

**CITY OF MARTINSBURG**

**COMBINED WATERWORKS AND  
SEWERAGE SYSTEM REVENUE BONDS, SERIES 2013 A  
(WEST VIRGINIA SRF PROGRAM)  
BOND ORDINANCE**

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**CITY OF MARTINSBURG  
COMBINED WATERWORKS AND SEWERAGE SYSTEM  
REVENUE BONDS,  
SERIES 2013 A  
(WEST VIRGINIA SRF PROGRAM)**

**BOND ORDINANCE**

ORDINANCE AUTHORIZING THE REFUNDING OF CERTAIN BONDS OF THE CITY OF MARTINSBURG AND THE ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING COMBINED WATERWORKS AND SEWERAGE SYSTEM OF THE CITY OF MARTINSBURG AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE CITY OF MARTINSBURG OF NOT MORE THAN THIRTY-FOUR MILLION NINE HUNDRED FORTY-EIGHT THOUSAND FIVE HUNDRED SIXTY-THREE DOLLARS (\$34,948,563) IN AGGREGATE PRINCIPAL AMOUNT OF CITY OF MARTINSBURG COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2013 A (WEST VIRGINIA SRF PROGRAM); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING A BOND PURCHASE AGREEMENT OR LOAN AGREEMENT WITH THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY AND THE WEST VIRGINIA DEPARTMENT OF ENVIRONMENTAL PROTECTION RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS; AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT 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 22C, Article 2 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 presently owns and operates a public combined waterworks and sewerage system. It is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer that there be constructed certain additions, betterments and improvements to the Issuer’s existing public combined waterworks and sewerage system, including the additions, betterments and improvements described in Exhibit A hereto (collectively, the “Project”) (the Issuer’s existing public combined waterworks and sewerage system, the Project and any further additions thereto or extensions thereof are herein called the “System”) at the costs set forth in Section 2.01 hereof, in accordance with the plans and specifications prepared by O’Brien & Gere Engineers, Inc. (the “Consulting Engineers”), which plans and specifications have heretofore been filed with the Issuer.

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 (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 (the “Series 2000A Bonds”), (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 (the “Series 2000B Bonds”), (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 (the “Series 2000C Bonds”), and (4) the Issuer’s Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011 A, dated December 28, 2011, originally issued in the aggregate principal amount of \$8,830,000 (the “Series 2011 A Bonds” and, together with the Series 2000A Bonds, the Series 2000B Bonds and the Series 2000C Bonds, the “Prior Bonds”), which Series 2000A Bonds, Series 2000B Bonds and Series 2000C 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, as supplemented and amended (the “Series 2000 Bonds Ordinance”), and which Series 2011 A Bonds were issued pursuant to an ordinance enacted by the Issuer on October 20, 2011, and put into effect following

a public hearing held on November 20, 2011, as supplemented and amended (the "Series 2011 A Bonds Ordinance" and, together with the Series 2000 Bonds Ordinance, the "Prior Ordinances"). In addition, certain costs of the design of the Project were financed with the proceeds of the Issuer's Combined Waterworks and Sewerage System Design Revenue Bonds, Series 2012 A (West Virginia Water Development Authority) dated October 23, 2012, originally issued in the aggregate principal amount of \$1,315,000 (the "Series 2012 A Bonds"), which Series 2012 A Bonds were issued pursuant to an ordinance enacted by the Issuer on September 20, 2012, and put into effect following a public hearing held on October 11, 2012, as supplemented and amended by a Supplemental Resolution adopted on October 11, 2012 (the "Series 2012 A Bonds Ordinance").

D. The Issuer derives revenues from the System, and, except for the pledges thereof to secure and pay the Prior Bonds and the Series 2012 A Bonds, said revenues are not pledged or encumbered in any manner.

E. The estimated maximum cost of the construction and acquisition of the Project and issuance of the Series 2013 A Bonds, as hereinafter defined, is \$51,396,665, of which not to exceed \$34,948,563 will be permanently financed with the proceeds of the Issuer's Combined Waterworks and Sewerage System Revenue Bonds, Series 2013 A (West Virginia SRF Program) (the "Series 2013 A Bonds") herein authorized and the balance of \$16,448,102 is anticipated to be paid with proceeds of a grant to be made from the proceeds of the bonds to be issued pursuant to Senate Bill No. 245 passed by the West Virginia Senate on March 12, 2011 (the "Grant"). Because the Grant will not be available until after the anticipated date of commencement of construction of the Project, the Issuer has determined to issue its Combined Waterworks and Sewerage System Subordinated Revenue Bonds, Series 2013 B (West Virginia Infrastructure Fund) in an aggregate principal amount not to exceed \$21,000,000 (the "Series 2013 B Bonds") pursuant to a separate bond ordinance to be enacted by Issuer. Proceeds of the Series 2013 B Bonds will be used to finance costs of the construction and acquisition of the Project in the event that the proceeds of the Series 2013 A Bonds have been fully expended and the proceeds of the Grant are not then available. Upon the receipt of the proceeds of the Grant, the Series 2013 B Bonds will be cancelled and the Series 2013 B Bonds, together with the related ordinance, shall thereafter be of no further force or effect, assuming that no proceeds of the Series 2013 B Bonds have been advanced. In the event that the amount of proceeds received by the Issuer from the Grant exceeds the aforesaid sum of \$16,448,102, the Issuer will use such additional amount to pay additional costs of the construction and acquisition of the Project above the \$51,396,665 referenced above and/or reduce the amount borrowed pursuant to the Series 2013 A Bonds.

F. The Issuer has met all of the requirements set forth in the Prior Ordinances for the issuance of the Series 2013 A Bonds on a parity with the Prior Bonds with respect to lien, pledge and sources of and security for payment, and the Issuer has determined that, upon issuance the Series 2013 A Bonds shall be on a parity with the Prior Bonds. The Series 2012 A Bonds will be paid in full and discharged with proceeds of the Series 2013 A Bonds upon the issuance of the Series 2013 A Bonds and thereupon the Series 2012 A Bonds Ordinance will be discharged.

G. It is deemed necessary for the Issuer to issue the Series 2013 A Bonds in the aggregate principal amount of not more than \$34,948,563, to permanently finance a portion of the costs of the Project. Such costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest upon the Series 2013 A Bonds prior to and during a period not exceeding 6 months after completion of construction of the Project; amounts which may be deposited in the Series 2013 A Bonds Reserve Account; engineering and legal expenses; expenses for estimates of costs and revenues, expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise, administrative expense, commitment fees, fees and expenses of the Authority as hereinafter defined, discount, initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Series 2013 A Bonds and such other expenses as may be necessary or incidental to the financing herein authorized, the acquisition and construction of the Project and the placing of same in operation and the performance of the things herein required or permitted, in connection with any thereof, provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Series 2013 A Bonds or the repayment of indebtedness incurred by the Issuer for such purposes, shall be deemed Costs of the Project.

H. The estimated revenues to be derived in each year after completion of the Project from the operation of the System will be sufficient to pay all the costs of the operation and maintenance of said System, the principal of and interest on the Series 2013 A Bonds and the Prior Bonds, and all sinking funds, reserve accounts and other payments provided for herein and in the Prior Ordinances.

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

J. It is in the best interests of the Issuer that its Series 2013 A Bonds be issued and sold to the Authority (as hereinafter defined) pursuant to the terms and provisions of a bond purchase agreement or loan agreement by and among the Issuer, the Authority and the West Virginia Department of Environmental Protection (the "Loan Agreement") in such form as may be approved by a Supplemental Resolution, the execution and delivery of which are ratified and approved herein.

K. There are no outstanding obligations of the Issuer, other than the Prior Bonds, which will rank either senior and prior to or on parity with the Series 2013 A Bonds as to liens and sources of and security for payment.

L. The Series 2013 A 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 Prior Bonds and senior to the lien to be held by the Holder of the Series 2013 B Bonds. A portion of the proceeds of the Series 2013 A Bonds will be used to pay and redeem in full the Series 2012 A Bonds and thereupon the Series 2012 A Bonds Ordinance will be discharged. Prior to the issuance of the Series 2013 A Bonds, the Issuer will obtain (i) a certificate of an Independent Certified Public Accountant stating that the parity tests of the Prior Bonds are met, and (ii) the

written consent of the Holder(s) of the Series 2000A Bonds, Series 2000B Bonds and Series 2000C Bonds to the issuance of the Series 2013 A Bonds on a parity with the Series 2000A Bonds, Series 2000B Bonds and Series 2000C Bonds.

M. The Issuer has complied with all requirements of West Virginia law and the Loan Agreement relating to authorization of the planning, development, design, acquisition, construction and operation of the Project and the System, and issuance of the Series 2013 A Bonds or will have so complied prior to issuance of any thereof, including, among other things, the approval of the Project and the financing thereof by the West Virginia Infrastructure and Jobs Development Council, and the obtaining of a Certificate of Public Convenience and Necessity from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which has expired prior to the issuance of the Series 2013 A Bonds or has been waived by all necessary parties.

N. The Project has been reviewed and determined to be technically feasible by the Council (as hereinafter defined) as required under Chapter 31, Article 15A of the Code of West Virginia, 1931, as amended.

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Series 2013 A Bonds by those who shall be the Registered Owners of the same from time to time, this Bond Legislation shall be deemed to be and shall constitute a contract between the Issuer and such Registered Owners, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the Registered Owners of any and all of such Series 2013 A 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 22C, Article 2 of the Code of West Virginia, 1931, as amended and in effect on the date of enactment hereof.

“Authority” means the West Virginia Water Development Authority, which is expected to be the original purchaser and Registered Owner of the Series 2013 A Bonds, or any other agency of the State of West Virginia that succeeds to the functions of the Authority, acting in its administrative capacity and upon authorization from the DEP under the Act.

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

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

“Bonds” means, collectively, the Prior Bonds, the Series 2013 A 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.

“Certificate of Authentication and Registration” means the certificate of authentication and registration on the Series 2013 A Bonds in substantially the form set forth in the bond form contained herein.

“City Manager” means the City Manager of the Issuer.

“Closing Date” means the date upon which there is an exchange of the Series 2013 A Bonds for an advance of more than a de minimis amount of the principal of the Series 2013 A Bonds by the Authority.

“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.

“Completion Date” means the completion date of the Project.

“Consulting Engineers” means O’Brien & Gere Engineers, Inc., or any professional engineer or firm of professional engineers, licensed by the State, who shall not be a regular, full-time employee of the State or any of its agencies, commissions or political subdivisions, that shall at any time hereafter be retained by the Issuer as Consulting Engineers for the System, or portion thereof in accordance with Chapter 5G, Article 1 of the Code of West Virginia, 1931, as amended.

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

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

“DEP” means the West Virginia Department of Environmental Protection or any other agency, board or department of the State that succeeds to the functions of the DEP.

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

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

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

“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 without limitation (i) such obligations which have been stripped from their unmatured interest coupons, interest coupons stripped from such obligations and receipts or certificates evidencing payments from such obligations or interest coupons stripped from such obligations, (ii) evidences of ownership of a proportionate interest in specified direct obligations of, or specified obligations which are unconditionally and fully guaranteed by, the United States of America, which obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian and (iii) obligations, the sole source of the payment of the principal of and interest on which are obligations of the nature of those described in clause (i), which are irrevocably pledged for such purposes.

“Grant” means the grant in the estimated amount of \$16,448,102 to be received by the Issuer from the proceeds of the bonds to be issued pursuant to Senate Bill No. 245 passed by the West Virginia Senate on March 12, 2011.

“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) or any Tap Fees, as hereinafter defined.

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

“Independent Certified Public Accountants” means any 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.

“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.

“Loan Agreement” means the Bond Purchase Agreement or Loan Agreement among the Authority, the Issuer and the DEP, providing for the purchase of the Series 2013 A Bonds by the Authority, the form of which shall be approved by the Supplemental Resolution and the execution and delivery by the Issuer are authorized and directed by this Ordinance.

“Mayor” means the Mayor of the Issuer.

“Net Proceeds” means the face amount of the Series 2013 A Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds deposited in the Series 2013 A Bonds Reserve Account.

“Net Revenues” means Gross Revenues less Operating Expenses.

“Operating Expenses” means the reasonable proper and necessary costs 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, the SRF Administrative Fee, fees and expenses of the Authority, fiscal agents and 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 that are applicable 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.

“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.

“Paying Agent” means the West Virginia Municipal Bond Commission, or such entity or authority as may be designated by the Issuer with the consent of the Authority.

“Prior Bonds” means collectively the Series 2000A Bonds, the Series 2000B Bonds, the Series 2000C Bonds and the Series 2011 A Bonds.

“Prior Ordinances” means the ordinances enacted by the Issuer authorizing, among other things, the issuance of the Prior Bonds, as supplemented and amended.

“Project” means the Project described in Section 1.02B and in Exhibit A attached hereto, constituting the acquisition and construction of additions, betterments and improvements to the existing combined waterworks and sewerage system of the Issuer.

“PSC” means the Public Service Commission of West Virginia and any successors to the functions thereof.

“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 to the extent not insured by the FDIC and FSLIC shall be 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.

(6) Money market funds or similar funds whose only assets are investments of the type described in paragraphs (1) through (5) above.

(7) 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 City 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 City, additional cash and/or acceptable securities shall be transferred.

(8) 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.

(9) 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.

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

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

"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.

"Reserve Accounts" means, collectively, the respective reserve accounts for the Prior Bonds and the Series 2013 A Bonds.

"Reserve Requirement" means the respective amount required to be on deposit in any Reserve Account.

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

"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 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.

“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.

“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.

“Series 2000B Bonds” means 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.

“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.

“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.

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

“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.

“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.

“Series 2011 A Bonds” means the Issuer’s Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011 A, dated December 28, 2011, originally issued in aggregate principal amount of \$8,830,000.

“Series 2011 A Bonds Redemption Account” means the Series 2011 A Bonds Redemption Account established for the Series 2011 A Bonds in Section 5.02 of the Series 2011 A Bonds Ordinance.

“Series 2011 A Bonds Reserve Account” means the Series 2011 A Bonds Reserve Account established for the Series 2011 A Bonds in Section 5.02 of the Series 2011 A Bonds Ordinance.

“Series 2011 A Bonds Sinking Fund” means the Series 2011 A Bonds Sinking Fund established for the Series 2011 A Bonds in Section 5.02 of the Series 2011 A Bonds Ordinance.

“Series 2012 A Bonds” means the Issuer’s Combined Waterworks and Sewerage System Design Revenue Bonds, Series 2012 A (West Virginia Water Development Authority), dated October 23, 2012, issued in the original aggregate principal amount of \$1,315,000.

“Series 2013 A Bonds” means the not more than \$34,948.563 in aggregate principal amount of Combined Waterworks and Sewerage System Revenue Bonds, Series 2013 A (West Virginia SRF Program) of the Issuer, authorized by this Ordinance.

“Series 2013 A Bonds Project Trust Fund” means the Series 2013 A Bonds Project Trust Fund established by Section 5.01 hereof.

“Series 2013 A Bonds Reserve Account” means the Series 2013 A Bonds Reserve Account established in the Series 2013 A Bonds Sinking Fund pursuant to Section 5.02 hereof.

“Series 2013 A Bonds Reserve Requirement” means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 2013 A Bonds in the then concurrent or any succeeding year.

“Series 2013 A Bonds Sinking Fund” means the Series 2013 A Bonds Sinking Fund established by Section 5.02 hereof.

“Series 2013 B Bonds” means the not more than \$21,000,000 in aggregate principal amount of Combined Waterworks and Sewerage System Subordinated Revenue Bonds, Series 2013 B (West Virginia Infrastructure Fund) of the Issuer to be authorized by a separate bond ordinance of the Issuer to pay Costs of the Project in the event that the proceeds of the Series 2013 A Bonds have been fully expended and the proceeds of the Grant are not then available.

“Sinking Funds” means, collectively, the Series 2000 Bonds Sinking Funds, the Series 2011 A Bonds Sinking Fund and the Series 2013 A Bonds Sinking Fund.

“SRF Administrative Fee” means any administrative fee required to be paid under the Loan Agreement.

“SRF Program” means the State’s Water Pollution Control Revolving Fund Program, under which the Authority purchases the water pollution control revenue bonds of local governmental entities satisfying certain legal and other requirements with the proceeds of a capitalization grant award from the United States Environmental Protection Agency and funds of the State.

“SRF Regulations” means the regulations set forth in Title 47, Series 31 of the West Virginia Code of State Regulations.

“State” means the State of West Virginia.

“Supplemental Resolution” means any resolution, ordinance or order of the Issuer supplementing or amending this Ordinance and, when preceded by the article “the,” refers specifically to the Supplemental Resolution authorizing the sale of the Series 2013 A Bonds; provided, that any matter intended by this Ordinance to be included in the Supplemental Resolution with respect to the Series 2013 A Bonds and not so included may be included in another Supplemental Resolution.

“Surplus Revenues” means the Net Revenues not required by the Bond Legislation to be set aside and held for the payment of or security for the Series 2013 A Bonds, the Prior Bonds or any other obligations of the Issuer, as further defined in Section 5.03(A)(6) 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.

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

Additional terms and phrases are defined in this Ordinance as they are used. 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 ACQUISITION AND CONSTRUCTION OF THE PROJECT AND THE REFUNDING OF THE SERIES 2012 A BONDS

Section 2.01. Authorization of Acquisition and Construction of the Project and the Refunding of the Series 2012 A Bonds. There are hereby authorized the refunding of the Series 2012 A Bonds and the acquisition and construction of the Project, at an estimated cost of \$51,396,665, in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed in the office of the Governing Body. The foregoing Project costs, including without limitation costs associated with the issuance of the Series 2013 A Bonds, shall be paid with the proceeds of the Series 2013 A Bonds and the Grant, if available. Proceeds of the Series 2013 B Bonds will be used to pay Costs of the Project in the event that the proceeds of the Series 2013 A Bonds have been fully expended and the proceeds of the Grant are not then available. The proceeds of the Series 2013 A Bonds hereby authorized shall be applied as provided in Article VI hereof.

The Issuer has received bids and has entered into or will enter into contracts for the acquisition and construction of the Project, which are in an amount and otherwise compatible with the financing plan submitted to the Authority, SRF Program and the Council.

The Costs of the Project, including without limitation the costs of issuing the Series 2013 A Bonds, are estimated not to exceed \$51,396,665, which Costs are to be paid with the proceeds of the Series 2013 A Bonds and proceeds of the Grant. Proceeds of the Series 2013 B Bonds will be used to pay Costs of the Project in the event that the proceeds of the Series 2013 A Bonds have been fully expended and the proceeds of the Grant are not then available. A portion of the proceeds of the Series 2013 A Bonds will be used to pay in full the entire outstanding principal of and all interest and fees accrued on the Series 2012 A Bonds on the Closing Date.

It is further provided that, in the event that the amount of the proceeds of the Grant received by the Issuer exceeds \$16,448,102, the excess above \$16,448,102 may be used by the Issuer to pay Costs of the Project above the \$51,396,665 referenced above and/or to reduce the amount borrowed pursuant to the Series 2013 A Bonds.

