 10.01. 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 2011 Bonds issued pursuant to this Ordinance 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 2011 Bonds made hereunder, shall thereupon cease, terminate and become void and be discharged and satisfied.

Series 2011 Bonds for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Paying Agent at the same or earlier time, shall be sufficient, to pay as and when due the respective principal of and interest on such Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Series 2011 Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited with the Commission or 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 Commission or said escrow trustee at the same or earlier time shall be sufficient, to pay when due the principal of, any redemption premium on and interest due and to become due on said Series 2011 Bonds on and prior to the maturity date thereof, or if the Issuer irrevocably determines to redeem any of said Series 2011 Bonds prior to the maturity thereof, on and prior to said redemption date. Neither securities nor moneys deposited with the Commission or an escrow trustee pursuant to this section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and interest on said Series 2011 Bonds; provided, that any cash received from such principal, redemption premium, if any, and interest payments on such securities deposited with the 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 Series 2011 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 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 U. S. Treasury Certificates, Notes or Bonds (including U. S. Treasury Certificates, State and Local Government Series--"SLGS"), direct obligations of the U.S. Treasury which have been stripped by the Treasury itself, CATS,

TIGRS and similar securities and 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
Direct obligations or fully guaranteed certificates of beneficial ownership

B. Farmers Home Administration, or its successors
Certificates of beneficial ownership

C. Federal Financing Bank

D. Federal Housing Administration Debentures

E. General Services Administration
Participation certificates

F. U. S. Maritime Administration
Guaranteed Title XI financing

G. New Communities Debenture
U. S. Government guaranteed debentures

H. U. S. Public Housing Notes and Bonds
U. S. Government guaranteed public housing notes and bonds

I. U. S. Department of Housing and Urban Development
Project Notes
Local Authority Bonds

ARTICLE XI

REGISTRAR; PAYING AGENT

Section 11.01. Appointment of Registrar. The Registrar for the Series 2011 Bonds shall be appointed pursuant to Supplemental Resolution pertaining to such series. The Mayor and the City Manager of the Issuer are each hereby authorized and directed to enter into an agreement with the Registrar, the form of which agreement is to be approved by such Supplemental Resolution.

Section 11.02. Responsibilities of Registrar. The recitals of fact in the Series 2011 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 2011 Bonds by the Issuer. Notwithstanding the foregoing, the Registrar shall be responsible for any representation in its Certificate of Authentication on the Series 2011 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 11.01.

The Registrar shall not incur any liability on account of the validity of the execution of any Series 2011 Bonds by the Issuer. Notwithstanding the foregoing, the Registrar shall be responsible for any representation in its Certificate of Authentication on the Series 2011 Bonds. The Registrar and any successor thereto shall agree to perform all the duties and responsibilities incident thereto, all as provided by said agreement described in Section 11.01.

Section 11.03. Evidence on Which Registrar May Act. Except as otherwise provided by Section 12.02, 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 11.04. Compensation and Expenses. The Issuer shall pay to the Registrar from time to time reasonable compensation for all services, including the transfer of registration of Series 2011 Bonds, the first exchange of Series 2011 Bonds and the exchange of Series 2011 Bonds in the event of partial redemption, incurred in the performance of its duties hereunder.

Section 11.05. Certain Permitted Acts. The Registrar may become the owner of or may deal in Series 2011 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 also serve in the capacity as

Depository Bank, 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 2011 Bonds or this Ordinance, whether or not any such committee shall represent the Holders of a majority in principal amount of the Series 2011 Bonds Outstanding.

Section 11.06. 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 mailing such notice to each Bondholder, specifying the date when such resignation shall take effect. Such resignation shall take effect upon the day specified in such notice unless a successor shall have been previously appointed by the Issuer or Bondholders, in which event such resignation shall take effect immediately.

Section 11.07. Removal. The Registrar may be removed at any time by the Issuer or by the Holders of a majority in principal amount of the Series 2011 Bonds then Outstanding by an instrument or concurrent instruments in writing signed and duly acknowledged by the Issuer or by such Bondholders or their attorneys duly authorized in writing and delivered to the Issuer, as the case may be. Copies of each such instrument shall be delivered by the Issuer to the Registrar.

Section 11.08. 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 2011 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 mail to each Bondholder notice of any such appointment within 20 days after the effective date of such appointment. 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 11.09. Transfer of Rights and Property to Successor. Any predecessor Registrar or Paying Agent shall pay over, assign and delivery any moneys, books and records held by it to its successor.

Section 11.10. 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 11.08.

Section 11.11. Adoption of Authentication. In case any of the Series 2011 Bonds shall have been authenticated but not delivered, any successor Registrar may adopt a Certificate of Authentication and Registration executed by any predecessor Registrar and deliver such Series 2011 Bonds so authenticated, and, in case any Series 2011 Bonds shall have been prepared but not authenticated, any successor Registrar may authenticate such Series 2011 Bonds in the name of the predecessor Registrar or in its own name.

Section 11.12. Paying Agent. The Paying Agent for the Series 2011 Bonds shall be the Commission or any other Paying Agent appointed by the Issuer pursuant to a Supplemental Resolution pertaining to such series. Any alternate Paying Agent must be a bank, trust company, national banking association or other entity authorized to perform the duties imposed upon it by this Ordinance. Such alternate Paying Agent shall signify its acceptance of the duties and obligations imposed upon it pursuant hereto by executing and delivering to the Issuer a written acceptance thereof. Any successor Paying Agent shall take such actions as may be necessary to ensure that the Series 2011 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, national banking association or other authorized entity to fill such vacancy; provided, however, that, if the Issuer shall fail to appoint such Paying Agent within said period, the Commission, a court of competent jurisdiction or a majority of the Bondholders may make such appointment.

The Paying Agent shall enjoy the same protective provisions in the performance of their duties hereunder as are specified in this Article XI 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 11.08 hereof with respect to the appointment of a successor Registrar.

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

ARTICLE XII

MISCELLANEOUS

Section 12.01. Amendment of Ordinance. Prior to the issuance of the Series 2011 Bonds, this Ordinance may be amended or supplemented in any way by the Supplemental Resolution. Following issuance of the Series 2011 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 2011 Bonds (excluding however any taxable series of the Series 2011 Bonds). Otherwise, no materially adverse amendment or modification to this Ordinance, or of any Supplemental Resolution, may be made without the written consent of the Holders of 60% in aggregate principal amount of the Series 2011 Bonds then Outstanding and affected thereby, which must be filed with the Recorder before any such modification or amendment may be made. No such modification or amendment shall extend the maturity of or reduce the interest rate on, or otherwise alter the terms of payment of the principal of or interest on, any Series 2011 Bond without the express written consent of the Holder of such Bond, nor reduce the percentage of Series 2011 Bonds required for consent to any such modification or amendment.

Section 12.02. Evidence of Signatures of Bondholders and Ownership of Bonds. Any request, consent, revocation of consent or other instrument which this Ordinance may require or permit to be signed and executed by Bondholders may be in one or more instruments of similar tenor, and shall be signed or executed by such Bondholders in person or by their attorneys duly authorized in writing. Proof of the execution of any such instrument, or of an instrument appointing or authorizing any such attorney, shall be sufficient for any purpose of this Ordinance if made in the following manner, or in any other manner satisfactory to the Issuer or the Registrar, as the case may be, which may nevertheless in its discretion require further or other proof in cases where it deems the same desirable.

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

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

treasurer of such corporation with a corporate seal affixed, and is attested by a person purporting to be its secretary or assistant secretary.

C. The amount of fully registered Series 2011 Bonds held by a person executing any instrument as a Bondholder, the date of his holding such Series 2011 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 Series 2011 Bond shall bind all future Holders and owners of such Series 2011 Bond in respect of anything done or suffered to be done hereunder by the Issuer or the Registrar in accordance therewith.

Section 12.03. 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 pledged created by this Ordinance shall be discharged as provided in Section 10.01.

Section 12.04. Cancellation of Bonds. All Series 2011 Bonds purchased or paid shall, if surrendered to the Issuer, be cancelled and delivered to the Registrar, or, if surrendered to the Registrar, be cancelled by it. No such Series 2011 Bonds shall be deemed Outstanding under this Ordinance and no Series 2011 Bonds shall be issued in lieu thereof. All such Bonds shall be cancelled and upon order of the Issuer shall be destroyed, and a certificate evidencing such destruction shall be delivered to the Issuer.

Section 12.05. Failure to Present Series 2011 Bonds. Anything in this Ordinance to the contrary notwithstanding, any moneys held by the Commission or a Paying Agent in trust for the payment and discharge of any of the Series 2011 Bonds which remain unclaimed for 1 year after the date on which such Series 2011 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 Commission or said Paying Agent to the Issuer as its absolute property and free from trust, and the Commission or said Paying Agent shall thereupon be released and discharged with respect thereto, and the Holders of such Series 2011 Bonds shall look only to the Issuer for the payment of such Series 2011 Bonds; provided, however, that, before making any such payment to the Issuer, the Registrar, if so advised by the 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.

Section 12.06. Demands and Requests. Unless otherwise expressly provided, all notices, demands and requests to be given or made hereunder to or by the Issuer, the Registrar, the Paying Agent, the Depository Bank, the Original Purchaser or the Bond Insurer shall be in writing and shall be properly made if sent by United States mail, postage prepaid, and addressed as follows or if hand-delivered to the individual to whom such notice, demand or request is required to be directed as indicated below:

ISSUER

City of Martinsburg
City Hall
232 North Queen Street
Martinsburg, West Virginia 25401

REGISTRAR

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

PAYING AGENT

West Virginia Municipal Bond Commission
1207 Quarrier Street, Suite 401
Charleston, West Virginia 25301

DEPOSITORY BANK

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

ORIGINAL PURCHASER

Crews & Associates, Inc.
First Security Center
521 President Clinton Avenue
Suite 800
Little Rock, Arkansas 72201

BOND INSURER

[Name(s) and address(s) to be set forth in
Supplemental Resolution, if applicable]

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 12.07. No Personal Liability. No member of the council or officer or employee of the Issuer shall be individually or personally liable for the payment of the principal of or the interest on any Series 2011 Bond, but nothing herein contained shall relieve any such member, official or employee for the performance of any official duty provided by law or this Ordinance.

Section 12.08. Law Applicable. The laws of the State shall govern the construction of this Ordinance and of all bonds issued hereunder.

Section 12.09. Parties Interested Herein. Nothing in this Ordinance expressed or implied is intended or shall be construed to confer upon, or give to, any person or corporation, other than the Issuer, the Registrar, the Paying Agent, the Holders of the Series 2011 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 Series 2011 Bonds and the Original Purchaser.

Section 12.10. 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 12.11. 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 12.12. Conflicting Provisions Repealed. Except for the Series 2000 Bonds Ordinance, all ordinances, orders, resolutions or parts thereof in conflict with the provisions of this Ordinance, are, to the extent of such conflict, hereby repealed. In the event of a conflict between this Ordinance and the Series 2000 Bonds Ordinance, the more restrictive shall control so long as the Series 2000 Bonds are Outstanding.

Section 12.13. 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, the City Manager, the Recorder and members of the Governing Body were at all times when any actions in connection with this Ordinance occurred and are duly in office and duly qualified for such office.

Section 12.14. Procedure on Enactment of Ordinance; Public Hearing. Upon adoption of this Ordinance, the Recorder is hereby authorized and directed to have an abstract of this Ordinance, substantially in the form attached hereto as Exhibit B, which abstract has been determined by the Council of the Issuer to contain sufficient information to give notice of the contents of such Ordinance, published once each week for 2 successive weeks, with not less than six full days between each publication, the first such publication to be not less than 10 days before the date stated below for the public hearing, in The Journal, a newspaper published and having a general circulation in the City of Martinsburg, together with a notice to all persons concerned, stating that this Ordinance has been adopted and that the Issuer contemplates the issuance of the Series 2011 Bonds described in this Ordinance and that any person interested may appear before the Council at the public hearing to be had at a public meeting of Council on the 10th day of November, 2011, at 6:30 p.m., in the meeting room of the Council in the City Hall of the City of Martinsburg and present protests, and that a certified copy of this Ordinance is on file in the office of the Recorder for review by interested parties during the office hours of the Recorder. At such hearing all protests and suggestions shall be heard by the Council and it shall then take such action as it shall deem proper in the premises.

This Ordinance shall become effective following public hearing hereon in accordance with the Act.

Passed on First and Second Reading	October 13, 2011
Passed on Third Reading:	October 20, 2011
Put into effect following Public Hearing held on:	November 10, 2011

[SEAL]

_____
Mayor

_____
City Manager

ATTEST:

_____
Recorder

EXHIBIT A

FORM OF SERIES 2011 BOND

No. R-_____ $_____

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF MARTINSBURG
COMBINED WATERWORKS AND SEWERAGE SYSTEM
REFUNDING REVENUE BOND,
SERIES 2011

Interest Rate	Maturity Date	Bond Date	CUSIP No.

Registered Owner: _____

Principal Amount:_____

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF MARTINSBURG, 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 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, at the Interest Rate per annum specified above, semiannually on _____ and _____ of each year, beginning _____ 1, 201_, except as the provisions hereinafter set forth as to redemption may become applicable hereto. The principal of this Bond is payable in any coin or currency which, on the date of payment thereof, is legal tender for the payment of public and private debts under the laws of the United States of America upon surrender of this Bond at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia, as Paying Agent (the "Paying Agent"); and interest on this Bond is payable by check or draft, mailed to the Registered Owner at his address as it appears on the books of _____, _____, _____, (the "Registrar") on the _____ day of the month preceding said interest payment date (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 to the Registrar at least 5 days prior to such interest payment date by such Registered Owner.

This Bond is one of a series of bonds (the "Series 2011 Bonds"), in the aggregate principal amount of $9,500,000, of like tenor and effect, except as to number, denomination, date of maturity and interest rate, dated _____ __, 2011, the proceeds of which are to be used, together with other funds of the Issuer, (i) to refund all or part of the Issuer's Combined Waterworks and Sewerage System Revenue Bonds, Series 2001 (the "Series 2001 Bonds") previously issued on September 6, 2001, to finance the costs of acquisition and construction of certain additions, betterments and improvements to the Issuer's existing combined waterworks and sewerage system (the "System"); (ii) to fund a debt service reserve account for the Series 2011 Bonds; and (iii) to pay certain costs of issuance of the Series 2011 Bonds. The Series 2011 Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 8, Article 20 and Chapter 13, Article 2E of the Code of West Virginia, 1931, as amended (the "Act"), and an ordinance duly enacted by the City Council of the City on _____, 2011, and put into effect following a public hearing held on _____, 2011, as supplemented and amended by a Supplemental Resolution adopted on _____, 2011 (hereinafter collectively referred to as the "Ordinance"), and is subject to all the terms and conditions of said Ordinance. The Ordinance provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Series 2011 Bonds under the Ordinance.

THE SERIES 2011 BONDS ARE ISSUED ON PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCES OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE (1) THE ISSUER'S COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2000A (WEST VIRGINIA DWTRF PROGRAM), DATED SEPTEMBER 27, 2000, ORIGINALLY ISSUED IN THE AGGREGATE PRINCIPAL AMOUNT OF $7,564,000, (2) THE ISSUER'S COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2000B (WEST VIRGINIA INFRASTRUCTURE FUND), DATED SEPTEMBER 27, 2000, ORIGINALLY ISSUED IN THE AGGREGATE PRINCIPAL AMOUNT OF $3,000,000, AND (3) THE ISSUER'S COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2000C (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), DATED SEPTEMBER 27, 2000, ORIGINALLY ISSUED IN THE AGGREGATE PRINCIPAL AMOUNT OF $1,976,352 (COLLECTIVELY, THE "PRIOR BONDS").

OPTIONAL REDEMPTION OF BONDS.

The Series 2011 Bonds maturing on or after _____ 1, _____, shall be redeemable prior to their stated date of maturity at the option of the Issuer on or after _____ 1, 20___, in whole at any time or in part on any interest payment date, in such order of maturity as shall be designated to the Registrar by the Issuer and by lot within a

maturity, at the respective redemption prices (expressed as percentages of the principal amount to be redeemed) set forth below, plus interest accrued to the date fixed for redemption:

Redemption Periods (Both Dates Inclusive)	Redemption Prices

MANDATORY REDEMPTION OF BONDS.

The Bonds maturing on _____ 1, _____, are required to be redeemed prior to maturity in accordance with the sinking fund requirements of the Ordinance on _____ 1 in the years and in the principal amounts and at a price of 100% of the principal amount of the Bonds to be redeemed plus interest accrued to the redemption date, as follows:

Year	Amount

When such Bonds have been redeemed as set forth above, a balance of $_____ will mature on _____ 1, _____, unless previously retired.

The Bonds maturing on _____ 1, ____ are required to be redeemed prior to maturity in accordance with the sinking fund requirements of the Ordinance on ____ 1 in the years and in the principal amounts and at a price of 100% of the principal amount of the Bonds to be redeemed plus interest accrued to the redemption date, as follows:

Year	Amount

When such Bonds have been redeemed as set forth above, a balance of $_____ will mature on ____ 1, ____, unless previously retired.

The Bonds maturing on ____ 1, ____ are required to be redeemed prior to maturity in accordance with the sinking fund requirements of the Ordinance on ____ 1 in the years and in the principal amounts and at a price of 100% of the principal amount of the Bonds to be redeemed plus interest accrued to the redemption date, as follows:

Year	Amount

When such Bonds have been redeemed as set forth above, a balance of $_____ will mature on ____ 1, ____, unless previously retired.

Notice of any redemption of the Series 2011 Bonds, unless waived, shall be given by the Registrar by mailing an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Series 2011 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 Series 2011 Bonds or portions of the Series 2011 Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the Issuer shall default in the payment of the redemption price) such Series 2011 Bonds or portions of Series 2011 Bonds shall cease to bear interest.