## ARTICLE III

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

Section 3.01. Authorization of Bonds. For the purposes of capitalizing interest on the Series 2013 A Bonds, funding the reserve account for the Series 2013 A Bonds, refunding the Series 2012 A Bonds, paying Costs of the Project not otherwise provided for, and paying certain costs of issuance of the Series 2013 A Bonds and related costs, or any or all of such purposes, as determined by the Supplemental Resolution, there shall be and hereby are authorized to be issued negotiable Series 2013 A Bonds of the Issuer in an aggregate principal amount of not more than \$34,948,563. The Series 2013 A Bonds shall be issued in one series, as a single bond, designated as "Combined Waterworks and Sewerage System Revenue Bonds, Series 2013 A (West Virginia SRF Program)", in an aggregate principal amount of not more than \$34,948,563, which shall have such terms as set forth hereinafter and in the Supplemental Resolution. The proceeds of the Series 2013 A Bonds remaining after the refunding the Series 2012 A Bonds, the funding of the Series 2013 A Bonds Reserve Account (if funded from the Series 2013 A Bond proceeds) and capitalization of interest, if any, shall be deposited in or credited to the Series 2013 A Bonds Project Trust Fund established by Section 5.01 hereof and applied as set forth in Article VI hereof.

Section 3.02. Terms of Bonds. The Series 2013 A Bonds shall be issued in such principal amounts; bear interest at such rate or rates, not exceeding the then legal maximum, payable on such dates; shall mature on such dates and in such amounts; and shall be redeemable, in whole or in part, all as the Issuer shall prescribe in a Supplemental Resolution or as specifically provided in the Loan Agreement. The Series 2013 A Bonds shall be payable as to principal at the office of the Paying Agent, in any coin or currency which, on the dates of payment of principal is legal tender for the payment of public or private debts under the laws of the United States of America. Interest on the Series 2013 A Bonds shall be paid by check or draft of the Paying Agent mailed to the Registered Owner thereof at the address as it appears on the books of the Bond Registrar, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner thereof.

Unless otherwise provided by the Supplemental Resolution, the Series 2013 A Bonds shall initially be issued in the form of a single bond, fully registered to the Authority, with a record of advances and a debt service schedule attached, and shall mature in principal installments, all as provided in the Supplemental Resolution. The Series 2013 A Bonds shall be exchangeable at the option and expense of the Holder for other fully registered Bonds of the same series in aggregate principal amount equal to the amount of said Bonds then Outstanding and being exchanged, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of said Bonds; provided, that the Authority shall not be obligated to pay any expenses of such exchange.

Subsequent series of Bonds, if any, shall be issued in fully registered form and in denominations as determined by a Supplemental Resolution or by a separate bond ordinance. The Bonds shall be dated as of the date specified in a Supplemental Resolution or separate bond ordinance and shall bear interest, if any, as provided in such Supplemental Resolution or separate bond ordinance.

Section 3.03. Execution of Bonds. The Series 2013 A Bonds shall be executed in the name of the Issuer by the Mayor and City Manager, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the Recorder. In case any one or more of the officers who shall have signed or sealed any of the Series 2013 A Bonds shall cease to be such officer of the Issuer before the Series 2013 A Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Series 2013 A Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.04. Authentication and Registration. The Bond Registrar for the Series 2013 A Bonds shall be the bank or other entity to be designated as such in the Supplemental Resolution and its successors and assigns. No Series 2013 A Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Bond Legislation unless and until the Certificate of Authentication and Registration on such Bond, substantially in the form set forth in Section 3.10 shall have been manually executed by the Bond Registrar. Any such executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Bond Legislation. The Certificate of Authentication and Registration on any Series 2013 A Bond shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

Section 3.05. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Series 2013 A Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder, in accepting any of said Series 2013 A Bonds shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder shall further be conclusively deemed to have agreed that said Bond shall be incontestable in the hands of a bona fide holder for value.

So long as any of the Series 2013 A Bonds remain Outstanding, the Issuer, through the Bond Registrar or its agent, shall keep and maintain the books for the registration and transfer of the Series 2013 A Bonds.

The registered Series 2013 A Bonds shall be transferable only upon the books of the Bond Registrar, by the Registered Owner thereof in person or by his attorney duly authorized in writing, upon surrender thereto together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the Registered Owner or his duly authorized attorney.

In all cases in which the privilege of exchanging Series 2013 A Bonds or transferring the registered Series 2013 A Bonds are exercised, Series 2013 A Bonds shall be delivered in accordance with the provisions of this Bond Legislation. All Series 2013 A Bonds surrendered in any such exchanges or transfers shall forthwith be cancelled by the Bond Registrar. For every such exchange or transfer of Series 2013 A Bonds, the Bond Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer and the cost of preparing each new Bond upon each exchange or transfer, and any other expenses of the Bond Registrar incurred in connection therewith, which sum or sums shall be paid by the Issuer. The Bond Registrar shall not be obliged to make any such exchange or transfer of Series 2013 A Bonds during the period commencing on the 15th day of the month next preceding an interest payment date on the Series 2013 A Bonds or, in the case of any proposed redemption of Series 2013 A Bonds, next preceding the date of the selection of Series 2013 A Bonds to be redeemed, and ending on such interest payment date or redemption date.

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Series 2013 A Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Bond Registrar shall, if so advised by the Issuer, authenticate and deliver, a new Bond of the same series and of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer and the Bond Registrar may incur. All Bonds so surrendered shall be cancelled by the Bond Registrar and held for the account of the Issuer. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Section 3.07. Bonds not to be Indebtedness of the Issuer. The Series 2013 A Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Gross Revenues derived from the operation of the System as herein provided and amounts, if any, in the Sinking Fund and Reserve Account therefor. No Holder or Holders of any of the Series 2013 A Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Series 2013 A Bonds or the interest thereon.

Section 3.08. Bonds Secured by Pledge of Gross Revenues, Lien Positions With Respect to Prior Bonds. The payment of the debt service of all the Series 2013 A Bonds shall be secured forthwith equally and ratably with each other by a first lien on and pledge of the Gross Revenues derived from the System on a parity with the lien on such Gross Revenues in favor of the

Holders of the Prior Bonds and senior to the lien on such Gross Revenues in favor of the Holder of the Series 2013 B Bonds. Such Gross Revenues in an amount sufficient to pay the principal of and interest on and other payments for the Prior Bonds and the Series 2013 A 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 Prior Bonds and the Series 2013 A Bonds as the same become due.

Section 3.09. Delivery of Bonds. The Issuer shall execute and deliver the Series 2013 A Bonds to the Bond Registrar, and the Bond Registrar shall authenticate, register and deliver the Series 2013 A Bonds to the original purchasers upon receipt of the documents set forth below:

A. If other than the Authority, a list of the names in which the Series 2013 A Bonds are to be registered upon original issuance, together with such taxpayer identification and other information as the Bond Registrar may reasonably require;

B. A request and authorization to the Bond Registrar on behalf of the Issuer, signed by an Authorized Officer, to authenticate and deliver the Series 2013 A Bonds to the original purchasers;

C. An executed and certified copy of the Bond Legislation;

D. An executed copy of the Loan Agreement; and

E. The approving opinion of bond counsel on the Series 2013 A Bonds.

Section 3.10. Form of Series 2013 A Bonds. The text of the Series 2013 A Bonds shall be in substantially the following form, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted hereby, or by any Supplemental Resolution adopted prior to the issuance thereof:

[Form of Series 2013 A Bond]

UNITED STATES OF AMERICA  
STATE OF WEST VIRGINIA  
CITY OF MARTINSBURG  
COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS,  
SERIES 2013 A  
(WEST VIRGINIA SRF PROGRAM)

No. AR-\_\_\_\_\_

\$\_\_\_\_\_

KNOW ALL MEN BY THESE PRESENTS: That CITY OF MARTINSBURG, a municipal corporation and political subdivision of the State of West Virginia in Berkeley County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the West Virginia Water Development Authority (the "Authority") or registered assigns the sum of \_\_\_\_\_ DOLLARS (\$\_\_\_\_\_), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as Exhibit A hereto and incorporated herein by reference. [Interest only shall commence on the date hereof on the amounts advanced and outstanding, payable in quarterly installments on \_\_\_\_\_ 1, \_\_\_\_\_ 1, \_\_\_\_\_ 1 and \_\_\_\_\_ 1 of each year in arrears at the rate of \_\_\_\_% per annum, commencing on \_\_\_\_\_. Interest accrues at the rate of \_\_\_\_% per annum and interest and principal are payable in quarterly installments on \_\_\_\_\_ 1, \_\_\_\_\_ 1, \_\_\_\_\_ 1 and \_\_\_\_\_ 1 of each year commencing on \_\_\_\_\_ 1, 20\_\_ to and including \_\_\_\_\_ 1, 20\_\_, as set forth on the "Debt Service Schedule" attached as Exhibit B hereto and incorporated herein by reference.] The SRF Administrative Fee (as defined in the hereinafter described Bond Legislation) on this Bond shall also be payable quarterly on \_\_\_\_\_ 1, \_\_\_\_\_ 1, \_\_\_\_\_ 1 and \_\_\_\_\_ 1 of each year, commencing \_\_\_\_\_ 1, 201\_\_, as set forth on EXHIBIT B attached hereto.

Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent"). The interest on this Bond is payable by check or draft of the Paying Agent mailed to the registered owner hereof at the address as it appears on the books of the Registrar (as defined in the hereinafter described Bond Legislation) on the 15th day of the month next preceding an interest payment date, or by such other method as shall be mutually agreeable so long as the Authority is the registered owner hereof.

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and the West Virginia Department of Environmental Protection (the "DEP"), and upon the terms and conditions

prescribed by, and otherwise in compliance with, the Bond Purchase Agreement/Loan Agreement by and among the Issuer, the Authority and the DEP, dated \_\_\_\_\_, 2013. This Bond is issued (i) to pay in full the entire outstanding principal of and all accrued interest and administrative fees on the Issuer's Combined Waterworks and Sewerage System Design Revenue Bonds, Series 2012 A (West Virginia Water Development Authority), issued on October 23, 2012; (ii) to permanently finance a portion of the costs of the acquisition and construction of certain additions, betterments and improvements to the existing public combined waterworks and sewerage facilities of the Issuer (the "Project"); and (iii) to pay certain costs of issuance hereof and related costs. The existing public combined waterworks and sewerage facilities of the Issuer, the Project and any further additions, betterments or improvements thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 8, Article 20 and Chapter 22C, Article 2 of the Code of West Virginia, 1931, as amended (collectively, the "Act"), and an Ordinance duly enacted by the Issuer on \_\_\_\_\_, 2013, and put into effect following a public hearing held on \_\_\_\_\_, 2013, and a Supplemental Resolution duly adopted by the Issuer on \_\_\_\_\_, 2013 (collectively called the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other securities provided for the Bonds of this Series (the "Bonds") under the Bond Legislation.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH (1) THE COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2000A (WEST VIRGINIA DWTRF PROGRAM), OF THE ISSUER, DATED SEPTEMBER 27, 2000, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF \$7,564,000; (2) THE COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2000B (WEST VIRGINIA INFRASTRUCTURE FUND), OF THE ISSUER DATED SEPTEMBER 27, 2000, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$3,000,000; (3) THE COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2000C (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), OF THE ISSUER DATED SEPTEMBER 27, 2000, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$1,976,352; AND (4) THE COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS, SERIES 2011 A, OF THE ISSUER DATED DECEMBER 28, 2011, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$8,830,000 (COLLECTIVELY, THE "PRIOR BONDS").

This Bond is payable only from and secured by a pledge of the Gross Revenues (as defined in the Bond Legislation) to be derived from the System, on a parity with the pledge of the Gross Revenues in favor of the holders of the Prior Bonds, and from moneys in the Reserve Account created under the Bond Legislation for the Bonds (the "Series 2013 A Bonds Reserve Account"), and unexpended proceeds of the Bonds. Such Gross Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond

does not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, nor shall the Issuer be obligated to pay the same or the interest hereon, except from said special fund provided from the Gross Revenues, the moneys in the Series 2013 A Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest on the Bonds, and all other obligations secured by a lien on or payable from such revenues on a parity with the Bonds, including the Prior Bonds, provided however, that so long as there exists in the Series 2013 A Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with the Bonds, including the Prior Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the Registered Owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the Registered Owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

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

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

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

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

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

IN WITNESS WHEREOF, CITY OF MARTINSBURG has caused this Bond to be signed by its Mayor and its City Manager and its corporate seal to be hereunto affixed and attested by its Recorder, and has caused this Bond to be dated \_\_\_\_\_, 20 \_\_\_\_.

CITY OF MARTINSBURG

[SEAL]

\_\_\_\_\_  
Mayor

\_\_\_\_\_  
City Manager

ATTEST:

\_\_\_\_\_  
Recorder

(Form of)

**CERTIFICATE OF AUTHENTICATION AND REGISTRATION**

This Bond is one of the Series 2013 A Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: \_\_\_\_\_.

\_\_\_\_\_,  
as Registrar

By \_\_\_\_\_

## RECORD OF ADVANCES

| <u>Amount</u> | <u>Date</u> | <u>Amount</u> | <u>Date</u> |
|---------------|-------------|---------------|-------------|
| (1) \$        |             | ( 7) \$       |             |
| (2) \$        |             | ( 8) \$       |             |
| (3) \$        |             | ( 9) \$       |             |
| (4) \$        |             | (10) \$       |             |
| (5) \$        |             | (11) \$       |             |
| (6) \$        |             | (12) \$       |             |
|               |             | Total         | \$ _____    |

**EXHIBIT B**

DEBT SERVICE SCHEDULE

**(Form of)**  
**ASSIGNMENT**

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

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

Dated: \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_

In the presence of:

\_\_\_\_\_

Section 3.11. Sale of Series 2013 A Bonds; Approval and Ratification of Execution of Loan Agreement with Authority. The Series 2013 A Bonds shall be sold to the Authority, pursuant to the terms and conditions of the Loan Agreement. If not so authorized by previous ordinance, the Mayor is specifically authorized and directed to execute the said Loan 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 Loan Agreement to the Authority, and any such prior execution and delivery is hereby authorized, approved, ratified and confirmed.

Section 3.12. Series 2013 A Bonds are Issued as Parity Bonds With Respect to Prior Bonds. The Series 2013 A Bonds are issued as and shall constitute parity bonds with respect to the Prior Bonds. The Issuer has met the requirements of the Prior Ordinances for the issuance of the Series 2013 A Bonds on a parity with the Prior Bonds.

Section 3.13. “Amended Schedule A” Filing. Within sixty (60) days following the Completion Date, the Issuer will file with the Authority a schedule, the form of which will be provided by the Authority, setting forth the actual costs of the Project and sources of funds therefor.

**ARTICLE IV**  
**[RESERVED]**

## ARTICLE V

### FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

Section 5.01. Establishment 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); and
- D. Series 2013 A Bonds Project Trust 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 Series (created by the 2000 Bonds Ordinance);
- B. Within the Series 2000A Bonds Sinking Fund, the Series 2000A Bonds Reserve Account (created by the 2000 Bonds Ordinance);
- C. Series 2000B Bonds Sinking Fund (created by the 2000 Bonds Ordinance);
- D. Within the Series 2000B Bonds Sinking Fund, the Series 2000B Bonds Reserve Account (created by the 2000 Bonds Ordinance);
- E. Series 2000C Bonds Sinking Fund (created by the 2000 Bonds Ordinance);
- F. Within the Series 2000C Bonds Sinking Fund, the Series 2000C Bonds Reserve Account (created by the 2000 Bonds Ordinance);
- G. Series 2011 A Bonds Sinking Fund (established by the Series 2011 A Bonds Ordinance);
- H. Within the Series 2011 A Bonds Sinking Fund, the Series 2011 A Bonds Reserve Account (established by the Series 2011 A Bonds Ordinance);

I. Series 2011 A Bonds Redemption Account (established by the 2011 A Bonds Ordinance);

J. Series 2013 A Bonds Sinking Fund; and

K. Within the Series 2013 A Bonds Sinking Fund, the Series 2013 A Bonds Reserve Account.

Section 5.03. System Revenues; Flow of Funds. A. The entire Gross Revenues derived from the operation of the System shall be deposited upon receipt in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in this Bond Legislation and shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner herein provided. All 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 respective Series 2000 Bonds Sinking Funds, the amount required by the Series 2000 Bonds Ordinance for payment of interest on the respective Series 2000 Bonds; (ii) for deposit in the Series 2011 A Bonds Sinking Fund, the amount required by the Series 2011 A Bonds Ordinance for payment of interest on the Series 2011 A Bonds; and (iii) beginning 3 months prior to the first interest payment date on the Series 2013 A Bonds, for deposit in the Series 2013 A Bonds Sinking Fund, a sum equal to 1/3rd of the amount of interest which will become due on the Series 2013 A Bonds on the next ensuing quarterly interest payment date, provided, that in the event the period to elapse between the date of such initial deposit in the Series 2013 A Bonds Sinking Fund and the next ensuing quarterly interest payment date is less than 3 months, then such monthly payments shall be increased proportionately to provide, 1 month prior to the next ensuing quarterly interest payment date, the required amount of interest coming due on such date.

2. The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Commission (i) for deposit in the respective Series 2000 Bonds Sinking Funds, the amount required by the Series 2000 Bonds Ordinance for payment of principal of the respective Series 2000 Bonds; (ii) for deposit in the Series 2011 A Bonds Sinking Fund, and in the Series 2011 A Bonds Redemption Account therein in the case of Term Bonds, as defined in the Series 2011 A Bonds Ordinance, which are to be redeemed, the amounts required by the Series 2011 A Bonds Ordinance for payment of principal of the Series 2011 A Bonds; and (iii) beginning 3 months prior to the first principal payment date of the Series 2013 A Bonds, for deposit in the Series 2013 A Bonds Sinking Fund, a sum equal to 1/3rd of the amount of principal which will mature and become due on the Series 2013 A Bonds on the next ensuing quarterly principal payment date, provided, that in the event the period to elapse between the date of such initial deposit in the Series 2013 A Bonds Sinking Fund and the next ensuing quarterly principal payment date is less than 3 months, then such monthly payments shall be increased proportionately to provide, 1 month prior to the next ensuing quarterly 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) for deposit in the respective Series 2000 Bonds Reserve Accounts, the amount, if any, required by the Series 2000 Bonds Ordinance to be deposited therein; (ii) for deposit in the Series 2011 A Bonds Reserve Account, the amount, if any, required by the Series 2011 A Bonds Ordinance to be deposited therein; and (iii) beginning 3 months prior to the first principal payment date of the Series 2013 A Bonds, if not fully funded upon issuance of the Series 2013 A Bonds, for deposit in the Series 2013 A Bonds Reserve Account, an amount equal to 1/120th of the Series 2013 A Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2013 A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2013 A 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, upon resolution of the Issuer, be 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 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.

7. 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.

8. 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 Prior Bonds and the Series 2013 A Bonds in accordance with the respective principal amounts then Outstanding.

B. Moneys in the Series 2013 A Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest on the Series 2013 A Bonds as the same shall become due. Moneys in the Series 2013 A Bonds Reserve Account shall be used only for the purpose of paying principal of and interest on the Series 2013 A Bonds as the same shall come due, when other moneys in the Series 2013 A Bonds Sinking Fund are insufficient therefor, and for no other purpose.

All investment earnings on moneys in the Series 2013 A Bonds Sinking Fund and the Series 2013 A Bonds Reserve Account shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall, during the Project, be deposited in the Series 2013 A Bonds Project Trust Fund, and following completion of the Project, shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payment(s) due on the Series 2013 A Bonds.