Failure to receive such notice or any defect therein or in the mailing thereof shall not affect the validity of proceedings for the redemption of this Series 2011 Bond.

The Series 2011 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 parity with the pledge of the Gross Revenues in favor of the holders of the Prior Bonds, all moneys in the Sinking Fund established under the Ordinance, and unexpended proceeds of the Series 2011 Bonds, and the Issuer hereby and in the Ordinance pledges such revenues and moneys to such payment. Said Gross Revenues shall be sufficient to pay the principal of and interest on all the Series 2011 Bonds, the Prior Bonds and all subsequent bonds which may be issued pursuant to the Ordinance and shall be set aside as a special fund hereby pledged for such purpose and to make the other payments required by the Ordinance. This Series 2011 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 2011 Bonds Sinking Fund and said unexpended Series 2011 Bond proceeds. Pursuant to the Ordinance, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest on the Series 2011 Bonds, and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2011 Bonds, including the Prior Bonds, provided however, that so long as there exists in the Series 2011 Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest which will become due on the Series 2011 Bonds in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with the Series 2011 Bonds, including the Prior Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. Such required payments on behalf of the principal of and interest on all such bonds shall constitute a charge upon the Gross Revenues of the System. The Issuer has entered into certain further covenants with the registered owners of the Series 2011 Bonds, for the terms of which

reference is made to the Ordinance. Remedies provided the registered owners of the Series 2011 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 Series 2011 Bonds except for accrued interest thereon, shall be applied solely refund all or part of the Series 2001 Bonds, to fund a debt service reserve fund for the Series 2011 Bonds, and to pay certain issuance and other costs in connection therewith, 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 Series 2011 Bonds.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond have existed, have happened and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of the Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia, and that a sufficient amount of the revenues of the System has been pledged to and will be set aside into said special fund by the Issuer for the prompt payment of the principal of and interest on the Series 2011 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 within-described Ordinance.

This Bond has been properly designated by the Issuer as a "qualified tax-exempt obligation" as defined in Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended.

This Bond is, under the Act, exempt from taxation by the State of West Virginia, except inheritance, estate and transfer taxes.

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 MARTINSBURG has caused this Bond to be signed by its Mayor and its City Manager, and its corporate seal to be imprinted hereon and attested by its Recorder, and has caused this Bond to be dated as of the Bond Date specified above.

_____ _____

Mayor City Manager

[SEAL]

ATTEST:

_____

Recorder

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the fully registered Series 2011 Bonds described in the within-mentioned Ordinance and has been duly registered in the name of the Registered Owner designated above on the date set forth below.

Dated: _____, _____.

_____
as Registrar

By:_____
Its: Authorized Officer

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto _____ the within Bond and does hereby irrevocably constitute and appoint _____ attorney to transfer the said Bond on the books kept for registration of the within Bond with full power of substitution in the premises.

Dated: _____, _____.

_____

SIGNATURE GUARANTEED:

_____

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.

The Registrar will not effect transfer of this Bond unless the information concerning the transferee requested below is provided. The transferor should complete whichever of the following is applicable.

INDIVIDUAL:

Name and Address:

_____

_____

_____

Social Security Number: _____

(Include information for all joint owners if the Bond is held by joint account)

CORPORATION OR PARTNERSHIP:

_____

_____

_____

Tax Identification Number:_____

TRUST:

Name of Trust:

_____
_____
_____

Name and Address of Settlor:

_____
_____
_____

Name and Address of Trustee:

_____
_____
_____

Tax Identification Number of Trust: _____

Tax Identification Number of Social Security Number
of Settlor: _____

NOMINEE:

Name and Address:

_____
_____
_____

Tax Identification Number of Social Security
Number: _____

(If the Bond is to be registered in nominee name, then include information for the principal.)

EXHIBIT B

NOTICE OF PUBLIC HEARING
CITY OF MARTINSBURG
NOTICE OF PUBLIC HEARING
ON BOND ORDINANCE

A public hearing will be held on the following entitled Ordinance at a regular meeting of the Council of the City of Martinsburg to be held on Thursday, November 10, 2011, at 6:30 p.m., in the Council Chambers at the Martinsburg City Hall, 232 North Queen Street, Martinsburg, West Virginia, and at such hearing all objections 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 REFUNDING OF ALL OR PART OF THE CITY OF MARTINSBURG COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2001 AND THE ISSUANCE BY THE CITY OF MARTINSBURG OF NOT MORE THAN NINE MILLION FIVE HUNDRED THOUSAND DOLLARS ($9,500,000.00) IN AGGREGATE PRINCIPAL AMOUNT OF CITY OF MARTINSBURG COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS, SERIES 2011, IN ONE OR MORE SERIES, THE PROCEEDS OF WHICH, TOGETHER WITH OTHER FUNDS OF THE CITY AVAILABLE FOR SAID PURPOSE, SHALL BE EXPENDED FOR SUCH REFUNDING AND TO PAY COSTS IN CONNECTION THEREWITH; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDERS OF SUCH COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS; AUTHORIZING A PRELIMINARY OFFICIAL STATEMENT, OFFICIAL STATEMENT, BOND PURCHASE AGREEMENT, CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS RELATING TO THE OFFERING AND SALE OF SUCH COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS; AND ADOPTING OTHER PROVISIONS RELATING THERETO.

The above-entitled Ordinance was enacted by the Council of the City of Martinsburg on October 20, 2011.

The above quoted title of the Ordinance describes generally the contents thereof and the purposes of the Bond issue contemplated thereby. The Bonds are being issued to refund all or part of the City of Martinsburg Combined Waterworks and Sewerage System Revenue Bonds, Series 2001, previously issued to provide permanent financing of a portion of the costs of acquisition and construction of certain additions, betterments and improvements to the water treatment and distribution facilities for the City of Martinsburg. The Bonds are payable solely from revenues derived from the ownership and operation of the combined waterworks and sewerage system of the City of Martinsburg. 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 at the office of the Recorder of the City of Martinsburg for review by interested parties during regular office hours.

Following the said public hearing, the City Council intends to put said Ordinance into effect.

Dated: _____, 2011.

/s/ _____, Recorder

CERTIFICATION

Certified a true, correct and complete copy of an Ordinance duly enacted by the City Council of the CITY OF MARTINSBURG at a _____ meeting of the City Council held at _____ ___.m., on _____, 2011, pursuant to proper notice, at which meeting a quorum was present and acting throughout, and which Ordinance was put into effect following a public hearing thereon held at _____ __.m. on _____, 2011, notice of which public hearing was published once a week for two successive weeks in a newspaper having a general circulation in the City of Martinsburg, the first publication having been not less than 10 days prior to such public hearing.

Dated this ____ day of _____, 2011.

[SEAL]

_____
Recorder

RESOLUTION 2011-20

CITY OF MARTINSBURG
$9,500,000
COMBINED WATERWORKS AND SEWERAGE SYSTEM
REFUNDING REVENUE BONDS,
SERIES 2011

SUPPLEMENTAL RESOLUTION PUTTING ORDINANCE INTO EFFECT; PROVIDING AS TO AMOUNTS, MATURITIES, INTEREST RATES, REDEMPTION PROVISIONS, PURCHASE PRICE AND OTHER DETAILS AS TO THE COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS, SERIES 2011, OF THE CITY; AUTHORIZING AND APPROVING A BOND PURCHASE AGREEMENT, AN ESCROW AGREEMENT, A PRELIMINARY OFFICIAL STATEMENT AND OTHER INSTRUMENTS AND DOCUMENTS RELATING TO THE BONDS, PROVIDING FOR THE APPOINTMENT OF A REGISTRAR, ESCROW TRUSTEE AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, The City of Martinsburg (the "Issuer"), in the County of Berkeley, State of West Virginia, is a municipal corporation of said State, the governing body of which is its Council (the "Council");

WHEREAS, the Council duly enacted on October 20, 2011, an ordinance (the "Ordinance") entitled:

ORDINANCE AUTHORIZING THE REFUNDING OF ALL OR PART OF THE CITY OF MARTINSBURG COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2001 AND THE ISSUANCE BY THE CITY OF MARTINSBURG OF NOT MORE THAN NINE MILLION FIVE HUNDRED THOUSAND DOLLARS ($9,500,000.00) IN AGGREGATE PRINCIPAL AMOUNT OF CITY OF MARTINSBURG COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS, SERIES 2011, IN ONE OR MORE SERIES, THE PROCEEDS OF WHICH, TOGETHER WITH OTHER FUNDS OF THE CITY AVAILABLE FOR SAID PURPOSE, SHALL BE EXPENDED FOR SUCH REFUNDING AND TO PAY COSTS IN CONNECTION THEREWITH; PROVIDING FOR THE RIGHTS

AND REMEDIES OF AND SECURITY FOR THE HOLDERS OF SUCH COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS; AUTHORIZING A PRELIMINARY OFFICIAL STATEMENT, OFFICIAL STATEMENT, BOND PURCHASE AGREEMENT, CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS RELATING TO THE OFFERING AND SALE OF SUCH COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS; AND ADOPTING OTHER PROVISIONS RELATING THERETO;

providing for the issuance of its Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011, in one or more series (collectively, the "Series 2011 Bonds"), in an aggregate principal amount not to exceed $9,500,000;

WHEREAS, a public hearing was held with respect to the Ordinance earlier on this date following proper notice thereof, all comments have been heard and the Council desires to put the Ordinance into effect;

WHEREAS, the Series 2011 Bonds are being issued for the purpose of refunding all or part of the Issuer's outstanding Combined Waterworks and Sewerage System Revenue Bonds, Series 2001 (the "Series 2001 Bonds") and paying costs of issuance thereof, in accordance with Chapter 13, Article 2E, of the West Virginia Code of 1931, as amended (the "Refunding Act"), and Chapter 8, Article 20, of the West Virginia Code of 1931, as amended (the "Act");

WHEREAS, the Ordinance provided that, among other things, the principal amount of the Series 2011 Bonds to be sold, the number of series and the maturities, interest rates, redemption provisions and the prices of the Series 2011 Bonds should be established, that an Escrow Trustee, Registrar and Depository Bank be designated, that an Escrow Agreement, Bond Purchase Agreement, Preliminary Official Statement and other instruments and documents be approved and that other matters pertaining to the Series 2011 Bonds be provided for by a supplemental resolution of this Council;

WHEREAS, the Series 2011 Bonds are proposed to be purchased by Crews & Associates, Inc. (the "Original Purchaser") pursuant to a Bond Purchase Agreement between the Issuer and the Original Purchaser (the "Bond Purchase Agreement");

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

WHEREAS, this Council deems it essential and desirable that this Resolution be adopted and that the Bond Purchase Agreement, the Escrow Agreement, the Continuing Disclosure Certificate and the Preliminary Official Statement relating to the Series 2011 Bonds, hereinafter described, be approved, that the prices of the Series 2011 Bonds, the maturity dates and amounts, the redemption provisions, the interest rates, the number or series and the principal amount of the Series 2011 Bonds be fixed hereby in the manner stated herein, and that other matters relating to the Series 2011 Bonds be herein provided for, all in accordance with said Ordinance;

NOW, THEREFORE, THE COUNCIL OF THE CITY OF MARTINSBURG HEREBY RESOLVES:

Section 1. The Ordinance shall be and hereby is put into effect as of the date hereof.

Section 2. Pursuant to the Ordinance, the Refunding Act and the Act, this Resolution is adopted and there are hereby authorized and ordered to be issued the Series 2011 Bonds in an aggregate principal amount not to exceed $9,500,000.

The Series 2011 Bonds shall be dated their date of issuance or such other date set forth in the Certificate of Determination described in Section 10 below. The principal amount(s) of the Series 2011 Bonds; the Series 2001 Bonds to be redeemed; the number of series of Series 2011 Bonds, whether each series is to be tax-exempt or taxable and the designation of the names of such multiple series of bonds; the maturities of the Series 2011 Bonds, which maturities shall not to be later than September 1, 2031; the interest rates on the Series 2011 Bonds, which rates shall not to exceed 6% for tax-exempt bonds and 5% for taxable bonds; the redemption provisions of the Series 2011 Bonds; the purchase price(s) of the Series 2011 Bonds; and the form of the bond evidencing a taxable series of bonds, if issued, shall all be as approved in the Certificate of Determination described in Section 10 below.

All other provisions relating to the Series 2011 Bonds shall be as provided in the Ordinance, and the Series 2011 Bonds shall be in substantially the form provided in the Ordinance with respect to a tax-exempt series of Series 2011 Bonds and in the form approved by the Certificate of Determination described in Section 10 below for a taxable series of Series 2011 Bonds, if issued.

Section 3. The Bond Purchase Agreement between the Original Purchaser and the Issuer, substantially in the form submitted to this meeting, and the execution and delivery thereof (in multiple counterparts) by the Mayor or City Manager on behalf of the Issuer are hereby authorized, approved and directed. The Mayor or City Manager shall execute and deliver the Bond Purchase Agreement with such changes, insertions and omissions as may be approved by the Mayor or City Manager, and the Recorder is hereby authorized to affix the seal of the Issuer thereto and to attest the seal if requested by the Mayor or City Manager. Execution of the Bond Purchase Agreement by either the Mayor or City Manager shall be conclusive evidence of any approval required by this Section. The price(s), maturities and redemption provisions of the

Series 2011 Bonds to be included in the Bond Purchase Agreement shall be as approved by the Certificate of Determination.

Section 4. As provided in the Ordinance, the Issuer has reserved the right to obtain bond insurance relating to the Series 2011 Bonds if it is found to be advantageous to the Issuer. If bond insurance is obtained, the Issuer is authorized to enter into a financial guaranty agreement or similar agreement by and between the Issuer and such bond insurer. The Mayor or City Manager shall execute and deliver the financial guaranty agreement or similar agreement in such form as may be approved by the Mayor or City Manager, and the Recorder is hereby authorized to affix the seal of the Issuer thereto and to attest the seal if requested by the Mayor or City Manager. Execution of the financial guaranty agreement or similar agreement by the Mayor or City Manager shall be conclusive evidence of any approval required by this Section.

Section 5. The Escrow Agreement by and among the Issuer, the West Virginia Municipal Bond Commission and the Escrow Trustee to be designated in the Certificate of Determination, substantially in the form submitted to this meeting, and the execution and delivery thereof (in multiple counterparts) by the Mayor or City Manager on behalf of the Issuer are hereby authorized, approved and directed. The Mayor or City Manager shall execute and deliver the Escrow Agreement with such changes, insertions and omissions as may be approved by the Mayor or City Manager, and the Recorder is hereby authorized and directed to affix the seal of the Issuer thereto and to attest the seal if requested by the Mayor or City Manager. Execution of the Escrow Agreement by the Mayor or City Manager shall be conclusive evidence of any approval required by this Section.

Section 6. The form of the Preliminary Official Statement substantially in the form submitted to this meeting (with such changes, insertions and omissions as may be necessary or advisable in the opinion of the Mayor or City Manager) and the distribution of counterparts or copies thereof by the Original Purchaser are hereby approved. The Mayor or City Manager shall execute and deliver the Official Statement, substantially in the form of the Preliminary Official Statement with such changes, insertions and omissions as may be approved by the Mayor or the City Manager. The execution of the Official Statement by the Mayor or City Manager shall be conclusive evidence of any approval required by this Section. The distribution of counterparts or copies of the Official Statement by the Original Purchaser is also hereby approved.

Section 7. The Continuing Disclosure Certificate by the Issuer, substantially in the form submitted to this meeting, and the execution and delivery thereof (in multiple counterparts) by the Mayor or City Manager on behalf of the Issuer are hereby authorized, approved and directed. The Mayor or City Manager shall execute and deliver the Continuing Disclosure Certificate with such changes, insertions and omissions as may be approved by the Mayor or City Manager, and the Recorder is hereby authorized and directed to affix the seal of the Issuer thereto and to attest the seal if requested by the Mayor or City Manager. Execution of the Continuing Disclosure Certificate by the Mayor or City Manager shall be conclusive evidence of any approval required by this Section.

Section 8. The Issuer does hereby appoint and designate Jefferson Security Bank to serve in the capacity of Depository Bank.

Section 9. The firm of Bowles Rice McDavid Graff & Love LLP, Charleston, West Virginia, is hereby appointed bond counsel to the City in connection with the issuance of the Series 2011 Bonds.

Section 10. The Mayor and City Manager shall each have the power and authority to execute and deliver the Certificate of Determination, which may include, without limitation, provisions (i) fixing the aggregate principal par amount of the Series 2011 Bonds to be issued, not to exceed $9,500,000 in the aggregate; (ii) establishing the date of the Series 2011 Bonds if different than their date of issuance; (iii) designating the Series 2001 Bonds to be redeemed; (iv) designating the number of series of Series 2011 Bonds, whether each series is to be tax-exempt or taxable and designating the names of such multiple series of bonds; (v) establishing the maturities of the Series 2011 Bonds, which maturities shall be no later than September 1, 2031; (vi) establishing the interest rates on the Series 2011 Bonds, which interest rates shall not exceed 6% for tax-exempt Series 2011 Bonds and 5% for taxable Series 2011 Bonds; (vii) establishing the redemption provisions of the Series 2011 Bonds; (viii) setting the purchase price(s) of the Series 2011 Bonds, which may include a premium, an underwriting discount and/or an original issue discount; (ix) providing for the form of the bond evidencing a taxable series of Series 2011 Bonds, if issued; (x) designating an Escrow Trustee and Registrar and approving the forms of any agreements with the Escrow Trustee and/or Registrar; (xi) fixing the amounts and time of sinking fund installments on the Series 2011 Bonds, including times and redemption prices; (xii) determining whether the Series 2011 Bonds are to be evidenced by certificates or are to be issued by means of a book-entry system; (xiii) designating the amount of the proceeds of the Series 2011 Bonds to be deposited in the Series 2011 Bonds Reserve Account; (xiv) determining to obtain bond insurance for all or part of the Series 2011 Bonds; and (xv) modifying or otherwise completing and finalizing the provisions of the Bond Purchase Agreement or the Ordinance.