Any withdrawals from the Series 2013 A Bonds Reserve Account which result in a reduction in the balance therein to below the Reserve Requirement thereof 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 2013 A Bonds are issued, provision shall be made for additional payments into the respective sinking fund sufficient to pay the interest on such additional parity Bonds and accomplish retirement thereof at maturity and to accumulate a balance in the respective reserve account in an amount equal to the requirement thereof.

The Issuer shall not be required to make any further payments into the Series 2013 A Bonds Sinking Fund or the Series 2013 A Bonds Reserve Account when the aggregate amount of funds therein are at least equal to the respective aggregate principal amount of the Series 2013 A 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 2013 A Bonds Sinking Fund and the Series 2013 A Bonds Reserve Account created hereunder, and all amounts required for said accounts shall be remitted to the Commission from the Revenue Fund by the Issuer at the time provided herein. The Issuer shall make the necessary arrangements whereby required payments into said accounts shall be automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates required hereunder.

Moneys in the Series 2013 A Bonds Sinking Fund and the Series 2013 A Bonds Reserve Account shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The Series 2013 A Bonds Sinking Fund and the Series 2013 A Bonds Reserve Accounts shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 2013 A Bonds, 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 2013 A Bonds and all such payments shall be remitted to the Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Bond Legislation. The Issuer shall also on the first day of each month (if the first day is not a business day, then the first business day of each month) deposit with the Commission the SRF Administrative Fee as set forth in the Schedule Y attached to the Loan Agreement for the Series 2013 A Bonds. All remittances made by the Issuer to the Commission shall clearly identify the fund or account into which each amount is to be deposited.

D. The Issuer shall complete the "Monthly Payment Form," a form of which is attached to the Loan Agreement and submit a copy of said form along with a copy of its payment check to the Authority by the 5th day of such calendar month.

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

additional sums as shall be necessary to pay their respective charges and fees then due. In the case of payments to the Commission under this paragraph, the Issuer shall, if required by the Authority at any time, make the necessary arrangements whereby such required payments shall be automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates required.

F. The moneys in excess of the 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 Government Obligations or by other Qualified Investments as shall be eligible as security for deposits of state and municipal funds under the laws of the State.

G. 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; DISBURSEMENTS

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 2013 A Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Series 2013 A Bonds, there shall first be deposited with the Commission in the Series 2013 A Bonds Sinking Fund, the amount, if any, specified in the Supplemental Resolution as capitalized interest; provided, that such amount may not exceed the amount necessary to pay interest on the Series 2013 A Bonds for the period commencing on the date of issuance of the Series 2013 A Bonds and ending 6 months after the estimated date of completion of the Project.

B. Next, from the proceeds of the Series 2013 A Bonds, there shall be deposited with the Commission in the Series 2013 A Bonds Reserve Account the amount, if any, set forth in the Supplemental Resolution for funding of the Series 2013 A Bonds Reserve Account.

C. Next, from the proceeds of the Series 2013 A Bonds, there shall be paid the entire outstanding principal amount of and all accrued interest and administrative fees on the Series 2012 A Bonds.

D. As the Issuer receives advances of the remaining moneys derived from the sale of such Series 2013 A Bonds, such moneys shall be deposited with the Depository Bank in the Series 2013 A Bonds Project Trust Fund. The monies in the Series 2013 A Bonds Project Trust Fund shall be applied solely to payment of Costs of the Project in the manner set forth in Section 6.02 hereof and until so transferred or expended, are hereby pledged as additional security for the Series 2013 A Bonds.

E. After completion of the Project, as certified by the Consulting Engineers, and all Costs have been paid, any remaining proceeds of the Series 2013 A Bonds shall be applied as directed by the DEP.

#### Section 6.02. Disbursements From the Series 2013 A Bonds Project Trust Fund.

On or before the Closing Date, the Issuer shall have delivered to the DEP and the Authority a report listing the specific purposes for which the proceeds of the Series 2013 A Bonds will be expended and the disbursement procedures for such proceeds, including an estimated monthly draw schedule. Payments for the Costs of the Project shall be made monthly.

Except as provided in Section 6.01 hereof, disbursements from the Series 2013 A Bonds Project Trust Fund shall be made monthly only after submission to and approval from the DEP, of a completed and signed "Payment Requisition Form," a form of which is attached to the Loan Agreement for the Series 2013 A Bonds, in compliance with the construction schedule.

All payments made from the Series 2013 A Bonds Construction Trust Fund shall be presumed by the Depository Bank to be made for the purposes set forth in said certificate, and the Depository Bank shall not be required to monitor the application of disbursements from the Series 2013 A Bonds Construction Trust Fund.

Pending such application, moneys in the Series 2013 A Bonds Project Trust Fund shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

## ARTICLE VII

### ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01. General Covenants of the Issuer. All the covenants, agreements and provisions of this Bond Legislation shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Series 2013 A Bonds. In addition to the other covenants, agreements and provisions of this Bond Legislation, the Issuer hereby covenants and agrees with the Holders of the Series 2013 A Bonds as hereinafter provided in this Article VII. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of the Series 2013 A Bonds or the interest thereon is Outstanding and unpaid.

Section 7.02. Bonds not to be Indebtedness of the Issuer. The Series 2013 A 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 2013 A Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Series 2013 A Bonds or the interest thereon.

Section 7.03. Bonds Secured by Pledge of Gross Revenues; Lien Positions With Respect to Prior Bonds. The payment of the debt service of the Series 2013 A Bonds issued hereunder shall be secured forthwith equally and ratably by a first lien on the Gross Revenues derived from the operation of the System on a parity with the lien on such Gross Revenues in favor of the Holders of the Prior Bonds and senior to the lien on such Gross Revenues in favor of the Holder of the Series 2013 B Bonds. Gross Revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Prior Bonds and the Series 2013 A Bonds and to make the payments into all funds and accounts, and all other payments provided for in the Bond Legislation and the Prior Ordinances 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. Rates and Charges. The Issuer has obtained any and all approvals of rates and charges required by State law and has taken any other action required to establish and impose such rates and charges, with all requisite appeal periods having expired without successful appeal. Such rates and charges shall be sufficient to comply with the requirements of the Loan Agreement. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth and approved and described in the Ordinance enacted by the Issuer on May 23, 2013, with respect to sewerage portion of the System and in the Ordinance enacted by the Issuer on June 13, 2013, with respect to waterworks portion of the System.

So long as the Series 2013 A Bonds are outstanding, the Issuer covenants and agrees to fix and collect rates, fees and other charges for the use of the System and to take all such actions necessary to provide funds sufficient to produce the required sums set forth in the Bond Legislation and in compliance with the Loan Agreement. In the event the schedule of rates and

charges initially established for the System in connection with the Series 2013 A Bonds shall prove to be insufficient to produce the required sums set forth in this Bond Legislation and the Loan Agreement, the Issuer hereby covenants and agrees that it will, to the extent 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 and the Loan Agreement.

Section 7.05. Sale of the System. So long as the Prior Bonds are Outstanding, the Issuer shall not sell, mortgage, lease or otherwise dispose of the System, or any part thereof, except as provided in the respective Prior Ordinances. Additionally, so long as the Series 2013 A Bonds are Outstanding and except as otherwise required by law or with the written consent of the Authority and the DEP, the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Series 2013 A Bonds and Prior 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, the Series 2011 A Bonds Sinking Fund and the Series 2013 A Bonds Sinking Fund, respectively, pro rata, with respect to the principal amount of each of the Series 2013 A Bonds and Prior Bonds then Outstanding, and, with the written permission of the Authority and the DEP, or in the event the Authority is no longer a Bondholder, the Issuer shall direct the Commission to apply such proceeds to the payment of principal of and interest on the Series 2013 A Bonds and Prior Bonds in such manner. Any balance remaining after the payment of all the Series 2013 A Bonds and Prior 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 \$250,000, 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 \$250,000 but not in excess of \$1,000,000, 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 \$1,000,000 and insufficient to pay the Series 2013 A Bonds and Prior Bonds then Outstanding without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of over 50% in principal amount of Bonds then outstanding. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Bonds and Prior 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 2013 A 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 2013 A Bonds. All obligations issued by the Issuer after the issuance of the Series 2013 A Bonds and payable from the revenues of the System, except such additional parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on and source of and security for payment from such revenues and in all other respects, to the Series 2013 A Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into all funds and accounts set forth herein 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 2013 A Bonds, and the interest thereon, if any, upon any of the income and revenues of the System pledged for payment of the Series 2013 A Bonds and the interest thereon, if any, in this Bond Legislation, or upon the System or any part thereof.

The Issuer shall give the Authority and the DEP prior written notice of its issuance of any other obligations to be used for the System, payable from the revenues of the System or from any grants, or any other obligations related to the Project or the System.

Section 7.07. Parity Bonds. So long as any of the Prior Bonds are Outstanding, the limitations on the issuance of parity obligations set forth in the respective Prior Ordinances 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 2013 A Bonds pursuant to this Bond Legislation without the prior written consent of the Authority and the DEP and without complying with the conditions and requirements herein provided.

All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 2013 A Bonds.

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 Bonds, to pay claims which may exist against the revenues or facilities of the System or any or all of 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 Prior Bonds and Series 2013 A 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) or has been waived by all necessary parties 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 Accounts, 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, as stated in a certificate, 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) or has been waived by all necessary parties 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 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 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 2013 A 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 Prior Ordinances with respect to the Series 2013 A Bonds and Prior 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 shall keep complete and accurate records of the cost of acquiring the Project site and the costs of designing, acquiring, constructing and installing the Project. The Issuer shall permit the DEP and the Authority, or their agents and representatives, to inspect all books, documents, papers and records relating to the Project and the System at all reasonable times for the purpose of audit and examination. The Issuer shall submit to the DEP and the Authority such documents and information as they may reasonably require in connection with the acquisition, construction and installation of the Project, the operation and maintenance of the System and the administration of the loan or any grants or other sources of financing for the Project.

The Issuer shall permit the DEP and the Authority, or their agents and representatives, to inspect all records pertaining to the operation and maintenance of the System at all reasonable times following completion of the Project and commencement of operation thereof, or, if the Project is an improvement to an existing system, at any reasonable time following commencement of the Project.

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

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

system which may be installed remote from the direct supervision of the Governing Body shall be reported to such agent of the Issuer as the Governing Body shall direct.

The Issuer shall file with the DEP and the Authority, or any other original purchaser of the Series 2013 A Bonds, and shall mail in each year to any Holder or Holders of Series 2013 A Bonds requesting the same, an annual report containing the following:

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

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

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

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants in compliance with the applicable OMB Circular, or any successor thereto, and the Single Audit Act, or any successor thereto, to the extent legally required, and shall mail upon request, and make available generally, the report of said Independent Certified Public Accountants, or a summary thereof, to any Holder or Holders of the Series 2013 A Bonds and shall submit said report to the DEP and the Authority or any other original purchaser of the Series 2013 A Bonds. Such audit report submitted to the DEP and the Authority shall include a statement that notes that results of tests disclosed instances of noncompliance that are required to be reported under government auditing standards and, if they are, describes the instances of noncompliance and the audited financial statements shall include a statement that notes whether the revenues of the System are adequate to meet the Issuer's Operating Expenses and debt service and reserve requirements.

Subject to the terms, conditions and provisions of the Loan Agreement and Act, the Issuer has acquired, or shall do all things necessary to acquire, the proposed site of the Project and shall do, is doing or has done all things necessary to construct the Project in accordance with the plans, specifications and designs prepared by the Consulting Engineers. All real estate and interests in real estate and all personal property constituting the Project and the Project site heretofore or hereafter acquired shall at all times be and remain the property of the Issuer.

The Issuer shall permit the DEP and the Authority, or its agents and representatives, to enter and inspect the Project site and Project facilities at all reasonable times. Prior to, during and after completion of construction and commencement of operation of the Project, the Issuer shall also provide the DEP and the Authority, or its agents and representatives, with access to the System site and System facilities as may be reasonably necessary to accomplish all of the powers and rights of the DEP and the Authority with respect to the System pursuant to the Act.

The Issuer shall provide the DEP with all appropriate documentation to comply with any special conditions established by federal and/or state regulations as promulgated from time to time.

Section 7.09. Rates. Prior to the issuance of the Series 2013 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, together with other revenues of the System, (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the Series 2013 A Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2013 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 2013 A Bonds Reserve Account and reserve accounts for obligations on a parity with the Series 2013 A 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 2013 A Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2013 A Bonds, including the Prior Bonds.

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

Section 7.10. Operating Budget and Monthly Financial Report. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year and shall submit a copy of such budget to the DEP and the Authority within 30 days of adoption thereof. The Issuer with the approval of the Governing Body, may amend the budget during the subject Fiscal Year provided that the budget remains balanced after such amendment. If the budget is so amended, a copy of the amended budget shall be submitted to the DEP and the Authority within 15 days of the adoption of such amendment. After the adoption of any such amendment, the budget, as amended, shall be the budget of the Issuer for the balance of the subject Fiscal Year. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by the Consulting Engineers, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer

shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of 10% of the amount of such budget shall be made except upon the further certificate of the Consulting Engineers that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget, any amendments thereto and all resolutions authorizing increased expenditures for operation and maintenance to the DEP and the Authority and to any Holder of any Bonds who shall file his or her address with the Issuer and request in writing that copies of all such budgets, any amendments thereto and resolutions be furnished him or her and shall make available such budgets, any amendments thereto and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to any Holder of any Bonds or anyone acting for and in behalf of such Holder of any Bonds.

Commencing on the date contracts are executed for the Project and for two years following the completion of the Project, the Issuer shall each month complete a "Monthly Financial Report," a form of which is attached to the Loan Agreement and forward a copy of such report to the DEP and the Authority by the 10th day of each month.

Section 7.11. Engineering Services and Operating Personnel. The Issuer will obtain a certificate of the Consulting Engineers in the form attached to the Loan Agreement, stating, among other things, that the Project has been or will be constructed in accordance with the approved plans, specifications and designs as submitted to the Authority and the DEP, the Project is adequate for the purposes for which it was designed, the funding plan as submitted to the Authority and the DEP is sufficient to pay the costs of acquisition and construction of the Project, and all permits required by federal and state laws for construction of the Project have been obtained.

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

The Issuer shall require the Consulting Engineers to submit Recipient As-Built Plans, as defined in the SRF Regulations, to it within 60 days of the completion of the Project. The Issuer shall notify the DEP in writing of such receipt. The Issuer shall submit a "Performance Certificate," a form of which is attached to the Loan Agreement as Exhibit A, to the DEP within 60 days of the end of the first year after the Project is completed.

The Issuer shall require the Consulting Engineers to submit the final Operation and Maintenance Manual, as defined in the SRF Regulations, to the DEP when the Project is 90% completed. The Issuer shall at all times provide operation and maintenance of the System in compliance with all State and federal standards.

The Issuer shall employ qualified operating personnel properly certified by the State before the Project is 50% complete and shall retain such a certified operator to operate the System so long as the Series 2013 A Bonds are Outstanding. The Issuer shall notify the DEP in writing of the certified operator employed at the 50% completion stage.

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

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

Whenever any fees, rates, rentals or other charges for the services and facilities of the System shall remain unpaid for a period of 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 will, to the extent permitted by law, use diligent efforts to 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 and Construction Bonds. A. The Issuer hereby covenants and agrees that so long as any of the Series 2013 A Bonds remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance with a reputable insurance carrier or carriers as is customarily covered with respect to works and properties similar to the System. Such insurance shall initially cover the following risks and be in the following amounts:

(1) FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE, on all above-ground insurable portions of the System in an amount equal to the actual cost thereof. In time of war the Issuer will also carry and maintain insurance to the extent available against the risks and hazards of war. The proceeds of all such insurance policies shall be placed in the Depreciation Account and used only for the repairs and restoration of the damaged or destroyed properties or for the other purposes provided herein for said Depreciation Fund. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance (fire and extended coverage) to protect the interests of the Issuer, the Authority, the prime contractor and all subcontractors as their respective interests may appear, in accordance with the Loan Agreement, during construction of the Project on a 100% basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Authority, the Issuer, the contractors and subcontractors, as their interests may appear.

(2) PUBLIC LIABILITY INSURANCE, with limits of not less than \$1,000,000 per occurrence to protect the Issuer and the Authority from claims for bodily injury and/or death and not less than \$500,000 per occurrence from claims for damage to property of others which may arise from the operation of the System, and insurance with the same limits to protect the Issuer from claims arising out of operation or ownership of motor vehicles of or for the System.

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

(4) FLOOD INSURANCE, if the facilities of the System are or will be located in designated special flood or mudslide-prone areas and to the extent available at reasonable cost to the Issuer.

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

(6) FIDELITY BONDS, will be provided for every officer and employee of the Issuer or the Governing Body having custody of the revenues or of any other funds of the System, in an amount at least equal to the total funds in the custody of any such person at any one time.

B. The Issuer shall require all contractors engaged in the construction of the Project to furnish a performance bond and a payment bond, each in an amount equal to 100% of the contract price of the portion of the Project covered by the particular contract as security for the faithful performance of such contract. The Issuer shall verify such bonds prior to commencement of construction. The Issuer shall also require all contractors engaged in the construction of the Project to carry such workers' compensation coverage for all employees working on the Project and public liability insurance, vehicular liability insurance and property damage insurance in amounts adequate for such purposes and as is customarily carried with respect to works and properties similar to the Project; provided that the amounts and terms of such coverage are satisfactory to the Authority and the DEP. In the event the Loan Agreement so requires, such insurance shall be made payable to the order of the Authority, the Issuer, the prime contractor and all subcontractors, as their interest may appear. The Issuer shall verify such insurance prior to commencement of construction.

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. Completion of Project; Permits and Orders. The Issuer will complete the Project as promptly as possible and operate and maintain the System as a revenue-producing utility in good condition and in compliance with all Federal and state requirements and standards.

The Issuer will obtain all permits required by state and federal laws for the Project, all orders and approvals from the Public Service Commission of West Virginia and the Council necessary for the Project and the operation of the System and all approvals for issuance of the

Series 2013 A Bonds required by state law, with all requisite appeal periods having expired without successful appeal and the Issuer shall provide an opinion of counsel to such effect.

Section 7.18. Compliance With Loan Agreement and Law. The Issuer shall perform, satisfy and comply with all terms and conditions of the Loan Agreement and the Act. Notwithstanding anything herein to the contrary, the Issuer will provide the DEP with all copies submitted to the Authority.

The Issuer also agrees to comply with the Act and all applicable laws, rules and regulations issued by the Authority and the DEP or other state, federal or local bodies in regard to the acquisition and construction of the Project and the operation, maintenance and use of the System.

The Issuer shall perform the annual maintenance audits as required by the Act and shall submit such audits to the DEP, the Authority and the PSC.

The Issuer shall serve the additional customers, if any, described in the Loan Agreement and shall not reduce the amount of additional customers served without the written approval of the Board of the Authority.

Section 7.19. Securities Laws Compliance. The Issuer will provide the Authority, in a timely manner, with any and all information that may be requested of it (including its annual audit report, financial statements, related information and notices of changes in usage and customer base) so that the Authority may comply with the provisions of SEC Rule 15c2-12 (17 CFR Part 240).

Section 7.20. Contracts; Public Releases. A. The Issuer shall, simultaneously with the delivery of the Series 2013 A Bonds immediately enter into written contracts for the immediate acquisition or construction of the Project.