Section 11. The Mayor, the City Manager and the Recorder are each hereby authorized and directed to execute and deliver such other documents and certificates required or desirable in connection with the issuance of the Series 2011 Bonds, hereby and by the Ordinance approved to the end that the Series 2011 Bonds may be delivered at the earliest practicable date to the Original Purchaser pursuant to the Bond Purchase Agreement.

Section 12. Under the provisions of the Refunding Act and the Act, and as provided in the Ordinance and the Series 2011 Bonds, the Series 2011 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 combined waterworks and sewerage system of the Issuer, the Series 2011 Bonds Reserve Account established by the Ordinance and proceeds of the Series 2011 Bonds, until expended, 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 2011 Bonds and the interest thereon.

Section 13. All Series 2011 Bonds determined by the Certificate of Determination to be tax-exempt are hereby designated as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended. Further, the Issuer finds and determines that the Issuer and all subordinate entities do not reasonably expect to issue more than $10,000,000 of tax-exempt obligations during the calendar year 2011.

Section 14. This Resolution shall be effective immediately.

Adopted this 10th day of November, 2011.

[SEAL]

_____
Mayor

_____
City Manager

ATTEST:

_____
Recorder

RESOLUTION 2011-23

CITY OF MARTINSBURG
$9,500,000
COMBINED WATERWORKS AND SEWERAGE SYSTEM
REFUNDING REVENUE BONDS,
SERIES 2011

SECOND SUPPLEMENTAL RESOLUTION RELATING TO BOND INSURANCE FOR THE SERIES 2011 BONDS

WHEREAS, The City of Martinsburg (the "Issuer"), in the County of Berkeley, State of West Virginia, is a municipal corporation of said State, the governing body of which is its Council (the "Council");

WHEREAS, the Council duly enacted on October 20, 2011, an ordinance (the "Ordinance") entitled:

> ORDINANCE AUTHORIZING THE REFUNDING OF ALL OR PART OF THE CITY OF MARTINSBURG COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2001 AND THE ISSUANCE BY THE CITY OF MARTINSBURG OF NOT MORE THAN NINE MILLION FIVE HUNDRED THOUSAND DOLLARS ($9,500,000.00) IN AGGREGATE PRINCIPAL AMOUNT OF CITY OF MARTINSBURG COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS, SERIES 2011, IN ONE OR MORE SERIES, THE PROCEEDS OF WHICH, TOGETHER WITH OTHER FUNDS OF THE CITY AVAILABLE FOR SAID PURPOSE, SHALL BE EXPENDED FOR SUCH REFUNDING AND TO PAY COSTS IN CONNECTION THEREWITH; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDERS OF SUCH COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS; AUTHORIZING A PRELIMINARY OFFICIAL STATEMENT, OFFICIAL STATEMENT, BOND PURCHASE AGREEMENT, CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS RELATING TO THE OFFERING AND SALE OF SUCH COMBINED WATERWORKS AND SEWERAGE

SYSTEM REFUNDING REVENUE BONDS; AND ADOPTING OTHER PROVISIONS RELATING THERETO;

providing for the issuance of the Issuer's Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011, in one or more series (collectively, the "Series 2011 Bonds"), in an aggregate principal amount not to exceed $9,500,000;

WHEREAS, a public hearing was held with respect to the Ordinance on November 10, 2011, following proper notice thereof, all comments were heard and the Council put the Ordinance into effect following said hearing;

WHEREAS, on November 10, 2011, the City Council adopted a resolution entitled:

SUPPLEMENTAL RESOLUTION PUTTING ORDINANCE INTO EFFECT; PROVIDING AS TO AMOUNTS, MATURITIES, INTEREST RATES, REDEMPTION PROVISIONS, PURCHASE PRICE AND OTHER DETAILS AS TO THE COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS, SERIES 2011, OF THE CITY; AUTHORIZING AND APPROVING A BOND PURCHASE AGREEMENT, AN ESCROW AGREEMENT, A PRELIMINARY OFFICIAL STATEMENT AND OTHER INSTRUMENTS AND DOCUMENTS RELATING TO THE BONDS, PROVIDING FOR THE APPOINTMENT OF A REGISTRAR, ESCROW TRUSTEE AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the Series 2011 Bonds are being issued for the purpose of refunding all or part of the Issuer's outstanding Combined Waterworks and Sewerage System Revenue Bonds, Series 2001 (the "Series 2001 Bonds") and paying costs of issuance thereof, in accordance with Chapter 13, Article 2E, of the West Virginia Code of 1931, as amended (the "Refunding Act"), and Chapter 8, Article 20, of the West Virginia Code of 1931, as amended (the "Act");

WHEREAS, the Ordinance provided in Section 4.01 thereof that the Issuer reserved the right to obtain bond insurance relating to the Series 2011 Bonds if it is found to be advantageous to the Issuer and that if bond insurance is obtained for the Series 2011 Bonds, the Issuer reserved the right to supplement and amend the Ordinance with respect to such bond insurance;

WHEREAS, the Issuer has determined, upon the advice of Crews & Associates, Inc., the underwriter for the Series 2011 Bonds, that the bond insurance offered by Assured Guaranty Municipal Corp. ("Assured Guaranty") for the Series 2011 is advantageous to the

Issuer and, accordingly, the Council desires to approve the commitment for said bond insurance and to supplement and amend the Ordinance with respect to such bond insurance as provided herein;

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

WHEREAS, this Council deems it essential and desirable that this Second Supplemental Resolution be adopted, that the bond insurance offered by Assured Guaranty for the Series 2011 Bonds be approved and that the Ordinance be supplemented and amended as provided herein.

NOW, THEREFORE, THE COUNCIL OF THE CITY OF MARTINSBURG HEREBY RESOLVES:

Section 1. The bond insurance offered by Assured Guaranty for the Series 2011 Bonds is hereby approved and the Mayor and City Manager are each authorized and directed to execute and deliver on behalf of the Issuer the commitment therefor in substantially the form attached hereto with such changes thereto as may be approved by the Mayor or City Manager executing the same, the execution of the commitment by the Mayor or City Manager to be conclusive evidence of such approval. The Mayor, City Manager and Recorder are each further authorized and directed to execute and deliver on behalf of the Issuer such other documents and to take such other actions as may be necessary or convenient in connection with said bond insurance.

Section 2. Article IV of the Ordinance is hereby supplemented and amended by adding thereto a new section entitled "Section 4.02. Provisions Relating to Bond Insurance." as follows:

> Section 4.02. Provisions Relating to Bond Insurance. Notwithstanding any provision of this Bond Ordinance to the contrary, the following provisions shall govern:
>
> (a) "Insurance Policy" shall be defined as follows: "the insurance policy issued by the Insurer guaranteeing the scheduled payment of principal of and interest on the Bonds when due". "Insurer" shall be defined as follows: "Assured Guaranty Municipal Corp., a New York stock insurance company, or any successor thereto or assignee thereof".
>
> (b) The prior written consent of the Insurer shall be a condition precedent to the deposit of any credit instrument provided in lieu of a cash deposit into the Debt Service Reserve Fund, if any. Notwithstanding anything to the contrary set

forth in the Ordinance, amounts on deposit in the Debt Service Reserve Fund shall be applied solely to the payment of debt service due on the Bonds.

(c) The Insurer shall be deemed to be the sole holder of the Insured Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Bonds insured by it are entitled to take pursuant to the Ordinance pertaining to (i) defaults and remedies and (ii) the duties and obligations of the Paying Agent. Remedies granted to the Bondholders shall expressly include mandamus.

(d) The security for the Bonds shall include a pledge of any agreement with any underlying obligor that is a source of payment for the Bonds and a default under any such agreement shall constitute an Event of Default under the Ordinance.

(e) If acceleration is permitted under the Ordinance, the maturity of Bonds insured by the Insurer shall not be accelerated without the consent of the Insurer and in the event the maturity of the Bonds is accelerated, the Insurer may elect, in its sole discretion, to pay accelerated principal and interest accrued on such principal to the date of acceleration (to the extent unpaid by the Issuer) and the Paying Agent shall be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date as provided above, the Insurer's obligations under the Insurance Policy with respect to such Bonds shall be fully discharged.

(f) No grace period for a covenant default shall exceed 30 days or be extended for more than 60 days, without the prior written consent of the Insurer. No grace period shall be permitted for payment defaults.

(g) The Insurer shall be included as a third party beneficiary to the Ordinance.

(h) Upon the occurrence of an extraordinary optional, special or extraordinary mandatory redemption in part, the selection of Bonds to be redeemed shall be subject to the approval of the Insurer. The exercise of any provision of the Ordinance which permits the purchase of Bonds in lieu

of redemption shall require the prior written approval of the Insurer if any Bond so purchased is not cancelled upon purchase.

(i) Any amendment, supplement, modification to, or waiver of, the Ordinance or any other transaction document, including any underlying security agreement (each a "Related Document"), that requires the consent of Bondowners or adversely affects the rights and interests of the Insurer shall be subject to the prior written consent of the Insurer.

(j) Unless the Insurer otherwise directs, upon the occurrence and continuance of an Event of Default or an event which with notice or lapse of time would constitute an Event of Default, amounts on deposit in the Construction Fund shall not be disbursed, but shall instead be applied to the payment of debt service or redemption price of the Bonds.

(k) The rights granted to the Insurer under the Ordinance or any other Related Document to request, consent to or direct any action are rights granted to the Insurer in consideration of its issuance of the Insurance Policy. Any exercise by the Insurer of such rights is merely an exercise of the Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the Bondholders and such action does not evidence any position of the Insurer, affirmative or negative, as to whether the consent of the Bondowners or any other person is required in addition to the consent of the Insurer.

(l) Only (1) cash, (2) non-callable direct obligations of the United States of America ("Treasuries"), (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (4) subject to the prior written consent of the Insurer, pre-refunded municipal obligations rated "AAA" and "Aaa" by S&P and Moody's, respectively, or (5) subject to the prior written consent of the Insurer,

securities eligible for "AAA" defeasance under then existing criteria of S & P or any combination thereof, shall be used to effect defeasance of the Bonds unless the Insurer otherwise approves.

To accomplish defeasance, the Issuer shall cause to be delivered (i) a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to the Insurer ("Accountant") verifying the sufficiency of the escrow established to pay the Bonds in full on the maturity or redemption date ("Verification"), (ii) an Escrow Deposit Agreement (which shall be acceptable in form and substance to the Insurer), (iii) an opinion of nationally recognized bond counsel to the effect that the Bonds are no longer "Outstanding" under the Ordinance and (iv) a certificate of discharge of the Paying Agent with respect to the Bonds; each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the Issuer, Paying Agent and Insurer. The Insurer shall be provided with final drafts of the above-referenced documentation not less than five business days prior to the funding of the escrow.

Bonds shall be deemed "Outstanding" under the Ordinance unless and until they are in fact paid and retired or the above criteria are met.

(m) Amounts paid by the Insurer under the Insurance Policy shall not be deemed paid for purposes of the Ordinance and the Bonds relating to such payments shall remain Outstanding and continue to be due and owing until paid by the Issuer in accordance with the Ordinance. The Ordinance shall not be discharged unless all amounts due or to become due to the Insurer have been paid in full or duly provided for.

(n) Each of the Issuer and Paying Agent covenant and agree to take such action (including, as applicable, filing of UCC financing statements and continuations thereof) as is necessary from time to time to preserve the priority of the pledge of the Trust Estate under applicable law.

(o) Claims Upon the Insurance Policy and Payments by and to the Insurer.

If, on the third Business Day prior to the related scheduled interest payment date or principal payment date ("Payment Date") there is not on deposit with the Paying Agent, after making all transfers and deposits required under the Ordinance, moneys sufficient to pay the principal of and interest on the Bonds due on such Payment Date, the Paying Agent shall give notice to the Insurer and to its designated agent (if any) (the "Insurer's Fiscal Agent") by telephone or telecopy of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the Bonds due on such Payment Date, the Paying Agent shall make a claim under the Insurance Policy and give notice to the Insurer and the Insurer's Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Bonds and the amount required to pay principal of the Bonds, confirmed in writing to the Insurer and the Insurer's Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by filling in the form of Notice of Claim and Certificate delivered with the Insurance Policy.

The Paying Agent shall designate any portion of payment of principal on Bonds paid by the Insurer, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Bonds registered to the then current Bondholder, whether DTC or its nominee or otherwise, and shall issue a replacement Bond to the Insurer, registered in the name of Assured Guaranty Municipal Corp., in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Paying Agent's failure to so designate any payment or issue any replacement Bond shall have no effect on the amount of principal or interest payable by the Issuer on any Bond or the subrogation rights of the Insurer.

The Paying Agent shall keep a complete and accurate record of all funds deposited by the Insurer into the Policy Payments Account (defined below) and the allocation of such funds to payment of interest on and principal of any Bond. The Insurer shall have the right to inspect such records at reasonable times upon reasonable notice to the Paying Agent.

Upon payment of a claim under the Insurance Policy, the Paying Agent shall establish a separate special purpose trust account for the benefit of Bondholders referred to herein as the "Policy Payments Account" and over which the Paying Agent shall have exclusive control and sole right of withdrawal. The Paying Agent shall receive any amount paid under the Insurance Policy in trust on behalf of Bondholders and shall deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Paying Agent to Bondholders in the same manner as principal and interest payments are to be made with respect to the Bonds under the sections hereof regarding payment of Bonds. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments. Notwithstanding anything herein to the contrary, the Issuer agrees to pay to the Insurer (i) a sum equal to the total of all amounts paid by the Insurer under the Insurance Policy (the "Insurer Advances"); and (ii) interest on such Insurer Advances from the date paid by the Insurer until payment thereof in full, payable to the Insurer at the Late Payment Rate per annum (collectively, the "Insurer Reimbursement Amounts"). "Late Payment Rate" means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in The City of New York, as its prime or base lending rate (any change in such rate of interest to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the Bonds and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. The

Issuer hereby covenants and agrees that the Insurer Reimbursement Amounts are secured by a lien on and pledge of the Gross Revenues and payable from such Gross Revenues on a parity with debt service due on the Bonds.

Funds held in the Policy Payments Account shall not be invested by the Paying Agent and may not be applied to satisfy any costs, expenses or liabilities of the Paying Agent. Any funds remaining in the Policy Payments Account following a Bond payment date shall promptly be remitted to the Insurer.

(p) The Insurer shall, to the extent it makes any payment of principal of or interest on the Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Insurance Policy. Each obligation of the Issuer to the Insurer under the Related Documents shall survive discharge or termination of such Related Documents.

(q) The Issuer shall pay or reimburse the Insurer any and all charges, fees, costs and expenses that the Insurer may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in any Related Document; (ii) the pursuit of any remedies under the Ordinance or any other Related Document or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to, or related to, the Ordinance or any other Related Document whether or not executed or completed, or (iv) any litigation or other dispute in connection with the Ordinance or any other Related Document or the transactions contemplated thereby, other than costs resulting from the failure of the Insurer to honor its obligations under the Insurance Policy. The Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Ordinance or any other Related Document.

(r) After payment of reasonable expenses of the Paying Agent, the application of funds realized upon default shall be applied to the payment of expenses of the Issuer or rebate only after the payment of past due and current debt service on the Bonds and amounts required to restore the Debt

Service Reserve Fund to the Debt Service Reserve Requirement.

(s) The Insurer shall be entitled to pay principal or interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer (as such terms are defined in the Insurance Policy) and any amounts due on the Bonds as a result of acceleration of the maturity thereof in accordance with the Ordinance, whether or not the Insurer has received a Notice of Nonpayment (as such terms are defined in the Insurance Policy) or a claim upon the Insurance Policy.

(t) The notice address of the Insurer is: Assured Guaranty Municipal Corp., 31 West 52nd Street, New York, New York 10019, Attention: Managing Director — Surveillance, Re: Policy No. , Telephone: (212) 826-0100; Telecopier: (212) 339-3556. In each case in which notice or other communication refers to an Event of Default, then a copy of such notice or other communication shall also be sent to the attention of the General Counsel and shall be marked to indicate "URGENT MATERIAL ENCLOSED."

(u) The Insurer shall be provided with the following information by the Issuer or Paying Agent, as the case may be:

(i) Annual audited financial statements within 150 days after the end of the Issuer's fiscal year (together with a certification of the Issuer that it is not aware of any default or Event of Default under the Ordinance), and the Issuer's annual budget within 30 days after the approval thereof together with such other information, data or reports as the Insurer shall reasonably request from time to time;

(ii) Notice of any draw upon the Debt Service Reserve Fund within two Business Days after knowledge thereof other than (i) withdrawals of amounts in excess of the Debt Service Reserve Requirement and (ii) withdrawals in connection with a refunding of Bonds;

(iii) Notice of any default known to the Paying Agent or Issuer within five Business Days after knowledge thereof;

(iv) Prior notice of the advance refunding or redemption of any of the Bonds, including the principal amount, maturities and CUSIP numbers thereof;

(v) Notice of the resignation or removal of the Paying Agent and Bond Registrar and the appointment of, and acceptance of duties by, any successor thereto;

(vi) Notice of the commencement of any proceeding by or against the Issuer commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding");

(vii) Notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal of, or interest on, the Bonds;

(viii) A full original transcript of all proceedings relating to the execution of any amendment, supplement, or waiver to the Related Documents; and

(ix) All reports, notices and correspondence to be delivered to Bondholders under the terms of the Related Documents.

In addition, to the extent that the Issuer has entered into a continuing disclosure agreement, covenant or undertaking with respect to the Bonds, all information furnished pursuant to such agreements shall also be provided to the Insurer, simultaneously with the furnishing of such information.

(v) The Insurer shall have the right to receive such additional information as it may reasonably request.

(w) The Issuer will permit the Insurer to discuss the affairs, finances and accounts of the Issuer or any information the Insurer may reasonably request regarding the security for the Bonds with appropriate officers of the Issuer and will use commercially reasonable efforts to enable the Insurer to

have access to the facilities, books and records of the Issuer on any business day upon reasonable prior notice.

(x) The Issuer shall notify the Insurer of any failure of the Issuer to provide notices, certificates and other information under the transaction documents.

(y) Notwithstanding satisfaction of the other conditions to the issuance of Additional Bonds set forth in the Ordinance, no such issuance may occur (1) if an Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of Default) exists unless such default shall be cured upon such issuance and (2) unless the Debt Service Reserve Fund is fully funded at the Debt Service Reserve Requirement (including the proposed issue) upon the issuance of such Additional Bonds, in either case unless otherwise permitted by the Insurer.

(z) In determining whether any amendment, consent, waiver or other action to be taken, or any failure to take action, under the Ordinance would adversely affect the security for the Bonds or the rights of the Bondholders, the Paying Agent shall consider the effect of any such amendment, consent, waiver, action or inaction as if there were no Insurance Policy.

(aa) No contract shall be entered into or any action taken by which the rights of the Insurer or security for or sources of payment of the Bonds may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of the Insurer.

(bb) If the Bonds are issued for refunding purposes, there shall be delivered an opinion of Bond Counsel addressed to the Insurer (or a reliance letter relating thereto), or a certificate of discharge of the Paying Agent for the Refunded Bonds, to the effect that, upon the making of the required deposit to the escrow, the legal defeasance of the Refunded Bonds shall have occurred. If the Refunded Bonds are insured by Assured Guaranty Municipal Corp., at least three business days prior to the proposed date for delivery of the Policy with respect to the Refunding Bonds, the Insurer shall also receive (i) the verification letter, of which the Insurer shall be an addressee, by an independent firm of certified public

accountants which is either nationally recognized or otherwise acceptable to the Insurer, of the adequacy of the escrow established to provide for the payment of the Refunded Bonds in accordance with the terms and provisions of the Escrow Deposit Agreement, and (ii) the form of an opinion of Bond Counsel addressed to the Insurer (or a reliance letter relating thereto) to the effect that the Escrow Deposit Agreement is a valid and binding obligation of the parties thereto, enforceable in accordance with its terms (such Escrow Deposit Agreement shall provide that no amendments are permitted without the prior written consent of the Insurer). An executed copy of each of such opinion and reliance letter, if applicable, or Paying Agent's discharge certificate, as the case may be, shall be forwarded to the Insurer prior to delivery of the Bonds.

(cc) Any interest rate exchange agreement ("Swap Agreement") entered into by the Issuer shall meet the following conditions: (i) the Swap Agreement must be entered into to manage interest costs related to, or a hedge against (a) assets then held, or (b) debt then outstanding, or (iii) debt reasonably expected to be issued within the next twelve (12) months, and (ii) the Swap Agreement shall not contain any leverage element or multiplier component greater than 1.0x unless there is a matching hedge arrangement which effectively off-sets the exposure from any such element or component. Unless otherwise consented to in writing by the Insurer, any uninsured net settlement, breakage or other termination amount then in effect shall be subordinate to debt service on the Bonds and on any debt on parity with the Bonds. The Issuer shall not terminate a Swap Agreement unless it demonstrates to the satisfaction of the Insurer prior to the payment of any such termination amount that such payment will not cause the Issuer to be in default under the Related Documents, including but not limited to, any monetary obligations thereunder. All counterparties or guarantors to any Swap Agreement must have a rating of at least "A-" and "A3" by Standard & Poor's ('S&P") and Moody's Investors Service ("Moody's"). If the counterparty or guarantor's rating falls below "A-" or "A3" by either S&P or Moody's, the counterparty or guarantor shall execute a credit support annex to the Swap Agreement, which credit support annex shall be acceptable to the Insurer. If the counterparty or the

guarantor's long term unsecured rating falls below "Baal" or "BBB+" by either Moody's or S&P, a replacement counterparty or guarantor, acceptable to the Insurer, shall be required.

Section 3. The form of the Series 2011 Bonds set forth in the Bond Ordinance shall be amended by adding to it the following Statement of Insurance, such Statement of Insurance to added to the bond form for the Series 2011 Bonds at such place as may be approved by the Mayor or City Manager, the execution of the Series 2011 Bonds by the Mayor or City Manager to be conclusive evidence of such approval:

> Assured Guaranty Municipal Corp. ("AGM"), New York, New York, has delivered its municipal bond insurance policy (the "Policy") with respect to the scheduled payments due of principal of and interest on this Bond to the West Virginia Municipal Bond Commission, Charleston, West Virginia, or its successor, as paying agent for the Bonds (the "Paying Agent"). Said Policy is on file and available for inspection at the principal office of the Paying Agent and a copy thereof may be obtained from AGM or the Paying Agent. 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 AGM as more fully set forth in the Policy.

Section 4. The Mayor, City Manager and Recorder are each hereby authorized and directed to execute and deliver such other documents and certificates required or desirable in connection with the bond insurance for the Series 2011 Bonds and the issuance of the Series 2011 Bonds, hereby and by the Ordinance approved to the end that the Series 2011 Bonds may be delivered at the earliest practicable date to the Original Purchaser pursuant to the Bond Purchase Agreement.

Section 5. This Resolution shall be effective immediately.

Adopted this 8th day of December, 2011.

[SEAL]

_____
Mayor

_____
City Manager

ATTEST:

_____
Recorder

RESOLUTION 2011-25

CITY OF MARTINSBURG
$9,500,000
COMBINED WATERWORKS AND SEWERAGE SYSTEM
REFUNDING REVENUE BONDS,
SERIES 2011

THIRD SUPPLEMENTAL RESOLUTION RELATING TO THE ISSUANCE OF THE SERIES 2011 BONDS

WHEREAS, The City of Martinsburg (the "Issuer"), in the County of Berkeley, State of West Virginia, is a municipal corporation of said State, the governing body of which is its Council (the "Council");

WHEREAS, the Council duly enacted on October 20, 2011, an ordinance (the "Ordinance") entitled:

> ORDINANCE AUTHORIZING THE REFUNDING OF ALL OR PART OF THE CITY OF MARTINSBURG COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2001 AND THE ISSUANCE BY THE CITY OF MARTINSBURG OF NOT MORE THAN NINE MILLION FIVE HUNDRED THOUSAND DOLLARS ($9,500,000.00) IN AGGREGATE PRINCIPAL AMOUNT OF CITY OF MARTINSBURG COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS, SERIES 2011, IN ONE OR MORE SERIES, THE PROCEEDS OF WHICH, TOGETHER WITH OTHER FUNDS OF THE CITY AVAILABLE FOR SAID PURPOSE, SHALL BE EXPENDED FOR SUCH REFUNDING AND TO PAY COSTS IN CONNECTION THEREWITH; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDERS OF SUCH COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS; AUTHORIZING A PRELIMINARY OFFICIAL STATEMENT, OFFICIAL STATEMENT, BOND PURCHASE AGREEMENT, CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS RELATING TO THE OFFERING AND SALE OF SUCH COMBINED WATERWORKS AND SEWERAGE

SYSTEM REFUNDING REVENUE BONDS; AND ADOPTING OTHER PROVISIONS RELATING THERETO;

providing for the issuance of the Issuer's Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011, in one or more series (collectively, the "Series 2011 Bonds"), in an aggregate principal amount not to exceed $9,500,000;

WHEREAS, a public hearing was held with respect to the Ordinance on November 10, 2011, following proper notice thereof, all comments were heard and the Council put the Ordinance into effect following said hearing;

WHEREAS, on November 10, 2011, the City Council adopted a resolution supplementing and amending the Ordinance entitled:

SUPPLEMENTAL RESOLUTION PUTTING ORDINANCE INTO EFFECT; PROVIDING AS TO AMOUNTS, MATURITIES, INTEREST RATES, REDEMPTION PROVISIONS, PURCHASE PRICE AND OTHER DETAILS AS TO THE COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS, SERIES 2011, OF THE CITY; AUTHORIZING AND APPROVING A BOND PURCHASE AGREEMENT, AN ESCROW AGREEMENT, A PRELIMINARY OFFICIAL STATEMENT AND OTHER INSTRUMENTS AND DOCUMENTS RELATING TO THE BONDS, PROVIDING FOR THE APPOINTMENT OF A REGISTRAR, ESCROW TRUSTEE AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, on December 8, 2011, the City Council adopted a resolution further supplementing and amending the Ordinance entitled:

SECOND SUPPLEMENTAL RESOLUTION RELATING TO BOND INSURANCE FOR THE SERIES 2011 BONDS

WHEREAS, the Series 2011 Bonds are being issued for the purpose of refunding all or part of the Issuer's outstanding Combined Waterworks and Sewerage System Revenue Bonds, Series 2001 (the "Series 2001 Bonds") and paying costs of issuance thereof, in accordance with Chapter 13, Article 2E, of the West Virginia Code of 1931, as amended (the "Refunding Act"), and Chapter 8, Article 20, of the West Virginia Code of 1931, as amended (the "Act");

WHEREAS, in Section 12.01 of the Ordinance, it is provided that the Ordinance may be supplemented and amended in any way by a supplemental resolution prior to the issuance of the Series 2011 Bonds;

WHEREAS, Crews & Associates, Inc., the underwriter for the Series 2011 Bonds (the "Underwriter"), has recommended that the definitions of "Bond Year" and "Series 2011 Bonds Reserve Requirement" set forth in the Ordinance be amended as herein provided;

WHEREAS, the Underwriter has also recommended that the Series 2011 Bonds be issued in one series, being a tax-exempt series designated the "City of Martinsburg Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011 A" in the original aggregate principal amount of $8,830,000 and, accordingly, the Council desires to provide for such designation and also to confirm the designation of such Series 2011 A Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended (the "Code");

WHEREAS, the Council has also determined to amend Section 7.07 of the Ordinance as herein provided;

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

WHEREAS, this Council deems it essential and desirable that this Third Supplemental Resolution be adopted and that the Ordinance be supplemented and amended as provided herein to effectuate the amendments and designations set forth above.

NOW, THEREFORE, THE COUNCIL OF THE CITY OF MARTINSBURG HEREBY RESOLVES:

Section 1. The definition of "Bond Year" set forth in Section 1.04 of the Ordinance entitled "Definitions" shall be amended to read as follows:

> "Bond Year" means the 12 month period ending on September 1 in each year except that the first Bond Year shall begin on the Closing Date and end on September 1, 2012.

Section 2. The definition of "Series 2011 Bonds Reserve Requirement" set forth in Section 1.04 of the Ordinance entitled "Definitions" shall be amended to read as follows:

> "Series 2011 Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 2011 Bonds in the then

concurrent or any succeeding Bond Year, assuming that the principal of any Term Bonds is deemed due on the earlier of their stated maturity date or the date on which they are required to be redeemed pursuant to mandatory redemption.

Section 3. The Series 2011 Bonds shall be issued in one series, being a tax-exempt series designated the "City of Martinsburg Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011 A" in the original aggregate principal amount of $8,830,000 and, accordingly, all references in the Ordinance and the resolutions supplementing and amending the Ordinance to the Series 2011 Bonds shall be deemed references to the Series 2011 A Bonds and all references to the "Series 2011 Bonds Costs of Issuance Fund", the "Series 2011 Bonds Redemption Account", the "Series 2011 Bonds Reserve Account", the "Series 2011 Bonds Reserve Requirement" and the "Series 2011 Bonds Sinking Fund" shall be deemed references to the "Series 2011 A Bonds Costs of Issuance Fund", the "Series 2011 A Bonds Redemption Account", the "Series 2011 A Bonds Reserve Account", the "Series 2011 A Bonds Reserve Requirement" and the "Series 2011 A Bonds Sinking Fund".

Section 4. The Series 2011 A Bonds are hereby designated as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Code. Further, the Council on behalf of the Issuer finds and determines that the Issuer and all subordinate entities do not reasonably expect to issue more than $10,000,000 of tax-exempt obligations during the calendar year 2011.

Section 5. The second paragraph of Section 7.07 of the Ordinance entitled "Parity Bonds" is hereby amended to read as follows:

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

Section 6. This Resolution shall be effective immediately.

Adopted this 20th day of December, 2011.

[SEAL]

_____
Mayor

_____
City Manager

ATTEST:

_____

Recorder

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

101 South Queen Street
Martinsburg, West Virginia 25401
(304) 263-0836

7000 Hampton Center
Morgantown, West Virginia 26505
(304) 285-2500

333 West Vine Street, Suite 1700
Lexington, Kentucky 40507-1639
(859) 252-2202

Bowles Rice
McDavid Graff & Love LLP
Attorneys at Law

600 Quarrier Street
Charleston, West Virginia 25301

Post Office Box 1386
Charleston, West Virginia 25325-1386
(304) 347-1100

www.bowlesrice.com

5th Floor, United Square
501 Avery Street
Parkersburg, West Virginia 26101
(304) 485-8500

480 West Jubal Early Drive
Suite 130
Winchester, Virginia 22601
(540) 723-8877

December 28, 2011

City of Martinsburg
232 North Queen Street
Martinsburg, West Virginia 25401

Re: $8,830,000 City of Martinsburg Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011 A

Ladies and Gentlemen:

We have examined a certified record of proceedings relating to the issuance and sale of $8,830,000 Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011 A (the "Bonds") of the City of Martinsburg, West Virginia (the "Issuer"). The Bonds are being issued for the purpose of providing funds to (i) refund all of the Issuer's outstanding Combined Waterworks and Sewerage System Revenue Bonds, Series 2001 (the "Series 2001 Bonds") issued on September 6, 2001, to pay a portion of the costs of the acquisition and construction of certain additions, betterments and improvements to the existing combined waterworks and sewerage system of the Issuer (the "System"); and (ii) pay the costs of issuing the Bonds.

The Bonds were authorized by an ordinance enacted by the Council of the Issuer on October 20, 2011, and put into effect following a public hearing held on November 10, 2011, as supplemented and amended by supplemental resolutions adopted on November 10, 2011, December 8, 2011 and December 20, 2011 (said ordinance as so supplemented and amended is referred to herein as the "Ordinance"), and are issued pursuant to Chapter 8, Article 20 and Chapter 13, Article 2E of the Code of West Virginia, 1931, as amended (collectively, the "Act").

As to questions of fact material to our opinion, we have relied upon the representations of the Issuer, the Registrar and the Paying Agent contained in the Ordinance, the Escrow Agreement, the Registrar's Agreement (all as defined 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 of the Issuer and the Registrar pertaining to tax matters set forth in the Ordinance and the Registrar's Agreement

and with certain certificates delivered in connection with the issuance of the Bonds, we are of the opinion that:

1. The Issuer is a duly organized and validly existing municipal corporation under and pursuant to the Constitution and laws of the State of West Virginia and has full legal right, power and authority to issue the Bonds, to refund the Series 2001 Bonds, to own and operate the System, and to enact and perform its obligations under the terms and provisions of the Ordinance.

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

3. The Bonds have been duly authorized and validly executed and delivered by the Issuer in accordance with the Constitution of the State of West Virginia, the Act and the Ordinance.

4. The Bonds constitute valid and legally binding special obligations of the Issuer, enforceable in accordance with their terms and the terms of the Ordinance and are payable solely from and secured by a lien on and pledge of the Gross Revenues derived from the operation of the System and moneys in the Series 2011 A Bonds Sinking Fund and Series 2011 A Bonds Reserve Account (all as defined in the Ordinance), on a parity with respect to lien, pledge and sources of and security for payment with the Issuer's Combined Waterworks and Sewerage System Revenue Bonds, Series 2000A (West Virginia DWTRF Program), dated September 27, 2000, originally issued in the aggregate principal amount of $7,564,000, the Issuer's Combined Waterworks and Sewerage System Revenue Bonds, Series 2000B (West Virginia Infrastructure Fund), dated September 27, 2000, originally issued in the aggregate principal amount of $3,000,000, and the Issuer's Combined Waterworks and Sewerage System Revenue Bonds, Series 2000C (West Virginia Water Development Authority), dated September 27, 2000, originally issued in the aggregate principal amount of $1,976,352.

5. Under existing laws, regulations, rulings and judicial decisions of the United States of America, as presently written and applied, the interest on the Bonds (i) is excludable from gross income of the holders thereof for federal income tax purposes and (ii) 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 interest on Bonds held by certain corporations may be indirectly subject to alternative minimum tax imposed under the Internal Revenue Code of 1986, as amended (the "Code"), because of its inclusion in the reported income or earnings and profits of such corporate holder. 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, foreign corporations, individual recipients of Social Security or Railroad Retirement benefits, Subchapter S corporations 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. 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 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 certificate relating to arbitrage. Failure to comply with 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 more than $10,000,000 of tax-exempt obligations (other than private activity bonds) during the calendar year 2011. 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)), a deduction is allowed for 80% of that portion of such financial institution's interest expense allocable to interest on the Bonds.

7. Under existing laws of the State of West Virginia, as presently written and applied, the Bonds and the interest thereon are exempt from personal and corporate income taxes imposed directly thereon by the State of West Virginia.

8. The Series 2001 Bonds have been paid within the meaning and with the effect expressed in the ordinance authorizing their issuance, and the covenants, agreements and other obligations of the Issuer to the holders and owners of the Series 2001 Bonds have been satisfied and discharged.