B. The Issuer shall submit all proposed change orders to the DEP for written approval. The Issuer shall obtain the written approval of the DEP before expending any proceeds of the Series 2013 A Bonds held in "contingency" as set forth in the schedule attached to the Certificate of the Consulting Engineer. The Issuer shall also obtain the written approval of the DEP before expending any proceeds of the Series 2013 A Bonds made available due to bid or construction or project underruns.

C. The Issuer shall list the funding provided by the DEP and the Authority in any press release, publication, program bulletin, sign or other public communication that references the Project, including but not limited to any program document distributed in conjunction with any ground breaking or dedication of the Project.

Section 7.21. Statutory Mortgage Lien. For the further protection of the Holders of the Series 2013 A Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, shall take effect immediately upon delivery of the Series 2013 A Bonds and shall be for the equal

benefit of all Holders of the Series 2013 A Bonds; provided, however, that the statutory mortgage lien in favor of the Holders of the Series 2013 A Bonds shall be on a parity with the statutory mortgage lien in favor of the Holders of the Prior Bonds.

## ARTICLE VIII

### INVESTMENT OF FUNDS; NON ARBITRAGE

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

Any investment shall be held in and at all times deemed a part of the fund or account in which such moneys were originally held, and the interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. The investments held for any fund or account shall be valued at the lower of cost or then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including the value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held in the "Consolidated Fund." The Commission, 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 2013 A Bonds are Outstanding.

Section 8.02. Certificate as to Use of Proceeds; Covenants as to Use of Proceeds. The Issuer shall deliver a certificate as to use of proceeds or other similar certificate to be prepared by nationally recognized bond counsel relating to restrictions on the use of proceeds of the Series 2013 A Bonds as a condition of issuance of the Series 2013 A Bonds. In addition, the Issuer covenants (i) to comply with the Code and all Regulations from time to time in effect and applicable to the Series 2013 A Bonds as may be necessary in order to maintain the status of the Series 2013 A Bonds as governmental bonds; (ii) that it shall not take, or permit or suffer to be taken, any action with respect to the Issuer's use of the proceeds of the Series 2013 A Bonds which would cause any bonds, the interest on which is exempt from federal income taxation under Section 103(a) of the Code, issued by the Authority from which the proceeds of the Series 2013 A Bonds are derived, to lose their status as tax-exempt bonds; and (iii) to take such action, or refrain from taking such action, as shall be deemed necessary by the Issuer, or requested by

the Authority, to ensure compliance with the covenants and agreements set forth in this Section 8.02, regardless of whether such actions may be contrary to any of the provisions of this Bond Legislation.

The Issuer shall annually furnish to the Authority information with respect to the Issuer's use of the proceeds of the Series 2013 A Bonds and any additional information requested by the Authority.

## ARTICLE IX

### DEFAULT AND REMEDIES

Section 9.01. Events of Default. Each of the following events shall constitute an “Event of Default” with respect to the Series 2013 A Bonds:

A. If default occurs in the due and punctual payment of the principal of or interest on the Series 2013 A Bonds; or

B. If default occurs in the Issuer’s observance of any of the covenants, agreements or conditions on its part relating to the Series 2013 A Bonds, set forth in this Bond Legislation, any supplemental resolution or in the Series 2013 A Bonds, and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Commission, the Depository Bank, Registrar or any other Paying Agent or a Holder of a 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 any of the Prior Bonds or the Prior Ordinances.

Section 9.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of a Bond may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his or her rights and, in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such 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 2013 A Bonds shall be on a parity with the Holders of the Prior Bonds.

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, the completion of the Project and after commencement of operation of the System, the making and collection of sufficient rates and charges for services rendered by the System and segregation of the revenues therefrom and the application thereof. If there be any Event of Default with respect to 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 or the Project on behalf of the Issuer with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of Operating Expenses of the System, the payment of the Bonds and interest and the deposits into the funds and

accounts hereby established, and to apply such rates, rentals, fees, charges or other 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.

## **ARTICLE X**

### **PAYMENT AND DEFEASANCE OF BONDS**

Section 10.01. Payment of Series 2013 A Bonds. If the Issuer shall pay or there shall otherwise be paid, to the Holders of all Series 2013 A Bonds, the principal of and interest, if any, due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then the pledge of Gross Revenues and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 2013 A Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

## ARTICLE XI

### MISCELLANEOUS

Section 11.01. Amendment or Modification of Bond Legislation. Prior to the issuance of the Series 2013 A Bonds, this Ordinance may be amended or supplemented in any way by the Supplemental Resolution. Following issuance of the Series 2013 A Bonds, no material modification or amendment of this Bond Legislation, or of any resolution amendatory or supplemental hereto, that would materially and adversely affect the respective rights of Registered Owners of the Series 2013 A Bonds shall be made without the consent in writing of the Holders of the Series 2013 A Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of any Series 2013 A Bonds or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest out of the funds herein respectively pledged therefor without the consent of the respective Registered Owner thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of Bonds required for consent to the above-permitted amendments or modifications.

Section 11.02. Bond Legislation Constitutes Contract. The provisions of the Bond Legislation shall constitute a contract between the Issuer and the Holders of the Series 2013 A Bonds and no change, variation or alteration of any kind of the provisions of the Bond Legislation shall be made in any manner, except as in this Bond Legislation provided.

Section 11.03. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Ordinance should be held invalid by any court of competent jurisdiction, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Ordinance, the Supplemental Resolution, or the Series 2013 A Bonds.

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

Section 11.05. Conflicting Provisions Repealed; Prior Ordinances. Except for the Prior Ordinances, all ordinances, orders or resolutions and or parts thereof in conflict with the provisions of this Ordinance are, to the extent of such conflict, hereby repealed. In the event of any conflict between this Ordinance and the Prior Ordinances, the Prior Ordinances shall control (unless less restrictive) so long as the respective Prior Bonds are Outstanding.

Section 11.06. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the 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

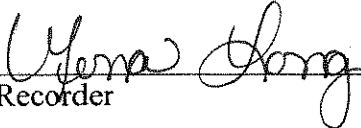
compliance with the laws and Constitution of the State of West Virginia applicable thereto; and that the Mayor, the City Manager, the Recorder and members of the Governing Body were at all times when any actions in connection with this Ordinance occurred and are duly in office and duly qualified for such office.

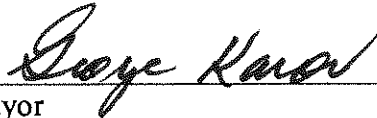
Section 11.07. Statutory Notice and Public Hearing. Upon adoption hereof, an abstract of this Ordinance, substantially in the form attached hereto as Exhibit B, which is determined by the Issuer to contain sufficient information as to give notice of the contents hereof, shall be published once a week for 2 successive weeks within a period of 14 consecutive days, with at least 6 full days intervening between each publication, in The Journal, a qualified newspaper of general circulation in the City of Martinsburg, together with the notice set forth therein stating that this Ordinance has been adopted and that the Issuer contemplates the issuance of the Bonds, and that any person interested may appear before the Governing Body upon a date certain, not less than 10 days subsequent to the date of the first publication of the said abstract and notice, and present protests, and that a certified copy of the Ordinance is on file in the office of the Recorder for review by interested parties during the office hours of the Recorder.

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

Section 11.08. Effective Date. This Ordinance shall take effect following the public hearing described in Section 11.07 above.

|                                                  |                    |
|--------------------------------------------------|--------------------|
| Passed on First and Second Reading               | September 4, 2013  |
| Passed on Third Reading                          | September 12, 2013 |
| Put into effect following public hearing held on | September 23, 2013 |

  
Recorder

  
Mayor

  
City Manager

Exhibit A

**DESCRIPTION OF PROJECT**

The acquisition and construction of certain additions, betterments and improvements to the sewerage portion of Issuer's existing combined waterworks and sewerage system, in the City of Martinsburg, Berkeley County, West Virginia, including without limitation the acquisition and construction of an upgrade of the City's wastewater treatment plant to meet Chesapeake Bay effluent standards, and related appurtenance and improvements.

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 \_\_\_\_\_, 2013, at \_\_\_\_\_ 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 CERTAIN BONDS OF THE CITY OF MARTINSBURG AND THE ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING COMBINED WATERWORKS AND SEWERAGE SYSTEM OF THE CITY OF MARTINSBURG AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE CITY OF MARTINSBURG OF NOT MORE THAN THIRTY-FOUR MILLION NINE HUNDRED FORTY-EIGHT THOUSAND FIVE HUNDRED SIXTY-THREE DOLLARS (\$34,948,563) IN AGGREGATE PRINCIPAL AMOUNT OF CITY OF MARTINSBURG COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2013 A (WEST VIRGINIA SRF PROGRAM); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING A BOND PURCHASE AGREEMENT WITH THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY AND THE WEST VIRGINIA DEPARTMENT OF ENVIRONMENTAL PROTECTION RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS; AND ADOPTING OTHER PROVISIONS RELATING THERETO.

The above-entitled Ordinance was enacted by the Council of the City of Martinsburg on \_\_\_\_\_, 2013.

The above quoted title of the Ordinance describes generally the contents thereof and the purposes of the Bond issues contemplated thereby. The Bonds are being issued to provide permanent financing of a portion of the costs of the acquisition and construction of certain additions, betterments, improvements and upgrades to the wastewater treatment plant of the City of Martinsburg to meet Chesapeake Bay effluent standards (the "Project"). 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.

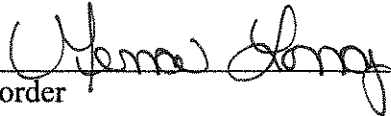
Dated: \_\_\_\_\_, 2013.

/s/ \_\_\_\_\_, Recorder

**CERTIFICATION**

Certified a true copy of an Ordinance duly enacted by the Common Council of the CITY OF MARTINSBURG on the 12th day of September, 2013, and put into effect following a public hearing held on September 23, 2013.

Dated: October 1, 2013.

  
Recorder

[SEAL]

101 South Queen Street  
Martinsburg, West Virginia 25401

7000 Hampton Center  
Morgantown, West Virginia 26505

511 7th Street  
Moundsville, West Virginia 26041

501 Avery Street  
Parkersburg, West Virginia 26101



600 Quarrier Street  
Charleston, West Virginia 25301

Post Office Box 1386  
Charleston, West Virginia 25325-1386  
(304) 347-1100

[www.bowlesrice.com](http://www.bowlesrice.com)

6000 Town Center Boulevard, Suite 210  
Canonsburg, Pennsylvania 15317

333 West Vine Street, Suite 1700  
Lexington, Kentucky 40507

480 West Jubal Early Drive, Suite 130  
Winchester, Virginia 22601

October 1, 2013

City of Martinsburg  
232 North Queen Street  
Martinsburg, WV 25401

West Virginia Water Development Authority  
1009 Bullitt Street  
Charleston, WV 25301

West Virginia Department of  
Environmental Protection  
601 57<sup>th</sup> Street, S.E.  
Charleston, WV 25304

Re: City of Martinsburg Combined Waterworks and Sewerage System  
Revenue Bonds, Series 2013 A  
(West Virginia SRF Program)

---

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the City of Martinsburg (the "Governmental Agency"), a municipal corporation and political subdivision of the State of West Virginia, of its \$34,644,714 Combined Waterworks and Sewerage System Revenue Bonds, Series 2013 A (West Virginia SRF Program), dated the date hereof (the "Local Bonds").

We have examined a certified copy of proceedings and other papers relating to the authorization of (i) a loan agreement dated October 1, 2013, including all schedules and exhibits attached thereto (the "Loan Agreement"), among the Governmental Agency, the West Virginia Water Development Authority (the "Authority") and the West Virginia Department of Environmental Protection ("DEP"), and (ii) the issuance of the Local Bonds, which are to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Local Bonds are in the principal amount of \$34,644,714, issued initially in the form of one bond, registered as to principal and interest to the Authority, with interest payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing December 1, 2016, at the rate of .5% per annum and with principal payable quarterly on March 1, June 1, September 1 and

West Virginia Water Development Authority  
October 1, 2013  
Page 2

December 1 of each year, commencing December 1, 2016, all as set forth in “Schedule Y” attached to the Loan Agreement and incorporated in and made a part of the Local Bonds.

The Local Bonds are issued for the purposes of (i) refunding the Governmental Agency’s Combined Waterworks and Sewer System Design Revenue Bonds, Series 2012 A (West Virginia Water Development Authority); (ii) paying a portion of the costs of certain additions, betterments and improvements to the existing combined waterworks and sewerage system of the Governmental Agency, including without limitation the upgrade of the City of Martinsburg wastewater treatment plant to meet Chesapeake Bay effluent standards (the “Project”); (iii) funding the Series 2013 A Bonds Reserve Account; and (iv) paying certain issuance and other costs in connection therewith.

We have also examined the applicable provisions of Chapter 8, Article 20 and Chapter 22C, Article 2 of the Code of West Virginia, 1931, as amended (collectively, the “Local Statute”), and the Bond Ordinance duly enacted by the Governmental Agency on September 12, 2013, and put into effect following a public hearing held on September 23, 2013, as supplemented by a Supplemental Resolution duly adopted by the Governmental Agency on September 23, 2013 (collectively, the “Local Act”), pursuant to and under which Local Statute and Local Act the Local Bonds are authorized and issued and the Loan Agreement has been undertaken. The Local Bonds are subject to redemption prior to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Local Act and the Loan Agreement.

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

1. The Loan Agreement has been duly authorized by and executed on behalf of the Governmental Agency and is a valid and binding special obligation of the Governmental Agency enforceable in accordance with the terms thereof.
2. The Loan Agreement inures to the benefit of the Authority and the DEP and cannot be amended so as to affect adversely the rights of the Authority or the DEP or diminish the obligations of the Governmental Agency without the consent of the Authority and the DEP.
3. The Governmental Agency is a duly organized and presently existing municipal corporation and political subdivision of the State of West Virginia, with full power and authority to acquire and construct the Project, to operate and maintain the System referred to in the Loan Agreement, to adopt and enact the Local Act and to issue and sell the Local Bonds, all under the Local Statute and other applicable provisions of law.
4. The Local Act and all other necessary orders and resolutions have been duly and effectively adopted or enacted by the Governmental Agency in connection with the issuance and sale of the Local Bonds and constitute valid and binding obligations of the Governmental Agency enforceable against the Governmental Agency in accordance with their terms. The Local

West Virginia Water Development Authority  
October 1, 2013  
Page 3

Act contains provisions and covenants substantially in the form of those set forth in Section 4.1 of the Loan Agreement, as modified by Exhibit E thereto.

5. The Local Bonds have been duly authorized, issued, executed and delivered by the Governmental Agency to the Authority and are valid and legally enforceable special obligations of the Governmental Agency, payable from the Gross Revenues of the System referred to in the Local Act and secured by a first lien on and pledge of the Gross Revenues of said System, on a parity with (i) the Governmental Agency's outstanding Combined Waterworks and Sewerage System Revenue Bonds, Series 2000A (West Virginia DWTRF Program), dated September 27, 2000, issued in the original principal amount of \$7,564,000, (ii) the Governmental Agency's outstanding Combined Waterworks and Sewerage System Revenue Bonds, Series 2000B (West Virginia Infrastructure Fund), dated September 27, 2000, issued in the original principal amount of \$3,000,000, (iii) the Government Agency's outstanding 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 (iv) Governmental Agency's outstanding Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011 A, dated December 28, 2011, issued in the original principal amount of \$8,830,000, all in accordance with the terms of the Local Bonds and the Local Act.

6. The Local Bonds are, under the Act, exempt from all taxation by the State of West Virginia, and any county, municipality, political subdivision or agency thereof.

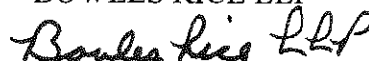
7. The Local Bonds have not been issued on the basis that the interest thereon is or will be excluded from the gross income of the owners thereof for federal income tax purposes. We express no opinion regarding the excludability of such interest from the gross income of the owners thereof for federal income tax purposes or other federal tax consequences arising with respect to the Local Bonds.

No opinion is given herein as to the effect upon enforceability of the Local Bonds or the Local Act of bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other laws affecting creditors' rights or in the exercise of judicial discretion in appropriate cases.

We have examined the executed and authenticated Local Bond No. AR-1 and are of the opinion that the form of said Bond and its execution and authentication are regular and proper.

Very truly yours,

BOWLES RICE LLP



101 South Queen Street  
Martinsburg, West Virginia 25401

7000 Hampton Center  
Morgantown, West Virginia 26505

511 7th Street  
Moundsville, West Virginia 26041

501 Avery Street  
Parkersburg, West Virginia 26101



600 Quarrier Street  
Charleston, West Virginia 25301

Post Office Box 1386  
Charleston, West Virginia 25325-1386  
(304) 347-1100

[www.bowlesrice.com](http://www.bowlesrice.com)

October 1, 2013

6000 Town Center Boulevard, Suite 210  
Canonsburg, Pennsylvania 15317

333 West Vine Street, Suite 1700  
Lexington, Kentucky 40507

480 West Jubal Early Drive, Suite 130  
Winchester, Virginia 22601

Camden P. Siegrist  
Telephone — (304) 347-1129  
Facsimile — (304) 343-3058

E-Mail Address:  
[csiegrist@bowlesrice.com](mailto:csiegrist@bowlesrice.com)

Sara L. Rogers, Executive Director  
West Virginia Municipal Bond Commission  
900 Pennsylvania Avenue  
Suite 1117  
Charleston, WV 25302

**VIA HAND DELIVERY**

Re: \$34,644,714 City of Martinsburg Combined Waterworks and  
Sewerage System Revenue Bonds, Series 2013 A  
(West Virginia SRF Program)

Dear Sara:

Please find enclosed the West Virginia Municipal Bond Commission New Issue Report form for the above-referenced bond issue. Also enclosed are the following:

1. Bond Ordinance (original);
2. Supplemental Resolution (original);
3. Loan Agreement (copy);
4. Specimen Bond (copy);
5. Bond Counsel Opinion (original);
6. Resolution Approving Signatories (copy);
7. Sweep Resolution (original); and
8. Direct Debit Authorization Form (original).

Sara L. Rogers, Executive Director  
West Virginia Municipal Bond Commission  
October 1, 2013  
Page 2

If you have any questions or comments regarding the foregoing or need any additional documentation, please contact me at your convenience.