It is to be understood that the rights of the holders of the Bonds and the enforceability of the Bonds and the Ordinance may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Very truly yours,

BOWLES RICE McDAVID GRAFF & LOVE LLP

APPENDIX E

CONTINUING DISCLOSURE CERTIFICATE

$8,830,000
CITY OF MARTINSBURG (WEST VIRGINIA)
Combined Waterworks and Sewerage System Refunding Revenue Bonds,
Series 2011 A (Tax-Exempt)

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "Certificate") dated December 28, 2011, from the City of Martinsburg, Berkeley County, West Virginia (the "Issuer") is being delivered to Crews & Associates, Inc., the Underwriters of the Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011 A (Tax-Exempt) (the "Series 2011 A Bonds"), as initial purchasers of the Series 2011 A Bonds and this Certificate is being issued in connection with the issuance of the Series 2011 A Bonds.

SECTION 1. Purpose. This Certificate is being executed and delivered by the Issuer for the benefit of the holders and beneficial owners of the Series 2011 A Bonds and in order to assist the Underwriters in complying with SEC Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Ordinance of the Issuer enacted on October 20, 2011, as supplemented (the "Ordinance"), and the Purchase Contract, as hereafter defined, which apply to any capitalized term used in this Certificate unless otherwise defined herein, the following capitalized terms shall have the following meanings:

"Annual Financial Information" means the financial information (which shall be based on financial statements prepared in accordance with generally accepted accounting principles ("GAAP")) and operating data with respect to the Issuer, provided at least annually, of the type included in those sections of the final official statement with respect to the Series 2011 A Bonds attached thereto as Appendix B, which Annual Financial Information shall include Audited Financial Statements if available on the due date set forth herein, and, if not then available, unaudited financial statements.

"Audited Financial Statements" means the Issuer's annual financial statements, prepared in accordance with GAAP, which financial statements shall have been audited by a firm of independent certified public accountants.

"Beneficial Owner" shall mean any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2011 A Bonds (including persons holding Series 2011 A Bonds through nominees, depositories or other intermediaries).

"Dissemination Agent" shall initially mean the Issuer and any later appointed Dissemination Agent or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

"EMMA" means the Electronic Municipal Market Access system described in 1934 Act Release No. 59062 and maintained by the Municipal Securities Rulemaking Board for purposes of the Rule.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Certificate.

"National Repository" shall mean the Municipal Securities Rulemaking Board, Washington, D.C., the sole Nationally Recognized Municipal Securities Information Repository for purposes of the Rule.

"Participating Underwriters" shall mean the original underwriters of the Series 2011 A Bonds who are required to comply with the Rule in connection with their offering of the Series 2011 A Bonds.

"Purchase Contract" shall mean the Bond Purchase Agreement dated December 14, 2011, between Crews & Associates, Inc. (the "Underwriters"), and the Issuer, by which the Underwriters agreed to purchase the Series 2011 A Bonds from the Issuer upon the terms set forth therein.

"Repository" shall mean each National Repository and the State Repository.

"Rule" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"Series 2011 A Bonds" shall mean the Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011 A (Tax-Exempt).

"State Repository" shall mean any public or private repository or entity designated by the State as the state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Certificate, there is no State Repository.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than 180 days after the end of the Issuer's fiscal year (presently June 30), commencing with the report for the fiscal year ending June 30, 2012, provide to each Repository Annual Financial Information and Audited Financial Statements, which are consistent with the requirements of Section 4 of this Certificate. The Annual Financial Information and Audited Financial Statements may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Certificate. The Issuer shall provide the Trustee with a copy of each report filed under this Certificate. If the Issuer's fiscal year changes, the Issuer shall give notice of such change in the same manner as for a Listed Event under Section 5(a).

(b) Not later than fifteen (15) Business Days prior to said date, the Issuer shall provide the Annual Financial Information and Audited Financial Statements to the Dissemination Agent (if other than the Issuer). If the Issuer is unable to provide to the Repositories the Annual Financial Information and Audited Financial Statements by the date required in subsection (a), the Issuer shall send a notice to the Repositories, in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Financial Information and Audited Financial Statements the name and address of each Repository; and

(ii) if the Dissemination Agent is other than the Issuer, file a report with the Issuer certifying that the Annual Financial Information and Audited Financial Statements have been provided pursuant to this Certificate, stating the date they were provided and listing the Repositories to which they were provided.

(d) All documents provided to the Municipal Securities Rulemaking Board shall be provided in an electronic formant and shall be accompanied by identifying information as prescribed by the Municipal Securities Rulemaking Board.

SECTION 4. Content of Annual Financial Information and Audited Financial Statements. The Issuer's Annual Financial Information and Audited Financial Statements shall contain or include by reference the following:

(a) Within ninety (90) days of the Issuer's fiscal year ending June 30, 2012, and each subsequent fiscal year, for delivery to each Repository in the format required by the Rule, unaudited general purpose financial statements of the Issuer, and

(b) Within one hundred eighty (180) days of the Issuer's fiscal year ending June 30, 2012, and each subsequent fiscal year, for delivery to each Repository in the format required by the Rule, such information and data of the Issuer for the prior fiscal year, including (i) the audited financial statements, prepared in accordance with generally accepted accounting principles in effect from time to time, and (ii) actual data of the type found in the Official Statement under the caption "HISTORICAL AND BUDGETED REVENUES."

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or the Issuer, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Issuer shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events, if applicable, with respect to the Series 2011 A 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 of security holders;

8. bond calls;

9. defeasances;

10. release, substitution, or sale of property securing repayment of the securities, except as provided by the Ordinance; and

11. rating changes.

(b) Whenever the Issuer obtains knowledge of the occurrence of any of the Listed Events, the Issuer shall as soon as possible determine if such event **would be material** under applicable federal securities laws.

(c) If the Issuer determines that knowledge of the occurrence of any of the Listed Events **would be material** under applicable federal securities laws, the Issuer shall promptly file a notice of such occurrence with each Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a) (4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Series 2011 A Bonds pursuant to the Ordinance.

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under this Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2011 A Bonds. If such termination occurs prior to the final maturity of the Series 2011 A Bonds, the Issuer shall give notice of such termination in the same manner as for any of the Listed Events under Section 5(a).

SECTION 7. Dissemination Agent. The Issuer has appointed itself as Dissemination Agent to assist it in carrying out its obligations under this Certificate. The Issuer may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Certificate.

SECTION 8. Amendment, Waiver. Notwithstanding any other provision of this Certificate, the Issuer may amend this Certificate, and any provision of this Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Series 2011 A Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2011 A Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Series 2011 A Bonds in the same manner as provided in the Ordinance for amendments to the Ordinance, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Series 2011 A Bonds.

In the event of any amendment or waiver of a provision of this Certificate, the Issuer shall describe such amendment in the next Annual Financial Information and Audited Financial Statements, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for any of the Listed Events under Section 5(a), and (ii) the Annual Financial Information and Audited Financial Statements for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication, or including any other information in any Annual Financial Information and Audited Financial Statements or notice of occurrence of any of the Listed Events, in addition to that which is required by this Certificate. If the Issuer chooses to include any information in any Annual Financial Information and Audited Financial Statements or notice of occurrence of any of the Listed Events in addition to that which is specifically required by this Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it in any future Annual Financial Information and Audited Financial Statements or notice of occurrence of any of the Listed Events.

SECTION 10. Default. In the event of a failure of the Issuer to comply with any provision of this Certificate (and, at the request of the Original Purchaser), any Holder or Beneficial Owner of the Series 2011 A Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Certificate. A default under this Certificate shall not be deemed an Event of Default under the Ordinance, and the sole remedy under this Certificate in the event of any failure of the Issuer to comply with this Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent, if other than the Issuer, shall have only such duties as are specifically set forth in this Certificate, and, to the extent permitted by law, the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 2011 A Bonds.

SECTION 12. Beneficiaries. This Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Underwriters and holders and beneficial owners from time to time of the Series 2011 A Bonds, and shall create no rights in any other person or entity.

[Remainder of Page Intentionally Blank]

Date: December 28, 2011

CITY OF MARTINSBURG

By: _____
Its: Mayor

By: _____
Its: City Manager

Exhibit A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Martinsburg

Name of Issue: Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011 A (Tax-Exempt)

Date of Issuance: December 28, 2011

Notice is hereby given that the Issuer has not provided an annual report with respect to the above-named bonds as required by its covenant made in connection with the above-referenced bond issue. The Issuer anticipates that the annual report will be filed by _____.

Dated this ___ day of _____, 20__.

CITY OF MARTINSBURG

By: _____
Its: Mayor

APPENDIX F

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

ASSURED GUARANTY
MUNICIPAL

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

Effective Date:

BONDS: $ in aggregate principal amount of

Premium: $

SPECIMEN

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

SPECIMEN

STANDARD
&POOR'S
RATINGS SERVICES

55 Water Street, 38th Floor
New York, NY 10041-0003
tel 212 438-2074
reference no.: 1198428

December 14, 2011

Assured Guaranty Municipal Corp.
31 West 52nd Street
New York, NY 10019
Attention: Mr. Richard Bauerfeld, Managing Director

Re: ***$8,830,000 City of Martinsburg (West Virginia), Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011A,(Tax-Exempt), dated: December 28, 2011, due: September 1, 2012-2024, 2027-2029, and 2031, (POLICY #214231-N)***

Dear Mr. Bauerfeld:

Pursuant to your request for a Standard & Poor's rating on the above-referenced obligations, we have reviewed the information submitted to us and, subject to the enclosed *Terms and Conditions,* have assigned a rating of "AA-". The rating reflects our assessment of the likelihood of repayment of principal and interest based on the bond insurance policy your company is providing. Therefore, rating adjustments may result from changes in the financial position of your company or from alterations in the documents governing the issue.

The rating is not investment, financial, or other advice and you should not and cannot rely upon the rating as such. The rating is based on information supplied to us by you but does not represent an audit. We undertake no duty of due diligence or independent verification of any information. The assignment of a rating does not create a fiduciary relationship between us and you or between us and other recipients of the rating. We have not consented to and will not consent to being named an "expert" under the applicable securities laws, including without limitation, Section 7 of the Securities Act of 1933. The rating is not a "market rating" nor is it a recommendation to buy, hold, or sell the obligations.

This letter constitutes Standard & Poor's permission to you to disseminate the above-assigned rating to interested parties. Standard & Poor's reserves the right to inform its own clients, subscribers, and the public of the rating.

Standard & Poor's relies on the issuer and its counsel, accountants, and other experts for the accuracy and completeness of the information submitted in connection with the rating. This rating is based on financial information and documents we received prior to the issuance of this letter. Standard & Poor's must receive complete documentation relating to this issue no later than 90 days after the date of this letter. Standard & Poor's assumes that the documents you have provided to us are final. If any subsequent changes were made in the final documents, you must notify us of such changes by sending us the revised final documents with the changes clearly marked.

Standard & Poor's is pleased to be of service to you. For more information please visit our website at www.standardandpoors.com. If we can be of help in any other way, please contact us.Thank you for choosing Standard & Poor's and we look forward to working with you again.

Sincerely yours,

Standard & Poor's

Standard & Poor's Ratings Services
a Standard & Poor's Financial Services LLC business.

ak
enclosure

STANDARD
&POOR'S
RATINGS SERVICES

Standard & Poor's Ratings Services
Terms and Conditions Applicable To Public Finance Ratings

You understand and agree that:

General. The ratings and other views of Standard & Poor's Ratings Services ("Ratings Services") are statements of opinion and not statements of fact. A rating is not a recommendation to purchase, hold, or sell any securities nor does it comment on market price, marketability, investor preference or suitability of any security. While Ratings Services bases its ratings and other views on information provided by issuers and their agents and advisors, and other information from sources it believes to be reliable, Ratings Services does not perform an audit, and undertakes no duty of due diligence or independent verification, of any information it receives. Such information and Ratings Services' opinions should not be relied upon in making any investment decision. Ratings Services does not act as a "fiduciary" or an investment advisor. Ratings Services neither recommends nor will recommend how an issuer can or should achieve a particular rating outcome nor provides or will provide consulting, advisory, financial or structuring advice.

All Rating Actions in Ratings Services' Sole Discretion. Ratings Services may assign, raise, lower, suspend, place on CreditWatch, or withdraw a rating, and assign or revise an Outlook, at any time, in Ratings Services' sole discretion. Ratings Services may take any of the foregoing actions notwithstanding any request for a confidential or private rating or a withdrawal of a rating, or termination of this Agreement. Ratings Services will not convert a public rating to a confidential or private rating, or a private rating to a confidential rating.

Publication. Ratings Services reserves the right to use, publish, disseminate, or license others to use, publish or disseminate the rating provided hereunder and any analytical reports, including the rationale for the rating, unless you specifically request in connection with the initial rating that the rating be assigned and maintained on a confidential or private basis. If, however, a confidential or private rating or the existence of a confidential or private rating subsequently becomes public through disclosure other than by an act of Ratings Services or its affiliates, Ratings Services reserves the right to treat the rating as a public rating, including, without limitation, publishing the rating and any related analytical reports. Any analytical reports published by Ratings Services are not issued by or on behalf of you or at your request. Notwithstanding anything to the contrary herein, Ratings Services reserves the right to use, publish, disseminate or license others to use, publish or disseminate analytical reports with respect to public ratings that have been withdrawn, regardless of the reason for such withdrawal. Ratings Services may publish explanations of Ratings Services' ratings criteria from time to time and nothing in this Agreement shall be construed as limiting Ratings Services' ability to modify or refine its ratings criteria at any time as Ratings Services deems appropriate.

Information to be Provided by You. For so long as this Agreement is in effect, in connection with the rating provided hereunder, you warrant that you will provide, or cause to be provided, as promptly as practicable, to Ratings Services all information requested by Ratings Services in accordance with its applicable published ratings criteria. The rating, and the maintenance of the rating, may be affected by Ratings Services' opinion of the information received from you or your agents or advisors. You further warrant that all information provided to Ratings Services by you or your agents or advisors regarding the rating or, if applicable, surveillance of the rating, as of the date such information is provided, (i) is true, accurate and complete in all material respects and, in light of the circumstances in which it was provided, not misleading and (ii) does not infringe or violate the intellectual property rights of a third party. A material breach of the warranties in this paragraph shall constitute a material breach of this Agreement.

Confidential Information. For purposes of this Agreement, "Confidential Information" shall mean verbal or written information that you or your agents or advisors have provided to Ratings Services and, in a specific and particularized manner, have marked or otherwise indicated in writing (either prior to or promptly following such disclosure) that such information is "Confidential". Notwithstanding the foregoing, information disclosed by you or your agents or advisors

to Ratings Services shall not be deemed to be Confidential Information, and Ratings Services shall have no obligation to treat such information as Confidential Information, if such information (i) was known by Ratings Services or its affiliates at the time of such disclosure and was not known by Ratings Services to be subject to a prohibition on disclosure, (ii) was known to the public at the time of such disclosure, (iii) becomes known to the public (other than by an act of Ratings Services or its affiliates) subsequent to such disclosure, (iv) is disclosed to Ratings Services or its affiliates by a third party subsequent to such disclosure and Ratings Services reasonably believes that such third party's disclosure to Ratings Services or its affiliates was not prohibited, (v) is developed independently by Ratings Services or its affiliates without reference to the Confidential Information, (vi) is approved in writing by you for public disclosure, or (vii) is required by law or regulation to be disclosed by Ratings Services or its affiliates. Ratings Services is aware that U.S. and state securities laws may impose restrictions on trading in securities when in possession of material, non-public information and has adopted securities trading and communication policies to that effect.

Ratings Services' Use of Information. Except as otherwise provided herein, Ratings Services shall not disclose Confidential Information to third parties. Ratings Services may (i) use Confidential Information to assign, raise, lower, suspend, place on CreditWatch, or withdraw a rating, and assign or revise an Outlook, and (ii) share Confidential Information with its affiliates engaged in the ratings business who are bound by appropriate confidentiality obligations; in each case, subject to the restrictions contained herein, Ratings Services and such affiliates may publish information derived from Confidential Information. Ratings Services may also use, and share Confidential Information with any of its affiliates or agents engaged in the ratings or other financial services businesses who are bound by appropriate confidentiality obligations ("Relevant Affiliates and Agents"), for modelling, benchmarking and research purposes; in each case, subject to the restrictions contained herein, Ratings Services and such affiliates may publish information derived from Confidential Information. With respect to structured finance ratings not maintained on a confidential or private basis, Ratings Services may publish data aggregated from Confidential Information, excluding data that is specific to and identifies individual debtors ("Relevant Data"), and share such Confidential Information with any of its Relevant Affiliates and Agents for general market dissemination of Relevant Data; you confirm that, to the best of your knowledge, such publication would not breach any confidentiality obligations you may have toward third parties. Ratings Services will comply with all applicable U.S. and state laws, rules and regulations protecting personally-identifiable information and the privacy rights of individuals. Ratings Services acknowledges that you may be entitled to seek specific performance and injunctive or other equitable relief as a remedy for Ratings Services' disclosure of Confidential Information in violation of this Agreement. Ratings Services and its affiliates reserve the right to use, publish, disseminate, or license others to use, publish or disseminate any non-Confidential Information provided by you, your agents or advisors.

Ratings Services Not an Expert, Underwriter or Seller under Securities Laws. Ratings Services has not consented to and will not consent to being named an "expert" or any similar designation under any applicable securities laws or other regulatory guidance, rules or recommendations, including without limitation, Section 7 of the U.S. Securities Act of 1933. Ratings Services is not an "underwriter" or "seller" as those terms are defined under applicable securities laws or other regulatory guidance, rules or recommendations, including without limitation Sections 11 and 12(a)(2) of the U.S. Securities Act of 1933. Rating Services has not performed the role or tasks associated with an "underwriter" or "seller" under the United States federal securities laws or other regulatory guidance, rules or recommendations in connection with this engagement.