Very truly yours,



Camden P. Siegrist

CPS/spg  
Enclosures

**WEST VIRGINIA MUNICIPAL BOND COMMISSION**

Suite 1116

900 Pennsylvania Avenue, Charleston, WV 25302

(304) 558-3971

FAX: 558-1280

**NEW ISSUE REPORT FORM**Date of Report: October 1, 2013ISSUE: City of Martinsburg Combined Waterworks and Sewerage System  
Revenue Bonds, Series 2013 A (West Virginia SRF Program)ADDRESS: 232 North Queen Street, Martinsburg, WV 25401 COUNTY: BerkeleyPURPOSE OF ISSUE: New Money ☒ X  
Refunding ☒ XRefunds issue(s) dated: October 23, 2012ISSUE DATE October 1, 2013CLOSING DATE: October 1, 2013ISSUE AMOUNT: \$ 34,644,714RATE: .5% (.5% Administrative Fee)1<sup>st</sup> DEBT SERVICE DUE: December 1, 20161<sup>st</sup> PRINCIPAL DUE: December 1, 20161<sup>st</sup> DEBT SERVICE AMOUNT: \$ 455,342.89PAYING AGENT: WV Municipal Bond CommissionBOND COUNSEL: Bowles Rice LLPUNDERWRITER'S COUNSEL: Jackson Kelly PLLCContact Person: Camden P. SiegristContact Person: Samme L. GeePhone: (304) 347-1129Phone: (304) 340-1318CLOSING BANK: Jefferson Security Bank

ESCROW TRUSTEE:

Contact Person: Sue Hutzler

Contact Person:

Phone: (304) 264-0900

Phone:

## KNOWLEDGEABLE ISSUE CONTACT:

Contact Person: Mark SpicklerOTHER: West Virginia Department of Environmental ProtectionPosition: Finance DirectorContact Person: Rosalie BrodersenPhone: (304) 264-2131Function: Program ManagerEmail: MBSpick@aol.comPhone: (304) 926-0499, ext. 1608

## DEPOSITS TO MBC AT CLOSE:

By: Wire  
Check

|                                                             |                     |
|-------------------------------------------------------------|---------------------|
| Accrued Interest:                                           | \$                  |
| Capitalized Interest:                                       | \$                  |
| <input checked="" type="checkbox"/> Reserve Account:        | \$ <u>1,821,372</u> |
| <input checked="" type="checkbox"/> Other: <u>To refund</u> | \$ <u>1,315,000</u> |

Series 2012 A Bonds

## REFUNDS &amp; TRANSFERS BY MBC AT CLOSE:

By: Wire  
Check  
IGT

|                          |    |
|--------------------------|----|
| To Escrow Trustee (MBC): | \$ |
| To Issuer:               | \$ |
| To Cons. Invest. Fund    | \$ |
| To:                      | \$ |

NOTES: The Series 2013 A Bonds Reserve Account will be funded at closing in an amount equal to the Series 2013 A Bonds Reserve Requirement

## FOR MUNICIPAL BOND COMMISSION USE ONLY:

Documents Required: \_\_\_\_\_

Transfers Required: \_\_\_\_\_

**RECEIVED**

OCT 01 2013

**MBC**

UNITED STATES OF AMERICA  
STATE OF WEST VIRGINIA  
CITY OF MARTINSBURG  
COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS,  
SERIES 2013 A  
(WEST VIRGINIA SRF PROGRAM)

No. AR-1

\$34,644,714.00

KNOW ALL MEN BY THESE PRESENTS: That CITY OF MARTINSBURG, a municipal corporation and political subdivision of the State of West Virginia in Berkeley County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the West Virginia Water Development Authority (the "Authority") or registered assigns the sum of THIRTY-FOUR MILLION SIX HUNDRED FORTY-FOUR THOUSAND SEVEN HUNDRED FOURTEEN DOLLARS (\$34,644,714.00), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as Exhibit A hereto and incorporated herein by reference. Interest accrues following completion of the Project hereinafter described at the rate of one-half percent (.5%) per annum and interest and principal are payable in quarterly installments on March 1, June 1, September 1 and December 1 of each year commencing on December 1, 2016 to and including September 1, 2036, all as set forth on the "Debt Service Schedule" attached as Exhibit B hereto and incorporated herein by reference. The SRF Administrative Fee (as defined in the hereinafter described Bond Legislation) on this Bond shall also be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing December 1, 2016, as set forth on EXHIBIT B attached hereto.

Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent"). The interest on this Bond is payable by check or draft of the Paying Agent mailed to the registered owner hereof at the address as it appears on the books of the Registrar (as defined in the hereinafter described Bond Legislation) on the 15th day of the month next preceding an interest payment date, or by such other method as shall be mutually agreeable so long as the Authority is the registered owner hereof.

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and the West Virginia Department of Environmental Protection (the "DEP"), and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement by and among the Issuer, the Authority and the DEP, dated October 1, 2013. This Bond is issued (i) to pay in full the entire outstanding principal of the Issuer's outstanding Combined Waterworks and Sewerage System Design Revenue Bonds, Series 2012 A (West Virginia Water Development Authority), issued on October 23, 2012, the accrued interest and

administrative fees on which will be paid with other monies available for such purpose; (ii) to permanently finance a portion of the costs of the acquisition and construction of certain additions, betterments and improvements to the existing public combined waterworks and sewerage facilities of the Issuer (the "Project"); (iii) to fund the Series 2013 A Bonds Reserve Account described below; and (iv) to pay certain costs of issuance hereof and related costs. The existing public combined waterworks and sewerage facilities of the Issuer, the Project and any further additions, betterments or improvements thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 8, Article 20 and Chapter 22C, Article 2 of the Code of West Virginia, 1931, as amended (collectively, the "Act"), and an Ordinance duly enacted by the Issuer on September 12, 2013, and put into effect following a public hearing held on September 23, 2013, and a Supplemental Resolution duly adopted by the Issuer on September 23, 2013 (collectively called the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other securities provided for the Bonds of this Series (the "Bonds") under the Bond Legislation.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH (1) THE COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2000A (WEST VIRGINIA DWTRF PROGRAM), OF THE ISSUER, DATED SEPTEMBER 27, 2000, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF \$7,564,000; (2) THE COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2000B (WEST VIRGINIA INFRASTRUCTURE FUND), OF THE ISSUER DATED SEPTEMBER 27, 2000, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$3,000,000; (3) THE COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2000C (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), OF THE ISSUER DATED SEPTEMBER 27, 2000, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$1,976,352; AND (4) THE COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS, SERIES 2011 A, OF THE ISSUER DATED DECEMBER 28, 2011, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$8,830,000 (COLLECTIVELY, THE "PRIOR BONDS"). THIS BOND IS ISSUED SENIOR AND PRIOR TO, WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, THE COMBINED WATERWORKS AND SEWERAGE SYSTEM SUBORDINATED REVENUE BONDS, SERIES 2013 B (WEST VIRGINIA INFRASTRUCTURE FUND), OF THE ISSUER DATED OCTOBER 1, 2013, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$18,863,102.

This Bond is payable only from and secured by a pledge of the Gross Revenues (as defined in the Bond Legislation) to be derived from the System, on a parity

with the pledge of the Gross Revenues in favor of the holders of the Prior Bonds, and from moneys in the Reserve Account created under the Bond Legislation for the Bonds (the "Series 2013 A Bonds Reserve Account"), and unexpended proceeds of the Bonds. Such Gross Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, nor shall the Issuer be obligated to pay the same or the interest hereon, except from said special fund provided from the Gross Revenues, the moneys in the Series 2013 A Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest on the Bonds, and all other obligations secured by a lien on or payable from such revenues on a parity with the Bonds, including the Prior Bonds, provided however, that so long as there exists in the Series 2013 A Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with the Bonds, including the Prior Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the Registered Owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the Registered Owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

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

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

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

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

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

[Rest of page intentionally left blank]

IN WITNESS WHEREOF, CITY OF MARTINSBURG has caused this Bond to be signed by its Mayor and its City Manager and its corporate seal to be hereunto affixed and attested by its Recorder, and has caused this Bond to be dated October 1, 2013.

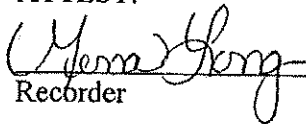
CITY OF MARTINSBURG

[SEAL]

  
\_\_\_\_\_  
Mayor

  
\_\_\_\_\_  
City Manager

ATTEST:

  
\_\_\_\_\_  
Recorder

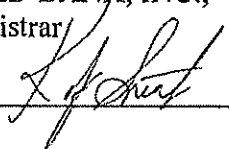
**CERTIFICATE OF AUTHENTICATION AND REGISTRATION**

This Bond is one of the Series 2013 A Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: October 1, 2013.

UNITED BANK, INC.,  
as Registrar

By: \_\_\_\_\_



## RECORD OF ADVANCES

|     | <u>Amount</u>  | <u>Date</u>     |      | <u>Amount</u> | <u>Date</u> |
|-----|----------------|-----------------|------|---------------|-------------|
| (1) | \$4,302,666.00 | October 1, 2013 | (7)  | \$            |             |
| (2) | \$             |                 | (8)  | \$            |             |
| (3) | \$             |                 | (9)  | \$            |             |
| (4) | \$             |                 | (10) | \$            |             |
| (5) | \$             |                 | (11) | \$            |             |
| (6) | \$             |                 | (12) | \$            |             |

Total \$ \_\_\_\_\_

**EXHIBIT B**

**DEBT SERVICE SCHEDULE**

ASSIGNMENT

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

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

Dated: \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_

In the presence of:

\_\_\_\_\_

**CITY OF MARTINSBURG  
COMBINED WATERWORKS AND SEWERAGE SYSTEM  
REVENUE BONDS,  
SERIES 2013 A  
(WEST VIRGINIA SRF PROGRAM)**

**SUPPLEMENTAL RESOLUTION**

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNT, INTEREST RATE, DATE, MATURITY DATE, REDEMPTION PROVISIONS, PRINCIPAL AND INTEREST PAYMENT DATES, SALE PRICE AND OTHER TERMS OF THE CITY OF MARTINSBURG COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2013 A (WEST VIRGINIA SRF PROGRAM); AUTHORIZING, RATIFYING AND APPROVING A LOAN AGREEMENT RELATING TO SUCH BONDS AND THE SALE AND DELIVERY OF SUCH BONDS TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; DESIGNATING A BONDS REGISTRAR, DEPOSITORY BANK, AND PAYING AGENT; SUPPLEMENTING AND AMENDING THE ORDINANCE AUTHORIZING THE ISSUANCE OF THE AFORESAID BONDS; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the Council (the "Governing Body") of the City of Martinsburg (the "Issuer") has duly and officially enacted an Ordinance on September 12, 2013, and has put such Ordinance into effect following a public hearing held earlier on the date hereof (the "Ordinance") entitled:

ORDINANCE AUTHORIZING THE REFUNDING OF CERTAIN BONDS OF THE CITY OF MARTINSBURG AND THE ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING COMBINED WATERWORKS AND SEWERAGE SYSTEM OF THE CITY OF MARTINSBURG AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE CITY OF MARTINSBURG OF NOT MORE THAN THIRTY-FOUR MILLION NINE HUNDRED FORTY-EIGHT THOUSAND FIVE HUNDRED SIXTY-THREE DOLLARS (\$34,948,563) IN AGGREGATE PRINCIPAL AMOUNT OF CITY OF MARTINSBURG COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2013 A (WEST VIRGINIA SRF PROGRAM); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING A

BOND PURCHASE AGREEMENT OR LOAN AGREEMENT WITH THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY AND THE WEST VIRGINIA DEPARTMENT OF ENVIRONMENTAL PROTECTION RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS; AND ADOPTING OTHER PROVISIONS RELATING THERETO.

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

WHEREAS, the Ordinance provides for the issuance by the Issuer of not more than Thirty-Four Million Nine Hundred Forty-Eight Thousand Five Hundred Sixty-Three Dollars (\$34,948,563.00) in aggregate principal amount of combined waterworks and sewerage system revenue bonds in one series (the "Series 2013 A Bonds"), and has preliminarily authorized the execution and delivery of a Loan Agreement relating to the Series 2013 A Bonds (the "Loan Agreement"), by and among the Issuer, the West Virginia Water Development Authority (the "Authority") and the West Virginia Department of Environmental Protection (the "DEP"), all in accordance with Chapter 8, Article 20 and Chapter 22C, Article 2 of the Code of West Virginia, 1931, as amended (collectively, the "Act"); and in the Ordinance it is provided that the exact principal amount, date, maturity date, interest rate, interest and principal payment dates, redemption provisions, sale price and other terms of the Series 2013 A Bonds should be established by a supplemental resolution pertaining to the Series 2013 A Bonds; and that other matters relating to the Series 2013 A Bonds be herein provided for;

WHEREAS, the Series 2013 A Bonds shall be on parity with respect to liens, pledges and sources of and security for payment with respect to each other and with respect to the Prior Bonds;

WHEREAS, the form of the Loan Agreement has been presented to the Issuer at this meeting for final ratification and approval;

WHEREAS, the Series 2013 A Bonds are proposed to be purchased by the Authority pursuant to the Loan Agreement; and

WHEREAS, the Governing Body deems it essential and desirable that this supplemental resolution (the "Supplemental Resolution") be adopted, that the Loan Agreement be finally ratified, approved and entered into by the Issuer, that the exact principal amount, interest rate, date, maturity date, redemption provisions, interest and principal payment dates, sale price and other terms of the Series 2013 A Bonds be fixed hereby in the manner stated herein, that the Ordinance be supplemented and amended as provided herein and that other matters relating to the Series 2013 A Bonds be herein provided for.

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

Section 1. Pursuant to the Ordinance and the Act, this Supplemental Resolution is adopted and there are hereby authorized and ordered to be issued the Combined Waterworks and Sewerage System Revenue Bonds, Series 2013 A (West Virginia SRF Program) of the Issuer, originally represented by a single bond, numbered AR-1, in the principal amount of \$34,644,714. The Series 2013 A Bonds shall be dated the date of delivery thereof, shall finally mature on September 1, 2036, shall bear at the rate of one-half percent (.5%) per annum, payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing December 1, 2016, and shall be payable in quarterly installments of principal on March 1, June 1, September 1 and December 1 of each year, commencing December 1, 2016, in the amounts as set forth in the Schedule Y attached to the Loan Agreement and incorporated in and made a part of the Series 2013 A Bonds. The Series 2013 A Bonds shall be subject to redemption upon the written consent of the Authority and the DEP, and upon payment of the redemption premium, if any, and otherwise in compliance with the Loan Agreement, so long as the Authority shall be the registered owner of the Series 2013 A Bonds. The Issuer does hereby approve and shall pay the SRF Administrative Fee equal to one-half percent (.5%) of the principal amount of the Series 2013 A Bonds set forth in the "Schedule Y" to be attached to the Loan Agreement.

Section 2. All other provisions relating to the Series 2013 A Bonds and the text of the Series 2013 A Bonds shall be as provided in the Ordinance.

Section 3. The Issuer does hereby authorize, ratify, approve and accept the form of the Loan Agreement, a copy of which is incorporated herein by reference, and the execution and delivery of the Loan Agreement by the Mayor and the Recorder and the performance of the obligations contained therein, on behalf of the Issuer are hereby authorized, approved and directed. The price of the Series 2013 A Bonds shall be 100% of par value, there being no interest accrued thereon. The proceeds of the Series 2013 A Bonds shall be advanced from time to time as requisitioned by the Issuer, and at closing, there shall be requisitioned and advanced a portion of the proceeds of the Series 2013 A Bonds in the amount of \$4,302,666.00, being more than a de minimis amount with respect to the Series 2013 A Bonds. The Issuer hereby affirms all covenants and representations made in the Loan Agreement and in the application to the Authority and/or the DEP.

Section 4. The Issuer does hereby appoint and designate United Bank, Inc., Charleston, West Virginia, to serve as Registrar for the Bonds (the "Registrar") and does approve and accept the Registrar's Agreement to be dated the date of delivery of the Bonds, by and between the Issuer and the Registrar, and the execution and delivery of the Registrar's Agreement by the Mayor, and the performance of the obligations contained therein, on behalf of the Issuer are hereby authorized, approved and directed.

Section 5. The Issuer does hereby appoint and designate the West Virginia Municipal Bond Commission, Charleston, West Virginia, to serve as Paying Agent for the Series 2013 A Bonds under the Ordinance.

Section 6. The Issuer does hereby appoint and designate Jefferson Security Bank, Shepherdstown, West Virginia, to serve as Depository Bank under the Ordinance.

Section 7. The Series 2013 A Bonds proceeds in the amount of \$-0- shall be deposited in the Series 2013 A Bonds Sinking Fund as capitalized interest.

Section 8. The Series 2013 A Bonds proceeds in the amount of \$1,821,372 shall be deposited in a Series 2013 A Bonds Reserve Account.

Section 9. The Series 2013 A Bonds proceeds in the amount of \$1,315,000 shall be used to redeem all of the outstanding Series 2012 A Bonds.

Section 10. The remaining proceeds of the Series 2013 A Bonds shall be deposited in the Series 2013 A Bonds Project Trust Fund as received from time to time to pay Costs of the Project and to pay costs of issuance of the Series 2013 A Bonds and the reimbursement of the Issuer of any such Costs paid by the Issuer.

Section 11. The Mayor, City Manager and Recorder are hereby authorized and directed to execute and deliver the Series 2013 A Bonds and such other documents, agreements, instruments and certificates required or desirable in connection with the Series 2013 A Bonds hereby and by the Ordinance approved and provided for, and to affix thereon the seal of the Issuer, as appropriate, to the end that the Series 2013 A Bonds may be delivered to the Authority pursuant to the Loan Agreement on or about October 1, 2013, or as soon thereafter as practicable.

Section 12. Sections 1.02E and 2.01 of the Ordinance are hereby supplemented and amended to change all references to the maximum or estimated cost of the Project from \$51,396,665 to \$53,507,816. Sections 1.02E and 2.01 of the Ordinance and the definition of "Grant" in the Ordinance are further supplemented and amended to change all references to the amount of the Grant from \$16,448,102 to \$18,863,102. Finally, Sections 1.02E and 2.01 of the Ordinance are supplemented and amended to add a sentence at the end of each Section as follows: "If the Issuer actually receives proceeds of the Grant but the amount of the Grant received by the Issuer is in an amount less than \$18,863,102, the Issuer may, at its option and with the approval of the West Virginia Infrastructure and Jobs Development Council, use proceeds of the Series 2013 B Bonds to pay Costs of the Project up to an amount equal to \$18,863,102 less the amount of the Grant received by the Issuer, provided that, as a condition to using the aforesaid proceeds of the Series 2013 B Bonds in such a manner, the Issuer must increase rates and take such other actions as may be necessary for the Series 2013 B Bonds to be on parity with the Series 2013 A Bonds and the Prior Bonds."

Section 13. The refunding of the Series 2012 A Bonds, the acquisition and construction of the Project and the financing of the Project with the proceeds of the Series 2013 A Bonds are in the public interest, serve a public purpose of the Issuer and will promote the health, welfare and safety of the residents of the Issuer.

Section 14. The Governing Body hereby determines that it is in the best interest of the Issuer to invest all monies in the funds and accounts established by the Ordinance held by the Depository Bank in time deposits of the Depository Bank, secured by a pledge of Government Obligations, and therefore the Issuer hereby authorizes and directs the Depository

Bank to take such actions as may be necessary to cause such monies to be invested in such time deposits until further directed by the Issuer. Monies in the Sinking Fund and Reserve Account for the Series 2013 A Bonds shall be invested by the Municipal Bond Commission in the West Virginia Consolidated Fund.

Section 15. All contracts relating to the financing, design, acquisition and construction of the Project are hereby ratified, approved and accepted and the Mayor is hereby authorized and directed to execute and deliver all such contracts.

Section 16. The Issuer hereby approves the costs of issuance and authorizes the payment of the same.

Section 17. The Issuer hereby approves payment of all invoices and bills for the Project which have been received to date from the proceeds of the Series 2013 A Bonds. The Issuer also hereby approves the reimbursement of the Issuer from the proceeds of the Series 2013 A Bonds for any such invoices or bills for the Project previously paid by the Issuer.