Office of Foreign Assets Control. As of the date of this Agreement, (a) neither you nor the issuer (if you are not the issuer) or any of your or the issuer's subsidiaries, or any director or corporate officer of any of the foregoing entities, is the subject of any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury ("OFAC Sanctions"), (b) neither you nor the issuer (if you are not the issuer) is 50% or more owned or controlled, directly or indirectly, by any person or entity ("parent") that is the subject of OFAC Sanctions, and (c) to the best of your knowledge, no entity 50% or more owned or controlled by a direct or indirect parent of you or the issuer (if you are not the issuer) is the subject of OFAC sanctions. For so long as this Agreement is in effect, you will promptly notify Ratings Services if any of these circumstances change.

Ratings Services' Use of Confidential and Private Ratings. Ratings Services may use confidential and private ratings in its analysis of the debt issued by collateralized debt obligation (CDO) and other investment vehicles. Ratings Services

may disclose a confidential or private rating as a confidential credit estimate or assessment to the managers of CDO and similar investment vehicles. Ratings Services may permit CDO managers to use and disseminate credit estimates or assessments on a limited basis and subject to various restrictions; however, Ratings Services cannot control any such use or dissemination.

Entire Agreement. Nothing in this Agreement shall prevent you, the issuer (if you are not the issuer) or Ratings Services from acting in accordance with applicable laws and regulations. Subject to the prior sentence, this Agreement, including any amendment made in accordance with the provisions hereof, constitutes the complete and entire agreement between the parties on all matters regarding the rating provided hereunder. The terms of this Agreement supersede any other terms and conditions relating to information provided to Ratings Services by you or your agents and advisors hereunder, including without limitation, terms and conditions found on, or applicable to, websites or other means through which you or your agents and advisors make such information available to Ratings Services, regardless if such terms and conditions are entered into before or after the date of this Agreement. Such terms and conditions shall be null and void as to Ratings Services.

Limitation on Damages. Ratings Services does not and cannot guarantee the accuracy, completeness, or timeliness of the information relied on in connection with a rating or the results obtained from the use of such information. RATINGS SERVICES GIVES NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. Ratings Services, its affiliates or third party providers, or any of their officers, directors, shareholders, employees or agents shall not be liable to you, your affiliates or any person asserting claims on your behalf, directly or indirectly, for any inaccuracies, errors, or omissions, in each case regardless of cause, actions, damages (consequential, special, indirect, incidental, punitive, compensatory, exemplary or otherwise), claims, liabilities, costs, expenses, legal fees or losses (including, without limitation, lost income or lost profits and opportunity costs) in any way arising out of or relating to the rating provided hereunder or the related analytic services even if advised of the possibility of such damages or other amounts except to the extent such damages or other amounts are finally determined by a court of competent jurisdiction in a proceeding in which you and Ratings Services are parties to result from gross negligence, intentional wrongdoing, or willful misconduct of Ratings Services. In furtherance and not in limitation of the foregoing, Ratings Services will not be liable to you, your affiliates or any person asserting claims on your behalf in respect of any decisions alleged to be made by any person based on anything that may be perceived as advice or recommendations. In the event that Ratings Services is nevertheless held liable to you, your affiliates, or any person asserting claims on your behalf for monetary damages under this Agreement, in no event shall Ratings Services be liable in an aggregate amount in excess of US$5,000,000 except to the extent such monetary damages directly result from Ratings Services' intentional wrongdoing or willful misconduct. The provisions of this paragraph shall apply regardless of the form of action, damage, claim, liability, cost, expense, or loss, whether in contract, statute, tort (including, without limitation, negligence), or otherwise. Neither party waives any protections, privileges, or defenses it may have under law, including but not limited to, the First Amendment of the Constitution of the United States of America.

Termination of Agreement. This Agreement may be terminated by either party at any time upon written notice to the other party. Except where expressly limited to the term of this Agreement, these Terms and Conditions shall survive the termination of this Agreement.

No Third–Party Beneficiaries. Nothing in this Agreement, or the rating when issued, is intended or should be construed as creating any rights on behalf of any third parties, including, without limitation, any recipient of the rating. No person is intended as a third party beneficiary of this Agreement or of the rating when issued.

Binding Effect. This Agreement shall be binding on, and inure to the benefit of, the parties hereto and their successors and assigns.

Severability. In the event that any term or provision of this Agreement shall be held to be invalid, void, or unenforceable, then the remainder of this Agreement shall not be affected, impaired, or invalidated, and each such term and provision shall be valid and enforceable to the fullest extent permitted by law.

Amendments. This Agreement may not be amended or superseded except by a writing that specifically refers to this Agreement and is executed manually or electronically by authorized representatives of both parties.

Reservation of Rights. The parties to this Agreement do not waive, and reserve the right to contest, any issues regarding sovereign immunity, the applicable governing law and the appropriate forum for resolving any disputes arising out of or relating to this Agreement.

CITY OF MARTINSBURG (WEST VIRGINIA)

$8,830,000
COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS, SERIES 2011 A (TAX-EXEMPT)

BOND PURCHASE AGREEMENT

December 14, 2011

City of Martinsburg
232 North Queen Street
Martinsburg, WV 25401

Ladies and Gentlemen:

The undersigned, Crews & Associates, Inc. (the "Underwriter"), offers to enter into this Bond Purchase Agreement (the "Purchase Agreement") with the City of Martinsburg, 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 and City Manager of the City in the spaces 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's Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011 A (the "Bonds", the "Series 2011 Bonds", or the "Series 2011 A Bonds") are being issued, to provide proceeds along with other available funds: (i) to pay a portion of the costs of refunding all, or a portion of, the Combined Waterworks and Sewerage System Revenue Bonds, Series 2001, dated September 1, 2001, originally issued in the aggregate principal amount of $10,750,000 (the "Series 2001 Bonds") which were previously issued to fund the acquisition and construction of certain additions, betterments and

improvements to the existing combined waterworks and sewerage system of the City (the "System"), (ii) to pay costs of issuance of the Series 2011 Bonds and related costs (specifically including, but not limited to, the cost of a municipal bond insurance policy, if such a policy is determined to be advantageous to the Issuer), and (iii) to fund the Series 2011 A Bonds Reserve Account through either a deposit of cash or the purchase by the City of a Reserve Account Insurance Policy or Surety Bond.

The Bonds shall be as described in, and shall be issued and secured under and pursuant to the provisions of the Ordinance enacted by the City Council of the City on October 20, 2011 (the "Original Ordinance") and as supplemented by a Supplemental Parameters Resolution adopted by the City Council of the City on November 10, 2011 and a Second Supplemental Resolution adopted on December 8, 2011 (collectively, the "Supplemental Resolution" and together with the Original Ordinance, the "Ordinance"). The Bonds shall be secured by the Gross Revenues derived by the City from the operation of the System and the Series 2011 A Bonds Sinking Fund and the Series 2011 A Bonds Reserve Account with respect to the Series 2011 A Bonds.

Upon the terms and conditions of, and in reliance upon the respective 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 2011 Bonds, at an aggregate purchase price of $8,790,029.25 ($8,830,000 minus Underwriter's discount of $88,300 and plus a net reoffering premium of $48,329.25).

The Bonds shall mature on the dates and in the amounts, and shall bear interest from their date (each an "Interest Payment Date"), until maturity or until the date fixed for redemption if the Bonds are called for prior redemption and payment on such date provided therefore, payable semiannually on March 1 and September 1 of each year, commencing March 1, 2012, as more fully described on Exhibit A-1 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 Exhibit A-1.

2. Concurrently with the acceptance of this Purchase Agreement by the City, the City shall deliver or cause to be delivered to the Underwriter three copies of the Official Statement relating to the Bonds, substantially in the form of the Preliminary Official Statement, dated December 9, 2011 (the "Preliminary Official Statement") and prior to delivery of the Series 2011 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 and City Manager as requested below.

Within seven business days of its acceptance hereof, the Issuer shall deliver to the Underwriter a reasonable number of copies of a final Official Statement of the Issuer of even date herewith, executed by the Issuer (the "Official Statement"). The Official Statement shall be in substantially the same form as that of the Preliminary Official Statement previously distributed with respect to the Bonds.

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 9, 2011, 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 requests. The Underwriter hereby agrees that it will deposit or cause to be deposited with the Municipal Securities Rulemaking Board 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 28, 2011, or such other dates as shall be agreed upon by the parties to this Purchase Agreement (the "Closing"), the City will deliver or cause to be delivered to the Underwriter, (a) the Bonds in the form of one certificate for each maturity 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 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 Bonds shall be made available to the Underwriter at DTC at least forty-eight (48) hours before the Closing for the purpose of inspection and packaging; provided that if DTC Fast delivery is used, then the Bonds shall be made available to the Registrar by 4:00 p.m. on December 26, 2011. If the City does not have a Blanket DTC Letter of Representation (the "DTC Letter of Representations"), the City agrees to provide one to DTC.

5. The City represents and warrants to the Underwriter and agrees that:

(a) The City is a municipal corporation and political subdivision of the State of West Virginia in Berkeley County of said State. The Bonds are being issued pursuant to the Constitution and laws of the State of West Virginia (the "State"), specifically, Chapter 8, Article 20 and Chapter 13, Article 2E of the Code of West Virginia, 1931, as amended (collectively, the "Act");

(b) The City shall have complied and will comply at the Closing in all respects with all applicable statutes and laws, including the Act;

(c) The City has full legal right, power and authority to 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 9, 2011, 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, 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 (i) 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 it for: (1) the issuance and sale of the Bonds upon the terms set forth herein, in the Ordinance and in the Official Statement; (2) the execution and delivery of the Ordinance and the Undertaking; (3) the approval of the Official Statement and the execution, distribution and delivery of the Official Statement by the Mayor and City Manager of the City; (4) 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 (5) 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 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 and/or City Manager 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 the 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 its 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 the Closing Date, if at any time hereafter and prior to the 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 the Closing, the Underwriter and the City shall receive the following documents, in each case in form and substance satisfactory to us and our counsel:

(i) Opinions, dated the date of the Closing and addressed to the City and the Underwriter, of Bowles Rice McDavid Graff & Love LLP, Bond Counsel, in substantially the forms attached as Appendix D to the Official Statement;

(ii) A supplemental bond counsel opinion, dated the date of the Closing and addressed to the Underwriter, of Bowles Rice McDavid Graff & Love LLP, Bond Counsel, to the effect that (i) this Purchase Agreement has been duly authorized, executed and delivered by, and (assuming due authorization, execution and delivery by the other parties and that it is a binding agreement of the other parties in accordance with its terms) constitutes a binding agreement in accordance with its terms of, the City; (ii) the Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Ordinance is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended; (iii) the statements contained in the Official Statement under the caption "Tax Matters" are true and accurate in all material respects and presents a fair and accurate summary and description of the matters summarized and described under such caption; and (iv) the statements contained in the Official Statement under the captions "Security for the Bonds," "The Bonds" (except for the statements referred to therein under "Appendix F - Book-Entry Only System" with respect to The Depository Trust Company), "Financing Plan," "Appendix D – Form of Bond Counsel Opinion" and "Appendix E – Ordinance," insofar as such statements contained under such captions purport to summarize certain matters set forth therein and certain provisions of the Ordinance, are accurate in all material respects and present a fair summary of the matters referred to therein;

(iii) An opinion, dated the date of Closing and addressed to the Underwriter, of Bowles Rice McDavid Graff & Love LLP, Martinsburg, West Virginia, counsel for the City, to the effect that (i) the City has complied with all requirements of the Act that must be satisfied in connection with the issuance of the Bonds, (ii) any requirement as to legal matters as the Underwriter shall reasonably require, (iii) no litigation is pending, or to their knowledge, threatened in any court in any way affecting the existence of the City or the titles of its officers to their respective offices, or seeking to restrain or to enjoin the issuance or delivery of the Bonds, or the collection of revenues and assets of the City pledged or to be pledged to pay the principal of and interest on the Bonds, or the pledge thereof, or in

any way contesting or affecting the validity or enforceability of the Bonds, the Ordinance or this Purchase Agreement, or contesting the powers of the State with respect to the Bonds, the Ordinance or this Purchase Agreement or any transaction described in or contemplated by the Official Statement, (iv) that the Official Statement, as amended or supplemented to the date of Closing (except as aforesaid) contains no untrue statement regarding the City of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein regarding the City, in light of the circumstances under which they were made, not misleading, and (v) the statements contained in the Official Statement under the captions "The Series 2011 Bonds," "Security for the Series 2011 Bonds," "The City," "Litigation," "Financing Plan," "Appendix A" insofar as such statements contained under such captions purport to summarize certain matters set forth therein and relating to the City and certain provisions of the Ordinance, are accurate and present a fair summary of the matters referred to therein;

(iv) Two counterpart originals of a transcript of all proceedings relating to the authorization and issuance of the Series 2011 Bonds;

(v) An opinion, dated the date of the Closing and addressed to the Underwriter, of Steptoe & Johnson PLLC, Underwriter's Counsel, to the effect that (i) this Purchase Agreement has been duly authorized, executed and delivered by, and (assuming due authorization, execution and delivery by the other parties and that it is a binding agreement of the other parties in accordance with its terms) constitutes a binding agreement in accordance with its terms of, the Underwriter; (ii) the Continuing Disclosure Agreement complies as to form in all material respects with the requirements of paragraph (b)(5) of the Rule; (iii) the Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Ordinance is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended; and (iv) that nothing has come to our attention that would lead us to believe that the Official Statement, as amended or supplemented to the date of Closing (except as aforesaid) contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(vi) A certificate, satisfactory to the Underwriter, of the Mayor and/or City Manager 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 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 collection of the Gross Revenues, the pledge of the Gross Revenues to the Bonds, 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 and (v) you are in compliance with all covenants in your outstanding ordinances and resolutions which authorized bonds secured by the Gross Revenues of the System;

(vii) Copies of this Purchase Agreement executed by the parties thereto;

(viii) Duly authorized and executed copies of the Undertaking, in substantially the form attached as Appendix G to the Official Statement and incorporated herein, which complies with the provisions of Rule 15c2-12(b)(5) in form and substance satisfactory to the Underwriter;

(ix) A certificate of the City executed by an authorized officer thereof, dated the 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);

(x) A certificate from CoxHollidaPrice LLP, Certified Public Accountants, A.C., that the City has Gross Revenues sufficient to meet the rate coverage requirements of the Ordinance and meet the additional parity bonds test of the Prior Ordinances;

(xi) A Certificate of the Registrar to the effect that the Bonds have been registered in the name of "CEDE & Co.";

(xii) The Ordinance, certified by the City Recorder 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;

(xiii) A tax and arbitrage certificate of the Issuer;

(xiv) Evidence to the effect that the requirements of the Code have been satisfied by the filing of Internal Revenue Service Form 8038-G for the Series 2011 Bonds;

(xv) Evidence of fully funded reserve funds for the Series 2011 Bonds, and the Prior Bonds;

(xvii) The delivery of Assured Guaranty Municipal Corporation insurance policy;

(xviii) The delivery of S&P's rating of AA-; and

(xix) Such additional legal opinions, certificates, instruments and other documents as the Underwriter or their counsel, Steptoe & Johnson PLLC, reasonably may deem necessary or advisable to evidence the truth and accuracy, as of the date hereof and as of the date of the Closing, of the City's representations and warranties contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction by the City on or prior to the date of the Closing of all agreements then to be performed and all conditions then to be satisfied by the City;

All of the opinions, letters, instruments and other documents mentioned above or elsewhere in this Purchase Agreement shall be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to the Underwriter and to Steptoe & Johnson PLLC, counsel to the Underwriter.

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 Series 2011 Bonds or other funds of the City, 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 Series 2011 Bonds; (iii) the fees and disbursements of Bowles

Rice McDavid Graff & Love LLP, Bond Counsel; (iv) all advertising expenses in connection with the public offering of the Bonds; (v) the fees and disbursements of the Registrar including legal fees of legal counsel, if any; (vi) the fees and expenses of Counsel to the City and to the Underwriter; (vii) the fees and expenses of the accountant; (viii) all fees and expenses related to the Bond Insurer and the debt service reserve fund surety, if any; (ix) fees and expenses related to the Rating; and (x) all other expenses and costs (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 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 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:

City of Martinsburg
232 North Queen Street
Martinsburg, WV 25401
Attention: City Manager

To the Underwriter:

Crews & Associates, Inc.
300 Summers Street, Suite 930
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 and City Manager of the City in the space provided hereinafter therefor.

[Remainder of Page Intentionally Blank]

Crews & Associates, Inc.