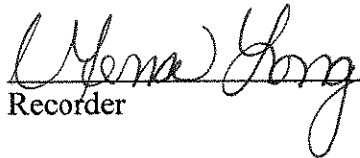
Section 18. This Supplemental Resolution shall be effective immediately following adoption hereof.

Adopted this 23rd day of September, 2013.

CITY OF MARTINSBURG

  
\_\_\_\_\_  
Mayor

  
\_\_\_\_\_  
City Manager

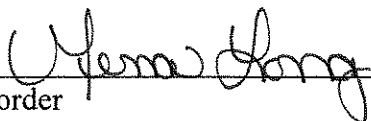
  
\_\_\_\_\_  
Recorder

**CERTIFICATION**

Certified a true copy of a Supplemental Resolution duly adopted by the Council of the City of Martinsburg on the 23rd day of September, 2013.

Dated: October 1, 2013.

[SEAL]

  
Recorder

**WEST VIRGINIA MUNICIPAL BOND COMMISSION**

Suite 1116

900 Pennsylvania Avenue, Charleston, WV 25302

(304) 558-3971

FAX: 558-1280

**NEW ISSUE REPORT FORM**Date of Report: October 1, 2013

ISSUE: City of Martinsburg Combined Waterworks and Sewerage System  
Revenue Bonds, Series 2013 A (West Virginia SRF Program)

ADDRESS: 232 North Queen Street, Martinsburg, WV 25401 COUNTY: Berkeley

PURPOSE OF ISSUE: New Money ☒  
Refunding ☒

Refunds issue(s) dated: October 23, 2012ISSUE DATE October 1, 2013CLOSING DATE: October 1, 2013ISSUE AMOUNT: \$ 34,644,714RATE: .5% (.5% Administrative Fee)1<sup>st</sup> DEBT SERVICE DUE: December 1, 20161<sup>st</sup> PRINCIPAL DUE: December 1, 20161<sup>st</sup> DEBT SERVICE AMOUNT: \$ 455,342.89PAYING AGENT: WV Municipal Bond CommissionBOND COUNSEL: Bowles Rice LLPUNDERWRITER'S COUNSEL: Jackson Kelly PLLCContact Person: Camden P. SiegristContact Person: Samme L. GeePhone: (304) 347-1129Phone: (304) 340-1318CLOSING BANK: Jefferson Security Bank

ESCROW TRUSTEE:

Contact Person: Sue Hutzler

Contact Person:

Phone: (304) 264-0900

Phone:

KNOWLEDGEABLE ISSUE CONTACT:

OTHER: West Virginia Department of Environmental ProtectionContact Person: Mark SpicklerContact Person: Rosalie BrodersenPosition: Finance DirectorFunction: Program ManagerPhone: (304) 264-2131Phone: (304) 926-0499, ext. 1608Email: MBSpick@aol.com

DEPOSITS TO MBC AT CLOSE:

Accrued Interest: \$

Capitalized Interest: \$

By: Wire  
Check☒ Reserve Account: \$ 1,821,372☒ Other: To refund \$ 1,315,000Series 2012 A Bonds

REFUNDS &amp; TRANSFERS BY MBC AT CLOSE:

By: Wire  
Check  
IGTTo Escrow Trustee (MBC): \$To Issuer: \$To Cons. Invest. Fund \$To: \$

NOTES: The Series 2013 A Bonds Reserve Account will be funded at closing in an amount equal to the Series 2013 A Bonds Reserve Requirement

**FOR MUNICIPAL BOND COMMISSION USE ONLY:**

Documents Required: \_\_\_\_\_

Transfers Required: \_\_\_\_\_

**Bond Debt Service**  
City of Martinsburg  
CW SRF  
\$34,644,714  
20 Years

0.5% Interest Rate, 0.5% Administrative fee

Dated Date 10/1/2013

Delivery Date 10/1/2013

| Period Ending | Principal | Coupon | Interest  | Debt Service |
|---------------|-----------|--------|-----------|--------------|
| 12/1/2016     | 412,037   | 0.500% | 43,305.89 | 455,342.89   |
| 3/1/2017      | 412,552   | 0.500% | 42,790.85 | 455,342.85   |
| 6/1/2017      | 413,068   | 0.500% | 42,275.16 | 455,343.16   |
| 9/1/2017      | 413,584   | 0.500% | 41,758.82 | 455,342.82   |
| 12/1/2017     | 414,101   | 0.500% | 41,241.84 | 455,342.84   |
| 3/1/2018      | 414,619   | 0.500% | 40,724.22 | 455,343.22   |
| 6/1/2018      | 415,137   | 0.500% | 40,205.94 | 455,342.94   |
| 9/1/2018      | 415,656   | 0.500% | 39,687.02 | 455,343.02   |
| 12/1/2018     | 416,176   | 0.500% | 39,167.45 | 455,343.45   |
| 3/1/2019      | 416,696   | 0.500% | 38,647.23 | 455,343.23   |
| 6/1/2019      | 417,217   | 0.500% | 38,126.36 | 455,343.36   |
| 9/1/2019      | 417,738   | 0.500% | 37,604.84 | 455,342.84   |
| 12/1/2019     | 418,260   | 0.500% | 37,082.67 | 455,342.67   |
| 3/1/2020      | 418,783   | 0.500% | 36,559.84 | 455,342.84   |
| 6/1/2020      | 419,307   | 0.500% | 36,036.36 | 455,343.36   |
| 9/1/2020      | 419,831   | 0.500% | 35,512.23 | 455,343.23   |
| 12/1/2020     | 420,356   | 0.500% | 34,987.44 | 455,343.44   |
| 3/1/2021      | 420,881   | 0.500% | 34,462.00 | 455,343.00   |
| 6/1/2021      | 421,407   | 0.500% | 33,935.89 | 455,342.89   |
| 9/1/2021      | 421,934   | 0.500% | 33,409.14 | 455,343.14   |
| 12/1/2021     | 422,461   | 0.500% | 32,881.72 | 455,342.72   |
| 3/1/2022      | 422,989   | 0.500% | 32,353.64 | 455,342.64   |
| 6/1/2022      | 423,518   | 0.500% | 31,824.91 | 455,342.91   |
| 9/1/2022      | 424,048   | 0.500% | 31,295.51 | 455,343.51   |
| 12/1/2022     | 424,578   | 0.500% | 30,765.45 | 455,343.45   |
| 3/1/2023      | 425,108   | 0.500% | 30,234.73 | 455,342.73   |
| 6/1/2023      | 425,640   | 0.500% | 29,703.34 | 455,343.34   |
| 9/1/2023      | 426,172   | 0.500% | 29,171.29 | 455,343.29   |
| 12/1/2023     | 426,705   | 0.500% | 28,638.58 | 455,343.58   |
| 3/1/2024      | 427,238   | 0.500% | 28,105.19 | 455,343.19   |
| 6/1/2024      | 427,772   | 0.500% | 27,571.15 | 455,343.15   |
| 9/1/2024      | 428,307   | 0.500% | 27,036.43 | 455,343.43   |
| 12/1/2024     | 428,842   | 0.500% | 26,501.05 | 455,343.05   |
| 3/1/2025      | 429,378   | 0.500% | 25,965.00 | 455,343.00   |
| 6/1/2025      | 429,915   | 0.500% | 25,428.27 | 455,343.27   |
| 9/1/2025      | 430,452   | 0.500% | 24,890.88 | 455,342.88   |
| 12/1/2025     | 430,990   | 0.500% | 24,352.81 | 455,342.81   |
| 3/1/2026      | 431,529   | 0.500% | 23,814.08 | 455,343.08   |
| 6/1/2026      | 432,068   | 0.500% | 23,274.67 | 455,342.67   |
| 9/1/2026      | 432,608   | 0.500% | 22,734.58 | 455,342.58   |
| 12/1/2026     | 433,149   | 0.500% | 22,193.82 | 455,342.82   |
| 3/1/2027      | 433,691   | 0.500% | 21,652.38 | 455,343.38   |

**Bond Debt Service**  
CW SRF  
\$34,644,714  
20 Years  
0.5% Interest Rate, 0.5% Administrative fee

| Period Ending | Principal  | Coupon | Interest        | Debt Service  |
|---------------|------------|--------|-----------------|---------------|
| 6/1/2027      | 434,233    | 0.500% | 21,110.27       | 455,343.27    |
| 9/1/2027      | 434,776    | 0.500% | 20,567.48       | 455,343.48    |
| 12/1/2027     | 435,319    | 0.500% | 20,024.01       | 455,343.01    |
| 3/1/2028      | 435,863    | 0.500% | 19,479.86       | 455,342.86    |
| 6/1/2028      | 436,408    | 0.500% | 18,935.03       | 455,343.03    |
| 9/1/2028      | 436,954    | 0.500% | 18,389.52       | 455,343.52    |
| 12/1/2028     | 437,500    | 0.500% | 17,843.33       | 455,343.33    |
| 3/1/2029      | 438,047    | 0.500% | 17,296.45       | 455,343.45    |
| 6/1/2029      | 438,594    | 0.500% | 16,748.90       | 455,342.90    |
| 9/1/2029      | 439,142    | 0.500% | 16,200.65       | 455,342.65    |
| 12/1/2029     | 439,691    | 0.500% | 15,651.73       | 455,342.73    |
| 3/1/2030      | 440,241    | 0.500% | 15,102.11       | 455,343.11    |
| 6/1/2030      | 440,791    | 0.500% | 14,551.81       | 455,342.81    |
| 9/1/2030      | 441,342    | 0.500% | 14,000.82       | 455,342.82    |
| 12/1/2030     | 441,894    | 0.500% | 13,449.14       | 455,343.14    |
| 3/1/2031      | 442,446    | 0.500% | 12,896.78       | 455,342.78    |
| 6/1/2031      | 442,999    | 0.500% | 12,343.72       | 455,342.72    |
| 9/1/2031      | 443,553    | 0.500% | 11,789.97       | 455,342.97    |
| 12/1/2031     | 444,108    | 0.500% | 11,235.53       | 455,343.53    |
| 3/1/2032      | 444,663    | 0.500% | 10,680.39       | 455,343.39    |
| 6/1/2032      | 445,219    | 0.500% | 10,124.57       | 455,343.57    |
| 9/1/2032      | 445,775    | 0.500% | 9,568.04        | 455,343.04    |
| 12/1/2032     | 446,332    | 0.500% | 9,010.82        | 455,342.82    |
| 3/1/2033      | 446,890    | 0.500% | 8,452.91        | 455,342.91    |
| 6/1/2033      | 447,449    | 0.500% | 7,894.30        | 455,343.30    |
| 9/1/2033      | 448,008    | 0.500% | 7,334.98        | 455,342.98    |
| 12/1/2033     | 448,568    | 0.500% | 6,774.97        | 455,342.97    |
| 3/1/2034      | 449,129    | 0.500% | 6,214.26        | 455,343.26    |
| 6/1/2034      | 449,690    | 0.500% | 5,652.85        | 455,342.85    |
| 9/1/2034      | 450,252    | 0.500% | 5,090.74        | 455,342.74    |
| 12/1/2034     | 450,815    | 0.500% | 4,527.93        | 455,342.93    |
| 3/1/2035      | 451,379    | 0.500% | 3,964.41        | 455,343.41    |
| 6/1/2035      | 451,943    | 0.500% | 3,400.18        | 455,343.18    |
| 9/1/2035      | 452,508    | 0.500% | 2,835.25        | 455,343.25    |
| 12/1/2035     | 453,073    | 0.500% | 2,269.62        | 455,342.62    |
| 3/1/2036      | 453,640    | 0.500% | 1,703.28        | 455,343.28    |
| 6/1/2036      | 454,207    | 0.500% | 1,136.23        | 455,343.23    |
| 9/1/2036      | 454,775    | 0.500% | 568.47          | 455,343.47    |
|               | 34,644,714 |        | 1,782,731.98 ** | 36,427,445.98 |

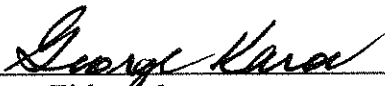
\*\* to include a quarterly administrative fee of \$22,284.15 that  
reflects a total administrative expense of \$1,782,732 over the  
life of the loan.

**RESOLUTION 2013-20**  
**AUTHORIZING RESOLUTION**

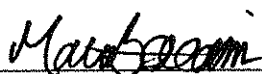
At the special meeting of the City Council of the City of Martinsburg held on September 23, 2013, George Karos, Mayor, and Mark S. Baldwin, City Manager, have each been duly authorized to act on and sign on behalf of the City of Martinsburg any and all federal and state actions as they relate to acquisition and construction of improvements to the City's combined waterworks and sewerage system.

This motion being duly presented and seconded, has been adopted on a quorum vote and therefore George Karos, Mayor, and Mark S. Baldwin, City Manager, may each separately sign all such documents relative to combined waterworks and sewerage system on behalf of the City of Martinsburg.

AUTHORIZED REPRESENTATIVE:

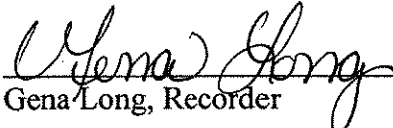
  
\_\_\_\_\_  
Title: Mayor

AUTHORIZED REPRESENTATIVE:

  
\_\_\_\_\_  
Title: City Manager

Dated: October 1, 2013

ATTESTED BY:

  
\_\_\_\_\_  
Gena Long, Recorder

Dated: October 1, 2013

LOAN AGREEMENT

THIS WATER POLLUTION CONTROL REVOLVING FUND LOAN AGREEMENT (the "Loan Agreement"), made and entered into in several counterparts, by and among the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY, a governmental instrumentality and body corporate of the State of West Virginia (the "Authority"), the WEST VIRGINIA DEPARTMENT OF ENVIRONMENTAL PROTECTION (the "DEP"), and the local government designated below (the "Local Government").

CITY OF MARTINSBURG (2011S-1293/C-544197)  
(Local Government)

W I T N E S S E T H:

WHEREAS, the United States Congress under Title VI of the federal Clean Water Act, as amended (the "Clean Water Act"), has provided for capitalization grants to be awarded to states for the express purpose of establishing and maintaining state water pollution control revolving funds for the planning, design, construction, acquisition and/or improvement of wastewater treatment facilities;

WHEREAS, pursuant to the provisions of Chapter 22C, Article 2 of the Code of West Virginia, 1931, as amended (the "Act"), the State of West Virginia (the "State") has established a state water pollution control revolving fund program (the "Program") to direct the distribution of loans to particular local governments pursuant to the Clean Water Act;

WHEREAS, under the Act the DEP is designated the instrumentality to enter into capitalization agreements with the United States Environmental Protection Agency ("EPA") to accept capitalization grant awards (U.S. General Services Administration; Catalog of Federal Domestic Assistance, 32nd Edition § 66.458 (1998)) and DEP has been awarded capitalization grants to partially fund the Program;

WHEREAS, under the Act and under the direction of DEP, the Authority has established a permanent perpetual fund known as the "West Virginia Water Pollution Control Revolving Fund" (hereinafter the "Fund");

WHEREAS, pursuant to the Act, the Authority and DEP are empowered to make loans from the Fund to local governments for the acquisition or construction of wastewater treatment projects by such local governments, all subject to such provisions and limitations as are contained in the Clean Water Act and the Act;

WHEREAS, the Local Government constitutes a local government as defined by the Act;

WHEREAS, the Local Government is included on the DEP State Project Priority List and the Intended Use Plan and has met DEP's pre-application requirements for the Program;

WHEREAS, the Local Government is authorized and empowered by the statutes of the State to acquire, construct, improve, operate and maintain a wastewater treatment project and to finance the cost of acquisition and construction of the same by borrowing money to be evidenced by revenue bonds issued by the Local Government;

WHEREAS, the Local Government intends to construct, is constructing or has constructed such a wastewater treatment project at the location and as more particularly described and set forth in the Application, as hereinafter defined (the "Project");

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

WHEREAS, having reviewed the Application and the Fund having available sufficient funds therefor, the Authority and DEP are willing to lend the Local Government the amount set forth on Schedule X attached hereto and incorporated herein by reference, through the purchase of revenue bonds of the Local Government with moneys held in the Fund, subject to the Local Government's satisfaction of certain legal and other requirements of the Program.

NOW, THEREFORE, in consideration of the premises and the mutual agreements hereinafter contained, the Local Government, DEP and the Authority hereby agree as follows:

## ARTICLE I

### Definitions

1.1 Except where the context clearly indicates otherwise, the terms "Authority," "cost," "fund," "local government," and "project" have the definitions and meanings ascribed to them in the Act or in the SRF Regulations.

1.2 "Consulting Engineers" means the professional engineer, licensed by the State, designated in the Application and any successor thereto.

1.3 "Decentralized System" means wastewater treatment systems that treat wastewater, then reusing and/or dispersing the reclaimed water, as close to where it is generated as practical in each circumstance. A Decentralized System may include: on-site systems contained entirely within the simple boundaries of the lot it serves; small-scale collective systems, with their reuse/dispersal sites on easements on the lots served, on vacant lots purchased

for this purpose, on off-site properties, or a combination of these; larger scale collective systems utilizing dispersed or aggregated reuse/dispersal sites or discharging to surface water.

1.4 "Loan" means the loan to be made by the Authority and DEP to the Local Government through the purchase of Local Bonds, as hereinafter defined, pursuant to this Loan Agreement.

1.5 "Local Act" means the official action of the Local Government required by Section 4.1 hereof, authorizing the Local Bonds.

1.6 "Local Bonds" means the revenue bonds to be issued by the Local Government pursuant to the provisions of the Local Statute, as hereinafter defined, to evidence the Loan and to be purchased by the Authority with money held in the Fund, all in accordance with the provisions of this Loan Agreement.

1.7 "Local Statute" means the specific provisions of the Code of West Virginia, 1931, as amended, pursuant to which the Local Bonds are issued.

1.8 "Operating Expenses" means the reasonable, proper and necessary costs of operation and maintenance of the System, as hereinafter defined, as should normally and regularly be included as such under generally accepted accounting principles.

1.9 "Program" means the wastewater treatment facility acquisition, construction and improvement program coordinated through the capitalization grants program established under the Clean Water Act and administered by DEP.

1.10 "Project" means the wastewater treatment facility project hereinabove referred to, to be constructed or being constructed by the Local Government in whole or in part with the net proceeds of the Local Bonds or being or having been constructed by the Local Government in whole or in part with the proceeds of bond anticipation notes or other interim financing, which is to be paid in whole or in part with the net proceeds of the Local Bonds.

1.11 "SRF Regulations" means the regulations set forth in Title 47, Series 31 of the West Virginia Code of State Regulations.

1.12 "System" means the wastewater treatment facility owned by the Local Government, of which the Project constitutes all or to which the Project constitutes an improvement, and any improvements thereto hereafter constructed or acquired from any sources whatsoever.

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

## ARTICLE II

### The Project and the System

2.1 The Project shall generally consist of the construction and acquisition of the facilities described in the Application, to be, being or having been constructed in accordance with plans, specifications and designs prepared for the Local Government by the Consulting Engineers, the DEP and Authority having found, to the extent applicable, that the Project is consistent with the applicable provisions of the Program.

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

2.3 All real estate and interests in real estate and all personal property constituting the Project and the Project site heretofore or hereafter acquired shall at all times be and remain the property of the Local Government, subject to any mortgage lien or other security interest as is provided for in the Local Statute unless a sale or transfer of all or a portion of said property is approved by DEP and the Authority.