By: _____
Its: Vice President

ACCEPTED AND APPROVED:

City of Martinsburg, West Virginia

By: _____
Its: Mayor

By: _____
Its: City Manager

EXHIBIT A-1

Series 2011 Bonds

$240,000	2.000%	Serial Bonds	due September 1, 2012 at 100.839%	CUSIP No. 573632 FD3
$360,000	2.000%	Serial Bonds	due September 1, 2013 at 101.656%	CUSIP No. 573632 FE1
$360,000	2.000%	Serial Bonds	due September 1, 2014 at 102.099%	CUSIP No. 573632 FF8
$370,000	2.000%	Serial Bonds	due September 1, 2015 at 101.960%	CUSIP No. 573632 FG6
$380,000	2.000%	Serial Bonds	due September 1, 2016 at 101.793%	CUSIP No. 573632 FH4
$385,000	2.000%	Serial Bonds	due September 1, 2017 at 101.073%	CUSIP No. 573632 FJ0
$395,000	2.000%	Serial Bonds	due September 1, 2018 at 100.000%	CUSIP No. 573632 FK7
$400,000	3.000%	Serial Bonds	due September 1, 2019 at 104.244%	*CUSIP No. 573632 FL5
$415,000	3.000%	Serial Bonds	due September 1, 2020 at 102.895%	*CUSIP No. 573632 FM3
$430,000	3.000%	Serial Bonds	due September 1, 2021 at 101.830%	*CUSIP No. 573632 FN1
$440,000	3.000%	Serial Bonds	due September 1, 2022 at 100.517%	*CUSIP No. 573632 FP6
$455,000	3.000%	Serial Bonds	due September 1, 2023 at 100.000%	CUSIP No. 573632 FQ4
$465,000	3.000%	Serial Bonds	due September 1, 2024 at 98.955%	CUSIP No. 573632 FR2
$1,490,000	3.500%	Term Bonds	due September 1, 2027 at 100.000%	CUSIP No. 573632 FS0
$535,000	3.600%	Serial Bonds	due September 1, 2028 at 100.000%	CUSIP No. 573632 FT8
$550,000	3.700%	Serial Bonds	due September 1, 2029 at 100.000%	CUSIP No. 573632 FU5
$1,160,000	3.875%	Term Bonds	due September 1, 2031 at 98.304%	CUSIP No. 573632 FV3

*Priced to September 1, 2017 optional par call

Optional Redemption

The Series 2011 Bonds are subject to optional redemption prior to their stated maturity in whole or in part on any date on or after September 1, 2017, at the option of the City at par plus accrued interest thereon to the date set for redemption.

Mandatory Sinking Fund Redemption

The Series 2011 Bonds maturing on September 1, 2027 are subject to annual mandatory redemption prior to maturity by random selection on September 1 of the years and in the principal amounts set forth below, at the redemption price of 100% of the principal amount of each Bond so called for redemption plus interest accrued to the date fixed for redemption:

Bonds Maturing 2027

Year	Principal Amount
2025	$480,000
2026	$495,000
2027	$515,000

The Series 2011 Bonds maturing on September 1, 2031 are subject to annual mandatory redemption prior to maturity by random selection on September 1 of the years and in the principal amounts set forth below, at the redemption price of 100% of the principal amount of each Bond so called for redemption plus interest accrued to the date fixed for redemption:

Bonds Maturing 2031

Year	Principal Amount
2030	$570,000
2031	$590,000

If less than all the Series 2011 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.

$8,830,000
CITY OF MARTINSBURG (WEST VIRGINIA)
Combined Waterworks and Sewerage System Refunding Revenue Bonds,
Series 2011 A

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "Certificate") dated December 28, 2011, from the City of Martinsburg, Berkeley County, West Virginia (the "Issuer") is being delivered to Crews & Associates, Inc., the Underwriters of the Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011 A (the "Series 2011 A Bonds"), as initial purchasers of the Series 2011 A Bonds and this Certificate is being issued in connection with the issuance of the Series 2011 A Bonds.

SECTION 1. Purpose. This Certificate is being executed and delivered by the Issuer for the benefit of the holders and beneficial owners of the Series 2011 A Bonds and in order to assist the Underwriters in complying with SEC Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Ordinance of the Issuer enacted on October 20, 2011, as supplemented (the "Ordinance"), and the Purchase Contract, as hereafter defined, which apply to any capitalized term used in this Certificate unless otherwise defined herein, the following capitalized terms shall have the following meanings:

"Annual Financial Information" means the financial information (which shall be based on financial statements prepared in accordance with generally accepted accounting principles ("GAAP")) and operating data with respect to the Issuer, provided at least annually, of the type included in those sections of the final official statement with respect to the Series 2011 A Bonds attached thereto as Appendix B, which Annual Financial Information shall include Audited Financial Statements if available on the due date set forth herein, and, if not then available, unaudited financial statements.

"Audited Financial Statements" means the Issuer's annual financial statements, prepared in accordance with GAAP, which financial statements shall have been audited by a firm of independent certified public accountants.

"Beneficial Owner" shall mean any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2011 A Bonds (including persons holding Series 2011 A Bonds through nominees, depositories or other intermediaries).

"Dissemination Agent" shall initially mean the Issuer and any later appointed Dissemination Agent or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

"EMMA" means the Electronic Municipal Market Access system described in 1934 Act Release No. 59062 and maintained by the Municipal Securities Rulemaking Board for purposes of the Rule.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Certificate.

"National Repository" shall mean the Municipal Securities Rulemaking Board, Washington, D.C., the sole Nationally Recognized Municipal Securities Information Repository for purposes of the Rule.

"Participating Underwriters" shall mean the original underwriters of the Series 2011 A Bonds who are required to comply with the Rule in connection with their offering of the Series 2011 A Bonds.

"Purchase Contract" shall mean the Bond Purchase Agreement dated December 14, 2011, between Crews & Associates, Inc. (the "Underwriters"), and the Issuer, by which the Underwriters agreed to purchase the Series 2011 A Bonds from the Issuer upon the terms set forth therein.

"Repository" shall mean each National Repository and the State Repository.

"Rule" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"Series 2011 A Bonds" shall mean the Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011 A.

"State Repository" shall mean any public or private repository or entity designated by the State as the state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Certificate, there is no State Repository.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than 180 days after the end of the Issuer's fiscal year (presently June 30), commencing with the report for the fiscal year ending June 30, 2012, provide to each Repository Annual Financial Information and Audited Financial Statements, which are consistent with the requirements of Section 4 of this Certificate. The Annual Financial Information and Audited Financial Statements may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Certificate. The Issuer shall provide the Trustee with a copy of each report filed under this Certificate. If the Issuer's fiscal year changes, the Issuer shall give notice of such change in the same manner as for a Listed Event under Section 5(a).

(b) Not later than fifteen (15) Business Days prior to said date, the Issuer shall provide the Annual Financial Information and Audited Financial Statements to the Dissemination Agent (if other than the Issuer). If the Issuer is unable to provide to the Repositories the Annual Financial Information and Audited Financial Statements by the date required in subsection (a), the Issuer shall send a notice to the Repositories, in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Financial Information and Audited Financial Statements the name and address of each Repository; and

(ii) if the Dissemination Agent is other than the Issuer, file a report with the Issuer certifying that the Annual Financial Information and Audited Financial Statements have been provided pursuant to this Certificate, stating the date they were provided and listing the Repositories to which they were provided.

(d) All documents provided to the Municipal Securities Rulemaking Board shall be provided in an electronic formant and shall be accompanied by identifying information as prescribed by the Municipal Securities Rulemaking Board.

SECTION 4. Content of Annual Financial Information and Audited Financial Statements. The Issuer's Annual Financial Information and Audited Financial Statements shall contain or include by reference the following:

(a) Within ninety (90) days of the Issuer's fiscal year ending June 30, 2012, and each subsequent fiscal year, for delivery to each Repository in the format required by the Rule, unaudited general purpose financial statements of the Issuer, and

(b) Within one hundred eighty (180) days of the Issuer's fiscal year ending June 30, 2012, and each subsequent fiscal year, for delivery to each Repository in the format required by the Rule, such information and data of the Issuer for the prior fiscal year, including (i) the audited financial statements, prepared in accordance with generally accepted accounting principles in effect from time to time, and (ii) actual data of the type found in the Official Statement under the caption "HISTORICAL AND BUDGETED REVENUES."

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or the Issuer, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Issuer shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events, if applicable, with respect to the Series 2011 A 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 of security holders;

8. bond calls;

9. defeasances;

10. release, substitution, or sale of property securing repayment of the securities, except as provided by the Ordinance; and

11. rating changes.

(b) Whenever the Issuer obtains knowledge of the occurrence of any of the Listed Events, the Issuer shall as soon as possible determine if such event **would be material** under applicable federal securities laws.

(c) If the Issuer determines that knowledge of the occurrence of any of the Listed Events **would be material** under applicable federal securities laws, the Issuer shall promptly file a notice of such occurrence with each Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a) (4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Series 2011 A Bonds pursuant to the Ordinance.

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under this Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2011 A Bonds. If such termination occurs prior to the final maturity of the Series 2011 A Bonds, the Issuer shall give notice of such termination in the same manner as for any of the Listed Events under Section 5(a).

SECTION 7. Dissemination Agent. The Issuer has appointed itself as Dissemination Agent to assist it in carrying out its obligations under this Certificate. The Issuer may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Certificate.

SECTION 8. Amendment, Waiver. Notwithstanding any other provision of this Certificate, the Issuer may amend this Certificate, and any provision of this Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Series 2011 A Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2011 A Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Series 2011 A Bonds in the same manner as provided in the Ordinance for amendments to the Ordinance, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Series 2011 A Bonds.

In the event of any amendment or waiver of a provision of this Certificate, the Issuer shall describe such amendment in the next Annual Financial Information and Audited Financial Statements, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for any of the Listed Events under Section 5(a), and (ii) the Annual Financial Information and Audited Financial Statements for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication, or including any other information in any Annual Financial Information and Audited Financial Statements or notice of occurrence of any of the Listed Events, in addition to that which is required by this Certificate. If the Issuer chooses to include any information in any Annual Financial Information and Audited Financial Statements or notice of occurrence of any of the Listed Events in addition to that which is specifically required by this Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it in any future Annual Financial Information and Audited Financial Statements or notice of occurrence of any of the Listed Events.

SECTION 10. Default. In the event of a failure of the Issuer to comply with any provision of this Certificate (and, at the request of the Original Purchaser), any Holder or Beneficial Owner of the Series 2011 A Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Certificate. A default under this Certificate shall not be deemed an Event of Default under the Ordinance, and the sole remedy under this Certificate in the event of any failure of the Issuer to comply with this Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent, if other than the Issuer, shall have only such duties as are specifically set forth in this Certificate, and, to the extent permitted by law, the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 2011 A Bonds.

SECTION 12. Beneficiaries. This Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Underwriters and holders and beneficial owners from time to time of the Series 2011 A Bonds, and shall create no rights in any other person or entity.

[Remainder of Page Intentionally Blank]

Date: December 28, 2011

CITY OF MARTINSBURG

By: _____
Its: Mayor

By: _____
Its: City Manager

Exhibit A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Martinsburg

Name of Issue: Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011 A (Tax-Exempt)

Date of Issuance: December 28, 2011

Notice is hereby given that the Issuer has not provided an annual report with respect to the above-named bonds as required by its covenant made in connection with the above-referenced bond issue. The Issuer anticipates that the annual report will be filed by _____.

Dated this ___ day of _____, 20__.

CITY OF MARTINSBURG

By: _____
Its: Mayor

$8,830,000

CITY OF MARTINSBURG (WEST VIRGINIA)

Combined Waterworks And Sewerage System Refunding Revenue Bonds, Series 2011 A

RULE 15c2-12 CERTIFICATE

The undersigned hereby certifies and represents to Crews & Associates, Inc. (the "Underwriter") that he is the duly appointed and acting Mayor of the City of Martinsburg (West Virginia) (the "Issuer") authorized to execute and deliver this Certificate and further certifies on behalf of the Issuer to the Underwriter as follows:

(1) This Certificate is delivered to enable the Underwriter to comply with Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule") in connection with the offering and sale of the Issuer's $8,830,000 City of Martinsburg (West Virginia) Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011 A (the "Bonds").

(2) In connection with the offering and sale of the Bonds, there has been prepared a Preliminary Official Statement dated December 14, 2011, setting forth information concerning the Bonds and the Issuer of the Bonds (the "Preliminary Official Statement").

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

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

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

IN WITNESS WHEREOF, I have hereunto set my hand as of the 28th day of December, 2011.

CITY OF MARTINSBURG (WEST VIRGINIA)

By: George Karos
Mayor

The Depository Trust Company

A subsidiary of the Depository Trust & Clearing Corporation

BLANKET ISSUER LETTER OF REPRESENTATIONS

(To be completed by Issuer and Co-Issuer(s), if applicable)

City of Martinsburg

(Name of Issuer and Co-Issuer(s), if applicable)

December 21, 2011

(Date)

The Depository Trust Company
55 Water Street, 1SL
New York, NY 10041-0099
Attention: Underwriting Department

Ladies and Gentlemen:

This letter sets forth our understanding with respect to all issues (the "Securities") that Issuer shall request to be made eligible for deposit by The Depository Trust Company ("DTC").

Issuer is: (Note: Issuer shall represent one and cross out the other.)

~~[incorporated in]~~ [formed under the laws of] West Virginia

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.

Very truly yours,

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.

CITY OF MARTINSBURG

(Issuer)

By: _____

(Authorized Officer's Signature)

Mark S. Baldwin, City Manager

(Print Name)

232 North Queen Street

(Street Address)

Martinsburg	WV	USA	25401
(City)	(State)	(Country)	(Zip Code)

(304) 264-2131, Ext 277

(Phone Number)

MarkBaldwin17@aol.com

(E-mail Address)

Received and Accepted
THE DEPOSITORY TRUST COMPANY

By: _____

DTCC.

The Depository Trust & Clearing Corporation

BLOR 08/10/11

SCHEDULE A
(To Blanket Issuer Letter of Representations)

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) or such other name as may be requested by an authorized representative of DTC. 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 $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at **www.dtcc.com**.

3. Purchases of 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. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 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 Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 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 Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

[9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.]

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

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

ESCROW AGREEMENT

THIS AGREEMENT, made and entered into as of the 28th day of December, 2011, by and between the CITY OF MARTINSBURG, West Virginia (the "Issuer") and the WEST VIRGINIA MUNICIPAL BOND COMMISSION (the "Commission").

W I T N E S S E T H:

WHEREAS, the Issuer presently owns and operates a municipal combined waterworks and sewerage system (the "System") and has heretofore financed and refinanced the acquisition and construction of the System and certain additions, extensions and improvements thereto by issuance of several series of bonds, of which there are presently outstanding the following:

(i) Combined Waterworks and Sewerage System Revenue Bonds, Series 2000A (West Virginia DWTRF Program), dated September 27, 2000, originally issued in the aggregate principal amount of $7,564,000 (the "Series 2000A Bonds");

(ii) Combined Waterworks and Sewerage System Revenue Bonds, Series 2000B (West Virginia Infrastructure Fund), dated September 27, 2000, originally issued in the aggregate principal amount of $3,000,000 (the "Series 2000B Bonds");

(iii) Combined Waterworks and Sewerage System Revenue Bonds, Series 2000C (West Virginia Water Development Authority), dated September 27, 2000, originally issued in the aggregate principal amount of $1,976,352 (the "Series 2000C Bonds" and together with the Series 2000A Bonds and the Series 2000B Bonds, the "Series 2000 Bonds"); and

(iv) Combined Waterworks and Sewerage System Revenue Bonds, Series 2001, dated September 1, 2001, originally issued in the aggregate principal amount of $10,750,000 (the "Series 2001 Bonds").

WHEREAS, the Series 2001 Bonds were issued pursuant to an ordinance of the Issuer enacted on July 19, 2001, and put into effect following a public hearing held on July 30, 2011 (the "Prior Ordinance");

WHEREAS, the Issuer has determined to issue its Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011 A (the "Series 2011 A Bonds"), on a parity with the Series 2000 Bonds, pursuant to an Ordinance enacted on October 20, 2011, and put into effect on November 10, 2011, as supplemented by a Supplemental Resolution adopted November 10, 2011, a Second Supplemental Resolution adopted December 8, 2011 and Third Supplemental Resolution adopted December 20, 2011 (collectively, the "2011 Ordinance"), and contemporaneously therewith, legally defease the Series 2001 Bonds by depositing proceeds of the Series 2011 A Bonds and certain moneys of the Issuer ("Issuer's Funds") to the Escrow Fund herein described;

WHEREAS, the proceeds from the sale of the Series 2011 A Bonds and Issuer's Funds in the Escrow Fund established hereunder will be invested in the Investment (as hereinafter defined), which Investment will bear interest and mature in such amount so as to insure the availability of monies needed to pay the redemption price of all remaining Series 2001 Bonds on January 17, 2012, and for the other purposes set forth herein; and

WHEREAS, the Issuer has made arrangements for the Commission to invest the amounts deposited in the Escrow Fund in the fund described in Schedule A attached hereto (the "Investment"); and

WHEREAS, the Investment, plus residual cash amounts in the Escrow Fund, if any, which will be delivered to the Commission simultaneously with the delivery of the Series 2011 A Bonds, are in such principal amount and mature and bear interest at such rates and are payable at such times and in such amounts as to insure the payment on January 17, 2012, of the redemption price of the Series 2001 Bonds, including all outstanding principal, applicable redemption premiums and interest accrued thereon;

NOW, THEREFORE, in consideration of the mutual agreements contained herein, and in order further to secure payment of the Series 2001 Bonds, as heretofore provided, the parties hereto mutually undertake, promise and agree for themselves, their respective representatives, successors and assigns, as follows:

1. There is hereby created and established with the Commission an irrevocable trust fund to be known as the Escrow Fund, to be held in the custody of the Commission, separate and apart from all other funds of the Issuer and the Commission. The deposit of investments or moneys in the Escrow Fund shall constitute an irrevocable deposit of said investments or moneys in trust for, and such moneys and the investments thereof, together with any income or interest earned thereon, shall be applied, except as otherwise provided herein, on January 17, 2012, to pay the redemption price of the Series 2001 Bonds including all outstanding principal, applicable redemption premiums and interest accrued thereon, all in accordance with paragraph 4 hereof.

2. Concurrently with the delivery of the Series 2011 A Bonds, the Issuer and the Commission shall cause (i) Series 2011 A Bond proceeds in the amount of $8,009,605.76 and Issuer's Funds in the amount of $923,743.60, being $693,324.01 from the Series 2001 Bonds Reserve Account and $230,419.59 from the Series 2001 Bonds Sinking Fund to be deposited in the Escrow Fund and thereupon applied to the purchase of the Investment described in Schedule A. On or before January 17, 2012, the Investment described in Schedule A shall be liquidated by the Commission and on January 17, 2012, applied solely to the payment of the Series 2001 Bonds, including all outstanding principal, applicable redemption premiums and interest accrued thereon.