2.4 The Local Government agrees that the Authority and DEP and their respective duly authorized agents shall have the right at all reasonable times to enter upon the Project site and Project facilities and to examine and inspect the same. The Local Government further agrees that the Authority and DEP and their respective duly authorized agents shall, prior to, during and after completion of construction and commencement of operation of the Project, have such rights of access to the System site and System facilities as may be reasonably necessary to accomplish all of the powers and rights of the Authority and DEP with respect to the System pursuant to the pertinent provisions of the Act.

2.5 The Local Government shall keep complete and accurate records of the cost of acquiring the Project site and the costs of constructing, acquiring and installing the Project, in accordance with generally accepted governmental accounting standards. The Local Government shall permit the Authority and DEP, acting by and through their Directors or duly authorized agents and representatives, to inspect all books, documents, papers and records relating to the Project and the System at any and all reasonable times for the purpose of audit and examination, and the Local Government shall submit to the Authority and DEP such documents and information as it may reasonably require in connection with the construction, acquisition and installation of the Project, the operation and maintenance of the System and the administration of the Loan or of any State and federal grants or other sources of financing for the Project.

2.6 The Local Government agrees that it will permit the Authority and DEP and their respective agents to have access to the records of the Local Government pertaining to the operation and maintenance of the System at any reasonable time following completion of construction of the Project and commencement of operation thereof or if the Project is an

improvement to an existing system at any reasonable time following commencement of construction.

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

2.8 The Local Government shall require that each of its contractors and all subcontractors maintain, during the life of the construction contract, workers' compensation coverage, public liability insurance, property damage insurance and vehicle liability insurance in amounts and on terms satisfactory to the Authority and DEP and shall verify or have verified such insurance prior to commencement of construction. Until the Project facilities are completed and accepted by the Local Government, the Local Government or (at the option of the Local Government) the contractor shall maintain builder's risk insurance (fire and extended coverage) on a one hundred percent (100%) basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Authority, the Local Government, the prime contractor and all subcontractors, as their interests may appear. If facilities of the System which are detrimentally affected by flooding are or will be located in designated special flood or mudslide-prone areas and if flood insurance is available at a reasonable cost, a flood insurance policy must be obtained by the Local Government on or before the Date of Loan Closing, as hereinafter defined, and maintained so long as any of the Local Bonds are outstanding. Prior to commencing operation of the Project, the Local Government must also obtain, and maintain so long as any of the Local Bonds are outstanding, business interruption insurance if available at a reasonable cost.

2.9 The Local Government shall provide and maintain competent and adequate engineering services satisfactory to the Authority and DEP covering the supervision and inspection of the development and construction of the Project and bearing the responsibility of assuring that construction conforms to the plans, specifications and designs prepared by the Consulting Engineers, which have been approved by all necessary governmental bodies. Such engineer shall certify to the Authority, DEP and the Local Government at the completion of construction that construction is in accordance with the approved plans, specifications and designs, or amendments thereto, approved by all necessary governmental bodies. The Local Government shall require the Consulting Engineers to submit Record Drawings, as defined in the SRF Regulations, to it within 60 days of the completion of the Project. The Local Government shall notify DEP in writing of such receipt. The Local Government shall submit a Performance Certificate, the form of which is attached hereto as Exhibit A, and being incorporated herein by reference, to DEP within 60 days of the end of the first year after the Project is completed.

2.10 The Local Government shall require the Consulting Engineers to submit the final or updated Operation and Maintenance Manual, if necessary as defined in the SRF Regulations, to DEP when the Project is 90% completed. The Local Government shall at all times provide operation and maintenance of the System in compliance with any and all State and federal standards. The Local Government shall employ a state certified plant operator prior to

the Project being 50% complete and notify the DEP of such employment. The Local Government shall retain the operator(s) to operate the System during the entire term of this Loan Agreement.

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

2.12 The Local Government, commencing on the date contracts are executed for the acquisition or construction of the Project and for two years following the completion of acquisition or construction of the Project, shall each month complete a Monthly Financial Report, the form of which is attached hereto as Exhibit B and incorporated herein by reference, and forward a copy by the 20<sup>th</sup> of each month to DEP and the Authority.

2.13 The Local Government shall perform an annual maintenance audit which maintenance audit shall be submitted to the Authority and the Public Service Commission of West Virginia (the "PSC").

2.14 The Local Government, during construction of the Project, shall complete Payment Requisition Forms, the form of which is attached hereto as Exhibit C and incorporated herein by reference, and forward such forms to DEP in compliance with the Local Government's construction schedule.

### ARTICLE III

#### Conditions to Loan; Issuance of Local Bonds

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

(a) The Local Government shall have delivered to the Authority and DEP a report listing the specific purposes for which the proceeds of the Loan will be expended and the procedures as to the disbursement of loan proceeds, including an estimated monthly draw schedule;

(b) The Local Government shall have performed and satisfied all of the terms and conditions to be performed and satisfied by it in this Loan Agreement;

(c) The Local Government shall have authorized the issuance of and delivery to the Authority of the Local Bonds described in this Article III and in Article IV hereof;

(d) The Local Government shall either have received bids or entered into contracts for the construction of the Project, which are in an amount and otherwise compatible with the plan of financing described in the Application; provided that, if the Loan will refund an interim construction financing, the Local Government must either be constructing or have constructed its Project for a cost and as otherwise compatible with the plan of financing described in the Application; and, in either case, the Authority and DEP shall have received a certificate of the Consulting Engineers to such effect, the form of which certificate is attached hereto as Exhibit D;

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

(f) The Local Government shall have obtained all requisite orders of and approvals from the Public Service Commission of West Virginia (the "PSC") and the West Virginia Infrastructure and Jobs Development Council necessary for the construction of the Project and operation of the System, with all requisite appeal periods having expired without successful appeal and the Authority and DEP shall have received an opinion of counsel to the Local Government, which may be local counsel to the Local Government, bond counsel or special PSC counsel but must be satisfactory to the Authority and DEP, to such effect;

(g) The Local Government shall have obtained any and all approvals for the issuance of the Local Bonds required by State law, and the Authority and DEP shall have received an opinion of counsel to the Local Government, which may be local counsel to the Local Government, bond counsel or special PSC counsel but must be satisfactory to the Authority and DEP, to such effect;

(h) The Local Government shall have obtained any and all approvals of rates and charges required by State law and shall have taken any other action required to establish and impose such rates and charges (imposition of such rates and charges is not, however, required to be effective until completion of construction of the Project), with all requisite appeal periods having expired without successful appeal, and the Authority and DEP shall have received an opinion of counsel to the Local Government, which may be local counsel to the Local Government, bond counsel or special PSC counsel but must be satisfactory to the Authority and DEP, to such effect;

(i) Such rates and charges for the System shall be sufficient to comply with the provisions of Subsections 4.1(a) and 4.1(b)(ii) hereof, and the Authority and DEP shall have received a certificate of the accountant for the Local Government, or such other person or firm experienced in the finances of local governments and satisfactory to the Authority and DEP, to such effect; and

(j) The net proceeds of the Local Bonds, together with all moneys on deposit or to be simultaneously deposited (or, with respect to proceeds of grant anticipation notes

or other indebtedness for which a binding purchase contract has been entered, to be deposited on a date certain) and irrevocably pledged thereto and the proceeds of grants irrevocably committed therefor, shall be sufficient to pay the costs of construction and acquisition of the Project as set forth in the Application, and the Authority and DEP shall have received a certificate of the Consulting Engineers, or such other person or firm experienced in the financing of wastewater treatment projects and satisfactory to the Authority and DEP, to such effect, such certificate to be in form and substance satisfactory to the Authority and DEP, and evidence satisfactory to the Authority and DEP of such irrevocably committed grants.

3.2 Subject to the terms and provisions of this Loan Agreement, the rules and regulations promulgated by the Authority and DEP, including the SRF Regulations, or any other appropriate State agency and any applicable rules, regulations and procedures promulgated from time to time by the federal government, it is hereby agreed that the Authority shall make the Loan to the Local Government and the Local Government shall accept the Loan from the Authority, and in furtherance thereof it is agreed that the Local Government shall sell to the Authority and the Authority shall make the Loan by purchasing the Local Bonds in the principal amount and at the price set forth in Schedule X hereto. The Local Bonds shall have such further terms and provisions as described in Article IV hereof.

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

3.4 The Local Bonds shall be delivered to the Authority, at the offices of the Authority, on a date designated by the Local Government by written notice to the Authority, which written notice shall be given not less than ten (10) business days prior to the date designated; provided, however, that if the Authority is unable to accept delivery on the date designated, the Local Bonds shall be delivered to the Authority on a date as close as possible to the designated date and mutually agreeable to the Authority, DEP and the Local Government. The date of delivery so designated or agreed upon is hereinafter referred to as the "Date of Loan Closing."

3.5 The Local Government understands and acknowledges that it is one of several local governments which have applied to the Authority and DEP for loans from the Fund to finance wastewater treatment projects and that the obligation of the Authority to make any such loan is subject to the Local Government's fulfilling all of the terms and conditions of this Loan Agreement on or prior to the Date of Loan Closing and to the requirements of the Program. The Local Government specifically recognizes that the Authority will not purchase the Local Bonds unless and until sufficient funds are available in the Fund to purchase all the Local Bonds and that, prior to such purchase, the Authority may purchase the bonds of other local governments set out in the State Project Priority List, as defined in the SRF Regulations. The Local Government further specifically recognizes that all loans will be originated in conjunction with the SRF Regulations and with the prior approval of DEP.

3.6 The Local Government shall provide DEP with the appropriate documentation to comply with the special conditions regarding the public release and audit

requirements established by federal and State regulations as set forth in Exhibit E attached hereto at such times as are set forth therein.

#### ARTICLE IV

Local Bonds; Security for Loan;  
Repayment of Loan; Interest on Loan;  
Fees and Charges

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

(a) That the gross revenues of the System shall always be used for purposes of the System. Such gross revenues will be used monthly, in the order of priority listed below:

(i) to pay Operating Expenses of the System;

(ii) to the extent not otherwise limited by any outstanding loan resolution, indenture or other act or document and beginning on the date set forth in Schedule X, to provide debt service on the Local Bonds by depositing in a sinking fund one-third (1/3) of the interest payment next coming due on the Local Bonds and one-third (1/3) of the principal payment next coming due on the Local Bonds and, beginning three (3) months prior to the first date of payment of principal of the Local Bonds, if the reserve account for the Local Bonds (the "Reserve Account") was not funded from proceeds of the Local Bonds or otherwise concurrently with the issuance thereof in an amount equal to the maximum amount of principal and interest which will come due on the Local Bonds in the then current or any succeeding year (the "Reserve Requirement"), by depositing in the Reserve Account an amount not less than one-twelfth (1/12) of one-tenth (1/10) of the Reserve Requirement or, if the Reserve Account has been so funded (whether by Local Bond proceeds, monthly deposits or otherwise), any amount necessary to maintain the Reserve Account at the Reserve Requirement;

(iii) to create a renewal and replacement, or similar, fund in an amount equal to two and one-half percent (2-1/2%) of the gross revenues from the System, exclusive of any payments into the Reserve Account, for the purpose of improving or making emergency repairs or replacements to the System or eliminating any deficiencies in the Reserve Account; and

(iv) for other legal purposes of the System, including payment of debt service on other obligations junior, subordinate and inferior to the Local Bonds.

Provided, that if the Local Government has existing outstanding indebtedness which has greater coverage or renewal and replacement fund requirements, then the greater requirements will prevail until said existing indebtedness is paid in full.

(b) Covenants substantially as follows:

(i) That the Local Bonds shall be secured by a pledge of either the net or gross revenues of the System as provided in the Local Act;

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

(iii) That the Local Government shall complete the Project and operate and maintain the System in good condition;

(iv) That, except as otherwise required by State law or the Regulations, the System may not be sold, mortgaged, leased or otherwise disposed of, except as a whole, or substantially as a whole, provided that the net proceeds to be realized from such sale, mortgage, lease or other disposition shall be sufficient to fully pay all of the Local Bonds outstanding and further provided that portions of the System when no longer required for the ongoing operation of such System as evidenced by certificates from the Consulting Engineer, may be disposed of with such restrictions as are normally contained in such covenants;

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

(vi) That the Local Government will carry such insurance as is customarily carried with respect to works and properties similar to the System, including those specified by Section 2.8 hereof;

(vii) That the Local Government will not render any free services of the System;

(viii) That the Authority may, by proper legal action, compel the performance of the duties of the Local Government under the Local Act, including the making and collection of sufficient rates or charges for services rendered by the System, and shall also have, in the event of a default in payment of principal of or interest on the Local Bonds, the right to obtain the appointment of a receiver to administer the System or construction of the Project, or both, as provided by law and all rights as set forth in Section 5 of the Act;

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

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

(xi) That the Local Government shall annually cause the records of the System to be audited by an independent certified public accountant or independent public accountant and shall submit the report of said audit to the Authority and DEP, which report shall include a statement that notes whether the results of tests disclosed instances of noncompliance that are required to be reported under government auditing standards and, if they are, describes the instances of noncompliance and the audited financial statements shall include a statement that notes whether the Local Government's revenues are adequate to meet its Operating Expenses and debt service and reserve requirements;

(xii) That the Local Government shall annually adopt a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding fiscal year and shall submit a copy of such budget to the Authority and DEP within 30 days of adoption thereof;

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

(xiv) That the proceeds of the Local Bonds, advanced from time to time, except for accrued interest and capitalized interest, if any, must (a) be deposited in a construction fund, which, except as otherwise agreed to in writing by the Authority, shall be held separate and apart from all other funds of the Local Government and on which the owners of the Local Bonds shall have a lien until such proceeds are applied to the construction of the Project (including the repayment of any incidental interim financing) and/or (b) be used to pay (or redeem) bond anticipation notes or other interim financing of such Local Government, the proceeds of which were used to finance the construction of the Project; provided that, with the prior written consent of the Authority and DEP, the proceeds of the Local Bonds may be used to

fund all or a portion of the Reserve Account, on which the owner of the Local Bonds shall have a lien as provided herein;

(xv) That, as long as the Authority is the owner of any of the Local Bonds, the Local Government may authorize redemption of the Local Bonds with 30 days written notice to the Authority;

(xvi) That the West Virginia Municipal Bond Commission (the "Commission") shall serve as paying agent for all Local Bonds;

(xvii) That the Local Government 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 payment. The Local Government shall complete the Monthly Payment Form, attached hereto as Exhibit F and incorporated herein by reference, and submit a copy of said form along with a copy of the check or electronic transfer to the Authority by the 5th day of such calendar month;

(xviii) That, unless it qualifies for an exception to the provisions of Section 148 of the Internal Revenue Code of 1986, as amended, which exception shall be set forth in an opinion of bond counsel, the Local Government will furnish to the Authority, annually, at such time as it is required to perform its rebate calculations under the Internal Revenue Code of 1986, as amended, a certificate with respect to its rebate calculations and, at any time, any additional information requested by the Authority;

(xix) That the Local Government shall have obtained the certificate of the Consulting Engineers to the effect that the Project has been or will be constructed in accordance with the approved plans, specifications and design as submitted to the Authority and DEP, the Project is adequate for the purposes for which it was designed, the funding plan as submitted to the Authority and DEP is sufficient to pay the costs of acquisition and construction of the Project and all permits required by federal and State laws for construction of the Project have been obtained;

(xx) That the Local Government shall, to the full extent permitted by applicable law and the rules and regulations of the PSC, terminate the services of any water facility owned by it to any customer of the System who is delinquent in payment of charges for services provided by the System and will not restore the services of the water facility until all delinquent charges for the services of the System have been fully paid or, if the water facility is not owned by the Local Government, then the Local Government shall enter into a termination agreement with the water provider; and

(xxi) That the Local Government shall submit all proposed change orders to the DEP for approval. The Local Government shall obtain the written approval of the DEP before expending any proceeds of the Local Bonds held in "contingency" as set forth in the final Schedule A attached to the certificate of the Consulting Engineer. The Local

Government shall obtain the written approval of the DEP before expending any proceeds of the Local Bonds available due to bid/construction/project underruns.

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

4.2 The Loan shall be secured by the pledge and assignment by the Local Government, as effected by the Local Act, of the fees, charges and other revenues of the Local Government from the System.

4.3 At least five percent (5%) of the proceeds of the Local Bonds will be advanced on the Date of Loan Closing. The remaining proceeds of the Local Bonds shall be advanced by the DEP monthly as required by the Local Government to pay Costs of the Project, provided, however, if the proceeds of the Local Bonds will be used to repay an interim financing, the proceeds will be advanced on a schedule mutually agreeable to the Local Government, the DEP and the Authority. The Local Bonds shall not bear interest during the construction period but interest shall commence accruing on the completion date as defined in the SRF Regulations, provided that the annual repayment of principal and payment of interest shall begin not later than one (1) year after the completion date. The repayment of principal and interest on the Local Bonds shall be as set forth on Schedule Y hereto. In no event shall the interest rate on or the net interest cost of the Local Bonds exceed any statutory limitation with regard thereto.

4.4 The Local Bonds shall be delivered to the Authority in fully registered form, transferable and exchangeable as provided in the Local Act at the expense of the Local Government. Anything to the contrary herein notwithstanding, the Local Bonds may be issued in one or more series.

4.5 As provided by the SRF Regulations, the Local Government agrees to pay from time to time, if required by the Authority and DEP, the Local Government's allocable share of the reasonable administrative expenses of the Authority relating to the Program. Such administrative expenses shall be determined by the Authority and shall include, without limitation, Program expenses, legal fees paid by the Authority and fees paid to the trustee and paying agents for any bonds or notes to be issued by the Authority for contribution to the Fund and the fees and expenses of any corporate trustee for the Fund.

4.6 The obligation of the Authority to make any loans shall be conditioned upon the availability of moneys in the Fund in such amount and on such terms and conditions as, in the sole judgment of the Authority, will enable it to make the Loan.

## ARTICLE V

### Certain Covenants of the Local Government; Imposition and Collection of User Charges; Payments To Be Made by Local Government to the Authority

5.1 The Local Government hereby irrevocably covenants and agrees to comply with all of the terms, conditions and requirements of this Loan Agreement and the Local Act. The Local Government hereby further irrevocably covenants and agrees that, as one of the conditions of the Authority to make the Loan, it has fixed and collected, or will fix and collect, the rates, fees and other charges for the use of the System and will take all such actions necessary to provide funds sufficient to produce the required sums set forth in the Local Act and in compliance with the provisions of Subsections 4.1(a) and 4.1(b)(ii) hereof.

5.2 In the event, for any reason, the schedule of rates, fees and charges initially established for the System in connection with the Local Bonds shall prove to be insufficient to produce the required sums set forth in the Local Act and this Loan Agreement, the Local Government hereby covenants and agrees that it will, to the extent or in the manner authorized by law, immediately adjust and increase such schedule of rates, fees and charges (or where applicable, immediately file with the PSC for a rate increase) and take all such actions necessary to provide funds sufficient to produce the required sums set forth in the Local Act and this Loan Agreement.

5.3 In the event the Local Government defaults in any payment due to the Authority pursuant to this Loan Agreement, the amount of such default shall bear interest at the interest rate of the installment of the Loan next due, from the date of the default until the date of the payment thereof.