3. The Commission shall have no duty to reinvest funds or make substitutions of the Investment acquired under this agreement:

4. The Commission shall transfer from the Escrow Fund and, in its capacity as the paying agent for the Series 2001 Bonds, transfer to The Depository Trust Company as the

holder of the Series 2001 Bonds, in immediately available funds, on January 17, 2012, the sum of $8,933,349.36, being the amount of the initial deposit and also being the amount required to pay the redemption price of Series 2001 Bonds, including all outstanding principal, applicable redemption premiums and interest accrued thereon.

5. The holders of the Series 2001 Bonds shall have an express lien on all moneys and assets in the Escrow Fund until paid out, used and applied in accordance with this Agreement.

6. After the payment of all amounts required to be paid pursuant to paragraph 4 of this Agreement, the amounts remaining in the Escrow Fund shall be deposited by the Commission in the Series 2011 A Bonds Sinking Fund held by the Commission, and applied to payment of the interest on and/or principal of the Series 2011 A Bonds.

7. In no event shall the Commission or the paying agent have any lien whatsoever upon any of the moneys or Investment in the Escrow Fund for the payment any fees or expenses payable to the Commission or the paying agent.

8. The Issuer and the Commission independently hereby covenant that no part of the moneys or funds at any time in the Escrow Fund shall be used directly or indirectly to acquire any securities or obligations, the acquisition of which would cause any of the Series 2011 A Bonds to be an "arbitrage bond" as defined in Section 148 of the Code, or to be subject to treatment under Section 148 as an obligation not described in Section 103 of the Code.

9. The Commission shall have no responsibility with respect to the sufficiency of this Agreement to effect redemption or defeasance of the Series 2001 Bonds. The liability of the Commission for the payment of the principal of and redemption premiums and interest on the Series 2001 Bonds shall be limited to the payment of all amounts required to be paid pursuant to paragraph 4 of this Agreement. The Commission shall not be liable or responsible because of the failure of the Issuer to perform any act required of it by this Agreement.

10. To the extent permitted by law, the Issuer hereby agrees (whether or not any of the transactions contemplated hereby are consummated), to indemnify, protect, save and hold harmless the Commission and its respective successors, assigns, agents and servants, from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including legal fees and disbursements) of whatever kind and nature which may be imposed on, incurred by, or asserted against, at any time, the Commission (whether or not also indemnified against the same by the Issuer or any other person under any other agreement or instrument) and in any way relating to or arising out of the execution and delivery of this Agreement and the exercise by the Commission of the duties hereunder, the establishment of the Escrow Fund established hereunder, the acceptance of the moneys and securities deposited therein, the purchase of the Investment, the retention of the Investment or the proceeds thereof and any payment, transfer or other application of moneys or securities by the Commission in accordance with the provisions of this Agreement; provided, however, that the Issuer shall not be required to indemnify the Commission against its own negligence or willful misconduct. In no event shall the Issuer be liable to any person by reason of the transactions

contemplated hereby other than to the Commission as set forth in this section. The indemnities contained in this section shall survive the termination of this Agreement.

The Commission and its respective successors, assigns, agents and servants shall not be held to any personal liability whatsoever, in tort, contract or otherwise, in connection with the execution and delivery of this Agreement, any notices required to be sent to any rating agencies, the establishment of the Escrow Fund, the acceptance of the moneys deposited therein, the purchase of the Investment, the retention of the Investment or the proceeds thereof or any payment, transfer or other application of the moneys or securities by the Commission in accordance with the provisions of this Agreement, by reason of any non-negligent act, omission or error of the Commission made in good faith in the conduct of its duties. The duties and obligations of the Commission shall be determined by the express provisions of this Agreement. The Commission may consult with counsel who may or may not be counsel to the Issuer, and in reliance upon the opinion of such counsel shall have full and complete authorization and protection in respect of any action taken, suffered or omitted by the Commission in good faith in accordance therewith. Whenever the Commission shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering or omitting any action under this Agreement, such matter may be deemed to be conclusively established by a certificate signed by an authorized officer of the Issuer.

Notwithstanding anything else in this Section 10 to the contrary, no such liability of the Issuer may be satisfied from any moneys or securities held under this Escrow Agreement.

11. The Issuer acknowledges that it will or has, at its expense, cause or caused to be given all notices required by the Prior Ordinance authorizing the Series 2001 Bonds regarding such defeasance and redemption of the Series 2001 Bonds. .

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

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

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

15. This Agreement shall terminate when the Commission has paid all amounts required to be paid pursuant to paragraph 4 of this Agreement. Upon termination of this Agreement, any remaining moneys in the Escrow Fund shall be transferred as provided in paragraph 6 hereof.

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

CITY OF MARTINSBURG

By: _____
Its Mayor

By: _____
Its City Manager

WEST VIRGINIA MUNICIPAL BOND COMMISSION

By: _____
Its Executive Director

SCHEDULE A

THE INVESTMENT

Government Money Market Pool managed by the West Virginia Board of Treasury Investments

CITY OF MARTINSBURG
COMBINED WATERWORKS AND
SEWERAGE SYSTEM REFUNDING REVENUE BONDS,
SERIES 2011 A

ACCEPTANCE OF DUTIES OF DEPOSITORY BANK

Jefferson Security Bank, a state banking corporation, with offices in the City of Martinsburg, West Virginia, hereby accepts appointment as Depository Bank in connection with the Bond Ordinance enacted October 20, 2011, and put into effect following a public hearing on November 10, 2011, as supplemented and amended by a Supplemental Resolution adopted November 10, 2011, a Second Supplemental Resolution adopted December 8, 2011, and a Third Supplemental Resolution adopted December 20, 2011 (collectively, the "Bond Ordinance") of the City of Martinsburg (the "Issuer"), authorizing issuance of the Issuer's Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011 A, dated December 28, 2011, in the principal amount of $8,830,000 and agrees to perform all duties of Depository Bank in connection with such Bonds, all as set forth in said Bond Ordinance.

Dated this 28th day of December, 2011.

JEFFERSON SECURITY BANK

By: Wayne Goodrich
Its: Executive Vice President

CITY OF MARTINSBURG
COMBINED WATERWORKS AND
SEWERAGE SYSTEM REFUNDING REVENUE BONDS,
SERIES 2011 A

REGISTRAR'S AGREEMENT

THIS REGISTRAR'S AGREEMENT, dated as of the 28th day of December, 2011 by and between the CITY OF MARTINSBURG, a municipal corporation and political subdivision of the State of West Virginia (the "Issuer"), and UNITED BANK, INC., a West Virginia state banking corporation (the "Registrar").

WHEREAS, the Issuer has, contemporaneously with the execution hereof, issued and sold its Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011 A, dated December 28, 2011, in the aggregate principal amount of $8,300,000 (the "Bonds"), in fully registered form, pursuant to a Bond Ordinance of the Issuer enacted on October 20, 2011, and put into effect following a public hearing held on November 10, 2011, as supplemented and amended by a Supplemental Resolution adopted November 10, 2011, a Second Supplemental Resolution adopted on December 8, 2011, and a Third Supplemental Resolution adopted on December 20, 2011 (collectively, the "Bond Ordinance");

WHEREAS, capitalized words and terms used in this Registrar's Agreement and not otherwise defined herein shall have the respective meanings given them in the Bond Ordinance, a copy of which is attached as Exhibit A hereto and incorporated herein by reference;

WHEREAS, the Bond Ordinance provides for an appointment by the Issuer of a Registrar for the Bonds; and

WHEREAS, the Issuer desires to appoint, and by the Bond Ordinance and this Registrar's Agreement does appoint, the Registrar to act as Registrar for the Bonds under the Resolution and to take certain other actions hereinafter set forth;

NOW, THEREFORE, it is agreed by and between the parties hereto as follows:

1. Upon the execution of this Registrar's Agreement by the Issuer and the Registrar and during the term hereof, the Registrar does accept and shall have and carry out the powers and duties of Registrar for the Bonds, all as set forth in the Bond 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 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 Registrar 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 Registrar's authorized officers for the purposes of acting as the Registrar and with such other information and reports as the Issuer may from time to time reasonably require.

3. The Registrar shall have no responsibility or liability for any action taken by it at the specific direction of the Issuer.

4. For its fees and expenses hereunder, the Registrar shall receive an initial fee in the amount of $550.00, said $550.00 to be payable upon the issuance of the Bonds and thereafter an annual fee in the amount of $50.00 so long as the Bonds are held by the Registrar pursuant to the DTC-FAST procedure.

5. It is intended that this Registrar's Agreement shall carry out and implement provisions of the Bond Ordinance with respect to the Registrar for the Bonds. In the event of any conflict between the terms of this Registrar's Agreement and the Bond Ordinance, the terms of the Bond Ordinance shall govern.

6. The Issuer and the Registrar each warrants and represents that it is duly authorized and empowered to execute and enter into this Registrar's Agreement and that neither such execution nor the performance of its duties hereunder or under the Bond Ordinance will violate any order, decree or agreement to which it is a party or by which it is bound.

7. This Registrar's 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 Martinsburg
232 North Queen Street
Martinsburg, West Virginia 25401

Registrar: United Bank, Inc.
500 Virginia Street, East
Charleston, West Virginia 25301
Attention: Corporate Trust Department

8. The Registrar is hereby requested and authorized to authenticate and deliver the Bonds in accordance with the Resolution.

IN WITNESS WHEREOF, the CITY OF MARTINSBURG and UNITED BANK, INC., have respectively caused this Registrar's Agreement to be signed in their names and on their behalf by their duly authorized officers, all as of the day and year first above-written.

CITY OF MARTINSBURG

By: _____
Its: Mayor

UNITED BANK, INC.

By: _____
Its: Authorized Representative

EXHIBIT A

BOND ORDINANCE

[See Transcript Document Numbers 1, 2 and 3]

CITY OF MARTINSBURG
COMBINED WATERWORKS AND
SEWERAGE SYSTEM REFUNDING REVENUE BONDS,
SERIES 2011 A

ACCEPTANCE OF DUTIES OF REGISTRAR

United Bank, Inc., a West Virginia state banking corporation with corporate trust offices in the City of Charleston, West Virginia, hereby accepts appointment as Registrar in connection with the City of Martinsburg Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011 A, dated December 28, 2011, in the principal amount of $8,830,000 (the "Bonds") and agrees to perform all duties of Registrar in connection with the Bonds, all as set forth in the Bond Legislation authorizing issuance of the Bonds.

Dated this 28th day of December, 2011.

UNITED BANK, INC.

By: _____

Its: Vice President

CITY OF MARTINSBURG
COMBINED WATERWORKS AND
SEWERAGE SYSTEM REFUNDING REVENUE BONDS
SERIES 2011 A

CERTIFICATE OF REGISTRATION OF BONDS

I, Kathy Smith, CCTS, Vice President of United Bank, Inc., as Registrar under the Bond Ordinance providing for the issuance of the above captioned bonds, hereby certifies that on the date hereof, the fully registered City of Martinsburg Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011 A, dated December 28, 2011, in the principal amount of $8,830,000, issued initially in the form of seventeen certificates numbered AR-1 through AR-17, as more particularly set forth in Exhibit A hereto, were registered as to principal and interest in the name of "Cede & Co." in the books of the Issuer kept for that purpose at our office, by a duly authorized officer on behalf of United Bank, Inc., as Registrar.

WITNESS my signature as of this 28th day of December, 2011.

UNITED BANK, INC.

By: _____
Its: Vice President

EXHIBIT A

$8,830,000
CITY OF MARTINSBURG
COMBINED WATER AND
SEWERAGE SYSTEM REFUNDING REVENUE BONDS
SERIES 2011 A

Dated Date: December 28, 2011
Closing Date: December 28, 2011

Certificate	CUSIP	Principal Amount	Maturity Date	Interest Rate
AR-1	573632 FD3	$ 240,000.00	September 1, 2012	2.000%
AR-2	573632 FE1	360,000.00	September 1, 2013	2.000%
AR-3	573632 FF8	360,000.00	September 1, 2014	2.000%
AR-4	573632 FG6	370,000.00	September 1, 2015	2.000%
AR-5	573632 FH4	380,000.00	September 1, 2016	2.000%
AR-6	573632 FJ0	385,000.00	September 1, 2017	2.000%
AR-7	573632 FK7	395,000.00	September 1, 2018	2.000%
AR-8	573632 FL5	400,000.00	September 1, 2019	3.000%
AR-9	573632 FM3	415,000.00	September 1, 2020	3.000%
AR-10	573632 FN1	430,000.00	September 1, 2021	3.000%
AR-11	573632 FP6	440,000.00	September 1, 2022	3.000%
AR-12	573632 FQ4	455,000.00	September 1, 2023	3.000%
AR-13	573632 FR2	465,000.00	September 1, 2024	3.000%
AR-14	573632 FS0	1,490,000.00	September 1, 2027	3.500%
AR-15	573632 FT8	535,000.00	September 1, 2028	3.600%
AR-16	573632 FU5	550,000.00	September 1, 2029	3.700%
AR-17	573632 FV3	1,160,000.00	September 1, 2031	3.875%

WEST VIRGINIA
Water Development Authority
Celebrating 37 Years of Service 1974 - 2011

CITY OF MARTINSBURG
COMBINED WATERWORKS AND
SEWERAGE SYSTEM REFUNDING REVENUE BONDS
SERIES 2011 A

CONSENT TO ISSUANCE OF PARITY BONDS

TO WHOM IT MAY CONCERN:

In reliance upon the Certificate of CoxHollidaPrice LLP, the Independent Certified Public Accountants, and the opinion of Bowles Rice McDavid Graff & Love LLP, bond counsel, that the applicable coverage and parity tests have been met delivered on the date hereof in connection with the above-referenced Bonds, the undersigned duly authorized representative of the West Virginia Water Development Authority, acting on behalf of itself, the West Virginia Bureau for Public Health and the West Virginia Infrastructure and Jobs Development Council and as the registered owner of the Combined Waterworks and Sewerage System Revenue Bonds, Series 2000A (West Virginia DWTRF Program), dated September 27, 2000, originally issued in the aggregate principal amount of $7,564,000, the Combined Waterworks and Sewerage System Revenue Bonds, Series 2000B (West Virginia Infrastructure Fund), dated September 27, 2000, originally issued in the aggregate principal amount of $3,000,000, and the Issuer's Combined Waterworks and Sewerage System Revenue Bonds, Series 2000C (West Virginia Water Development Authority), dated September 27, 2000, originally issued in the aggregate principal amount of $1,976,352 (collectively, the "Series 2000 Bonds"), of the City of Martinsburg (the "Issuer"), hereby consents to the issuance of the Issuer's Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011 A (the "Series 2011 A Bonds") in an aggregate principal amount of $8,830,000, on a parity with respect to liens, pledges and sources of and security for payment, with the Series 2000 Bonds, under the terms of the Bond Ordinance authorizing the Series 2011 A Bonds.

Dated this 28th day of December, 2011.

WEST VIRGINIA WATER
DEVELOPMENT AUTHORITY

By: _____
Its: Authorized Officer

180 Association Drive, Charleston, WV 25311-1217
Phone (304) 414-6500 / fax (304) 414-0865
www.wvwda.org

CITY OF MARTINSBURG
COMBINED WATERWORKS AND
SEWERAGE SYSTEM REFUNDING REVENUE BONDS,
SERIES 2011 A

REQUISITION FORM AND CERTIFICATE

Jefferson Security Bank
1861 Edwin Miller Boulevard
Martinsburg, West Virginia 25404

Ladies and Gentlemen:

You are authorized to make the disbursements set forth in Exhibit A attached hereto from the proceeds of the above-referenced Bonds on deposit in the Series 2011 A Bonds Costs of Issuance Fund established pursuant to the Bond Ordinance enacted by the City of Martinsburg on October 20, 2011, and put into effect on November 10, 2011, as supplemented and amended by a Supplemental Resolution adopted on November 10, 2011, a Second Supplemental Resolution adopted on December 8, 2011, and a Third Supplemental Resolution adopted on December 20, 2011 (the "Bond Ordinance").

In connection with the foregoing, the undersigned Mayor of the City of Martinsburg, being an Authorized Officer described in the Bond Ordinance, states and certifies that:

1. None of the items for which the payment is proposed to be made has formed the basis for any disbursement theretofore made;

2. Each item for which the payment is proposed to be made is or was necessary in connection with the issuance of the Series 2011 A Bonds;

3. Each of such costs has been otherwise properly incurred; and

4. Payment for each of the items proposed is now due and owing.

Dated this 28th day of December, 2011.

CITY OF MARTINSBURG

By: _____
Its: Mayor

EXHIBIT A

1.	Bowles Rice McDavid Graff & Love LLP	$30,000.00	Bond Counsel Fees and Expenses
2.	Steptoe & Johnson PLLC	20,000.00	Underwriter's Counsel Fees and Expenses
3.	Cox HollidaPrice LLP	1,200.00	Accounting Certification
4.	Standard & Poor's Rating Services	14,000.00	Rating Agency Fee
5.	Bowles Rice McDavid Graff & Love LLP	2,338.17	Issuer's Counsel Fees and Expenses
6.	United Bank, Inc.	550.00	Registrar/FAST Agent Fee
7.	West Virginia Municipal Bond Commission*	909.87	Paying Agent/Escrow Agent Fee
	TOTAL	$68,998.04	

* Note that the $909.87 payable to the West Virginia Municipal Bond Commission will be paid directly to the West Virginia Municipal Bond Commission by the Underwriter and not from the Series 2011 A Bonds Costs of Issuance Fund.