5.4 The Local Government hereby irrevocably covenants and agrees with the Authority that, in the event of any default hereunder by the Local Government, the Authority may exercise any or all of the rights and powers granted under Section 5 of the Act, including, without limitation, the right to impose, enforce and collect charges of the System.

## ARTICLE VI

### Other Agreements of the Local Government

6.1 The Local Government hereby acknowledges to the Authority and DEP its understanding of the provisions of the Act, vesting in the Authority and DEP certain powers, rights and privileges with respect to wastewater treatment projects in the event of default by the Local Government in the terms and covenants of this Loan Agreement, and the Local Government hereby covenants and agrees that, if the Authority should hereafter have recourse to said rights and powers, the Local Government shall take no action of any nature whatsoever

calculated to inhibit, nullify, void, delay or render nugatory such actions of the Authority in the due and prompt implementation of this Loan Agreement.

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

6.3 The Local Government hereby agrees to repay on or prior to the Date of Loan Closing any moneys due and owing by it to the Authority or any other lender for the planning or design of the Project.

6.4 The Local Government hereby covenants that it will rebate any amounts required by Section 148 of the Internal Revenue Code of 1986, as amended, and will take all steps necessary to make any such rebates. In the event the Local Government fails to make any such rebates as required, then the Local Government shall pay any and all penalties, obtain a waiver from the Internal Revenue Service and take any other actions necessary or desirable to preserve the exclusion from gross income for federal income tax purposes of interest on the Local Bonds.

6.5 Notwithstanding Section 6.4, the Authority and DEP may at any time, in their sole discretion, cause the rebate calculations prepared by or on behalf of the Local Government to be monitored or cause the rebate calculations for the Local Government to be prepared, in either case at the expense of the Local Government.

6.6 The Local Government hereby agrees to give the Authority and DEP prior written notice of the issuance by it of any other obligations to be used for the System, payable from the revenues of the System or from any grants for the Project or otherwise related to the Project or the System.

6.7 The Local Government hereby agrees to file with the Authority and DEP upon completion of acquisition and construction of the Project a schedule in substantially the form of Amended Schedule A to the Application, setting forth the actual costs of the Project and sources of funds therefor.

## ARTICLE VII

### Miscellaneous

7.1 Schedules X and Y shall be attached to this Loan Agreement by the Authority as soon as practicable after the Date of Loan Closing is established and shall be approved by an official action of the Local Government supplementing the Local Act, a certified copy of which official action shall be submitted to the Authority.

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

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

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

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

7.6 By execution and delivery of this Loan Agreement, notwithstanding the date hereof, the Local Government specifically recognizes that it is hereby agreeing to sell its Local Bonds to the Authority and that such obligation may be specifically enforced or subject to a similar equitable remedy by the Authority.

7.7 This Loan Agreement shall terminate upon the earlier of:

(i) written notice of termination to the Local Government from either the Authority or DEP; or

(ii) payment in full of the principal of and interest on the Loan and of any fees and charges owed by the Local Government to the Authority or DEP; provided that the amount of the Loan made under this Loan Agreement in any succeeding fiscal year is contingent upon funds being appropriated by the State legislature or otherwise being available to make the Loan. In the event funds are not appropriated or otherwise available to make all of the Loan, the

responsibility of the Authority and DEP to make all the Loan is terminated; provided further that the obligation of the Local Government to repay the outstanding amount of the Loan made by the Authority and DEP is not terminated due to such non-funding on any balance of the Loan. The DEP agrees to use its best efforts to have the amount contemplated under this Loan Agreement included in its budget. Non-appropriation or non-funding of the Loan shall not be considered an event of default under this Loan Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Loan Agreement to be executed by their respective duly authorized officers as of the date executed below by the Authority.

CITY OF MARTINSBURG

(SEAL)

By: George Kana

Its: Mayor

Date: October 1, 2013

Attest:

Yvonne Long  
Its: Clerk

WEST VIRGINIA DEPARTMENT OF  
ENVIRONMENTAL PROTECTION, DIVISION  
OF WATER AND WASTE MANAGEMENT

By: Stacy Mall

Its: Director

Date: October 1, 2013

WEST VIRGINIA WATER DEVELOPMENT  
AUTHORITY

(SEAL)

By: Sheila A. Miller

Its: Executive Director

Date: October 1, 2013

Attest:

Sheila A. Miller  
Its: Authorized Officer

EXHIBIT A

FORM OF PERFORMANCE CERTIFICATE

[To Be Provided By DEP]

# EXHIBIT B

## MONTHLY FINANCIAL REPORT

Name of Local Government City of Martinsburg  
 Name of Bond Issue(s) \_\_\_\_\_  
 Type of Project \_\_\_\_\_ Water \_\_\_\_\_ Wastewater \_\_\_\_\_  
 Fiscal Year \_\_\_\_\_ Report Month \_\_\_\_\_

| <u>Item</u>                                    | <u>Current<br/>Month</u> | <u>Total<br/>Year<br/>To Date</u> | <u>Budget<br/>Year<br/>To Date</u> | <u>Budget<br/>Year To<br/>Date Minus<br/>Total Year<br/>To Date</u> |
|------------------------------------------------|--------------------------|-----------------------------------|------------------------------------|---------------------------------------------------------------------|
| 1. Gross Revenues                              | _____                    | _____                             | _____                              | _____                                                               |
| 2. Operating Expenses                          | _____                    | _____                             | _____                              | _____                                                               |
| 3. Bond Payments:                              |                          |                                   |                                    |                                                                     |
| Type of Issue                                  |                          |                                   |                                    |                                                                     |
| Clean Water SRF                                | _____                    | _____                             | _____                              | _____                                                               |
| Drinking Water TRF                             | _____                    | _____                             | _____                              | _____                                                               |
| Infrastructure Fund                            | _____                    | _____                             | _____                              | _____                                                               |
| Water Development                              | _____                    | _____                             | _____                              | _____                                                               |
| Authority                                      |                          |                                   |                                    |                                                                     |
| Rural Utilities Service                        | _____                    | _____                             | _____                              | _____                                                               |
| Economic Development                           | _____                    | _____                             | _____                              | _____                                                               |
| Administration                                 | _____                    | _____                             | _____                              | _____                                                               |
| Other (Identify)                               | _____                    | _____                             | _____                              | _____                                                               |
| _____                                          | _____                    | _____                             | _____                              | _____                                                               |
| _____                                          | _____                    | _____                             | _____                              | _____                                                               |
| 4. Renewal and<br>Replacement<br>Fund Deposits | _____                    | _____                             | _____                              | _____                                                               |

\_\_\_\_\_  
 Name of Person Completing Form

\_\_\_\_\_  
 Address

\_\_\_\_\_  
 Telephone

## INSTRUCTIONS FOR COMPLETING MONTHLY FINANCIAL REPORT

- Item 1      You will need a copy of the current fiscal year budget adopted by the Local Government to complete Items 1 and 2. In Item 1, provide the amount of actual **Gross Revenues** for the current month and the total amount year-to-date in the respective columns. Divide the budgeted annual Gross Revenues by 12. For example, if Gross Revenues of \$1,200 are anticipated to be received for the year, each month the base would be increased by \$100 ( $\$1,200/12$ ). This is the incremental amount for the Budget Year-to-Date column.
- Item 2      Provide the amount of actual **Operating Expenses** for the current month and the total amount year-to-date in the respective columns. Any administrative fee should be included in the Operating Expenses. Divide the budgeted annual Operating Expenses by 12. For example, if Operating Expenses of \$900 are anticipated to be incurred for the year, each month the base would be increased by \$75 ( $\$900/12$ ). This is the incremental amount for the Budget Year-to-Date column.
- Item 3      Provide the **Bond Payments (principal, interest and reserve account)** for all the outstanding bonds of the Local Government according to the source of funding. For example, Clean Water State Revolving Fund loan from Department of Environmental Protection, Drinking Water Treatment Revolving Fund loan from Bureau for Public Health, Infrastructure Fund loan from Infrastructure and Jobs Development Council, or a loan from the Water Development Authority, etc.
- Item 4      Provide the amount deposited into the **Renewal and Replacement Fund** each month. This amount is equal to 2.5% of Gross Revenues minus the total reserve account payments included in Item 3. If Gross Revenues are \$1,200, then \$30 (2.5% of \$1,200), LESS the amount of all reserve account payments in Item 3 should be deposited into the Renewal and Replacement Fund. The money in the Renewal and Replacement Fund should be kept separate and apart from all other funds of the Local Government.

**The Local Government must complete the Monthly Financial Report and forward it to the Water Development Authority by the 20<sup>th</sup> day of each month, commencing on the date contracts are executed for the acquisition or construction of the Project and for two years following the completion of acquisition or construction of the Project.**

EXHIBIT C

PAYMENT REQUISITION FORM

(All Copies to Be Provided by DEP for Each Project)

EXHIBIT D

FORM OF CERTIFICATE OF CONSULTING ENGINEER

CITY OF MARTINSBURG

(Name of Bonds)

I, \_\_\_\_\_, Registered Professional Engineer, West Virginia License No. \_\_\_\_\_, of \_\_\_\_\_, Consulting Engineers, \_\_\_\_\_, hereby certify as follows:

1. My firm is engineer for the acquisition and construction of \_\_\_\_\_ to the \_\_\_\_\_ system (the "Project") of the City of Martinsburg (the "Issuer"), to be constructed primarily in Berkeley County, West Virginia, which acquisition and construction are being permanently financed in part by the above-captioned bonds (the "Bonds") of the Issuer. Capitalized words not defined herein shall have the same meaning set forth in the bond \_\_\_\_\_ adopted or enacted by the Issuer on \_\_\_\_\_, 20\_\_ and the Loan Agreement by and among the Issuer, the West Virginia Water Development Authority (the "Authority"), and the West Virginia Department of Environmental Protection (the "DEP"), dated \_\_\_\_\_, 20\_\_.

2. The Bonds are being issued for the purposes of (i) the upgrade of the City of Martinsburg wastewater treatment plant to meet Chesapeake Bay effluent standards and (ii) paying certain issuance and other costs in connection therewith.

3. To the best of my knowledge, information and belief, (i) within the limits and in accordance with the applicable and governing contractual requirements relating to the Project, the Project will be constructed in general accordance with the approved plans, specifications and designs prepared by my firm and approved by the DEP and any change orders approved by the Issuer, the DEP and all necessary governmental bodies; (ii) the Project, as designed, is adequate for its intended purpose and has a useful life of at least \_\_\_\_\_ years, if properly operated and maintained, excepting anticipated replacements due to normal wear and tear; (iii) the Issuer has received bids for the acquisition and construction of the Project which are in an amount and otherwise compatible with the plan of financing set forth in Schedule attached hereto as Exhibit A, and my firm<sup>1</sup> has ascertained that all successful bidders have made required provisions for all insurance and payment and performance bonds and that such insurance policies or binders and such bonds have been verified for accuracy; (iv) the successful bidders received any and all addenda to the original bid documents; (v) the bid documents relating to the Project reflect the

<sup>1</sup>If another responsible party, such as the Issuer's attorney, reviews the insurance and payment bonds, then insert the following: [and in reliance upon the opinion of \_\_\_\_\_, Esq.] and delete "my firm has ascertained that".

Project as approved by the DEP and the bid forms provided to the bidders contain all critical operational components of the Project; (vi) the successful bids include prices for every item on such bid forms; (vii) the uniform bid procedures were followed; (viii) the Issuer has obtained all permits required by the laws of the State of West Virginia and the United States necessary for the acquisition and construction of the Project and operation of the System; (ix) as of the effective date thereof<sup>2</sup>, the rates and charges for the System as adopted by the Issuer will be sufficient to comply with the provisions of the Funding Assistance Agreement; (x) the net proceeds of the Bonds, together with all other moneys on deposit or to be simultaneously deposited and irrevocably pledged thereto and the proceeds of grants, if any, irrevocably committed therefor, are sufficient to pay the costs of acquisition and construction of the Project approved by the DEP; (xi) the Project was designed and will be constructed in compliance with the provisions of West Virginia Code Chapter 22, Article 29; and (xii) attached hereto as Exhibit A is the final amended "Schedule A - Total Cost of Project; Sources of Funds and Cost of Financing" for the Project.

4. The Project will serve no new customers in the Martinsburg area.

WITNESS my signature and seal on this \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

By \_\_\_\_\_  
West Virginia License No.

[SEAL]

---

<sup>2</sup>If the Rule 42 Exhibit and/or rate structure was prepared by an accountant, then insert the following: "In reliance upon the certificate of \_\_\_\_\_ of even date herewith," at the beginning of (ix).

## EXHIBIT E

### SPECIAL CONDITIONS

A. PUBLIC RELEASE REQUIREMENT – The Local Government agrees to include, when issuing statements, press releases, requests for proposals, bid solicitations, ground breaking or project dedication program documents and other documents describing projects or programs funded in whole or in part with Federal money, (1) the percentage of the total costs of the program or project which will be financed with Federal money, (2) the dollar amount of Federal funds for the project or program, and (3) percentage and dollar amount of the total costs of the project or program that will be financed by non-governmental sources.

B. ASSET MANAGEMENT – The Local Government shall submit an acceptable asset management plan or where applicable, updated plans, to DEP no later than six months following substantial completion of the Project. This requirement shall be included in the bond closing documents.

C. WAGE RATES – The Local Government shall require that all laborers and mechanics employed by its contractors and subcontractors be paid wages at rates not less than those prevailing on projects of a character similar in the locality as determined by the Secretary of Labor (DOL) in accordance with subchapter IV of chapter 32 of title 40, United States Code. The Local Government must require that contractors and subcontractors obtain wage determinations from DOL and comply with DOL guidance and regulations implementing wage rate requirements.

D. AUDIT REQUIREMENT (Supplement to Article IV 4.1 (b) (xi)) – This Project has been designated as an “equivalency” project and the Local Government must obtain audits in accordance with the Single Audit Act and the applicable OMB Circular or any successor thereto. Following completion of the Project, financial statement audits are required once all funds have been received by the Local Government.

E. CLOSING REQUIREMENTS – Closing of the Bonds is conditioned upon the receipt of a final order of the Public Service Commission of West Virginia satisfactory to the DEP.

F. GROSS REVENUE PLEDGE – Notwithstanding the provisions set forth in this Loan Agreement, the Bonds will be secured by a gross revenue pledge of the Local Government as required by the Local Act (Chapter 8, Article 20).

EXHIBIT D

MONTHLY PAYMENT FORM

West Virginia Water Development Authority  
1009 Bullitt Street  
Charleston, WV 25301

Re: [Name of bond issue]

Ladies and Gentlemen:

The following deposits were made to the West Virginia Municipal Bond Commission on behalf of [Name of Governmental Agency] on [Date].

Sinking Fund:

Interest \$

Principal \$

Total: \$

Reserve Account: \$

Witness my signature this \_\_\_\_ day of \_\_\_\_\_.

[Name of Governmental Agency]

By: \_\_\_\_\_  
Authorized Officer

Enclosure: copy of check(s)

EXHIBIT G

OPINION OF BOND COUNSEL FOR LOCAL GOVERNMENT

October 1, 2013

West Virginia Water Development Authority  
1009 Bullitt Street  
Charleston, WV 25301

West Virginia Department of Environmental Protection  
601 57<sup>th</sup> Street  
Charleston, WV 25304

Ladies and Gentlemen:

We are bond counsel to the City of Martinsburg (the "Local Government"), a  
\_\_\_\_\_.

We have examined a certified copy of proceedings and other papers relating to the authorization of (i) a loan agreement dated \_\_\_\_\_, 20\_\_, including all schedules and exhibits attached thereto (the "Loan Agreement"), among the Local Government, the West Virginia Water Development Authority (the "Authority") and the West Virginia Department of Environmental Protection (the "DEP"), and (ii) the issue of a series of revenue bonds of the Local Government, dated \_\_\_\_\_, 20\_\_ (the "Local Bonds"), to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Local Bonds are issued in the principal amount of \$34,644,714, in the form of one bond, registered as to principal and interest to the Authority, with principal and interest payable quarterly on March 1, June 1, September 1, and December 1 of each year, beginning September 1, 2016, and ending \_\_\_\_\_ 1, 20\_\_, all as set forth in the "Schedule Y" attached to the Loan Agreement and incorporated in and made a part of the Local Bonds.

The Local Bonds are issued for the purposes of (i) the upgrade of the City of Martinsburg wastewater treatment plant to meet Chesapeake Bay effluent standards and (ii) paying certain issuance and other costs in connection therewith.

We have also examined the applicable provisions of \_\_\_\_\_ of the Code of West Virginia, 1931, as amended (the "Local Statute"), and the bond \_\_\_\_\_ duly adopted or enacted by the Local Government on \_\_\_\_\_, 20\_\_\_\_, as supplemented by the supplemental resolution duly adopted by the Local Government on \_\_\_\_\_ (collectively, the "Local Act"), pursuant to and under which Local Statute and Local Act the Local Bonds are authorized and issued, and the Loan Agreement has been undertaken. The Local Bonds are subject to redemption prior to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Local Act and the Loan Agreement.

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

1. The Loan Agreement has been duly authorized by and executed on behalf of the Local Government and is a valid and binding special obligation of the Local Government, enforceable in accordance with the terms thereof.
2. The Loan Agreement inures to the benefit of the Authority and the DEP and cannot be amended so as to affect adversely the rights of the Authority or the DEP or diminish the obligations of the Local Government without the consent of the Authority and the DEP.
3. The Local Government is a duly organized and validly existing \_\_\_\_\_, with full power and authority to acquire and construct the Project, to operate and maintain the System, to adopt or enact the Local Act and to issue and sell the Local Bonds, all under the Local Statute and other applicable provisions of law.
4. The Local Act and all other necessary orders and resolutions have been legally and effectively adopted or enacted by the Local Government and constitute valid and binding obligations of the Local Government, enforceable against the Local Government in accordance with their terms. The Local Act contains provisions and covenants substantially in the form of those set forth in Section 4.1 of the Loan Agreement.
5. The Local Bonds have been duly authorized, issued, executed and delivered by the Local Government to the Authority and are valid, legally enforceable and binding special obligations of the Local Government, payable from the net or gross revenues of the System set forth in the Local Act and secured by a first lien on and pledge of the net or gross revenues of the System, all in accordance with the terms of the Local Bonds and the Local Act.
6. The Local Bonds are, by statute, exempt \_\_\_\_\_, and under existing statutes and court decisions of the United States of America, as presently written and applied, the interest on the Local Bonds is excludable from the gross income of the recipients thereof for federal income tax purposes.

No opinion is given herein as to the effect upon enforceability of the Local Bonds of bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights or in the exercise of judicial discretion in appropriate cases.

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

Very truly yours,

## SCHEDULE X

### DESCRIPTION OF LOCAL BONDS

|                                 |              |
|---------------------------------|--------------|
| Principal Amount of Local Bonds | \$34,644,714 |
| Purchase Price of Local Bonds   | \$34,644,714 |

The Local Bonds shall bear interest at a rate of .5% per annum. No interest shall accrue during the construction period. Commencing December 1, 2016, principal of and interest on the Local Bonds is payable quarterly, with an administrative fee of .5%. Quarterly payments will be made on March 1, June 1, September 1 and December 1 of each year as set forth on the Schedule Y attached hereto and incorporated herein by reference.

The Local Government shall submit its payments monthly to the Commission with instructions that the Commission will make quarterly payments to the Authority at such address as is given to the Commission in writing by the Authority. If the Reserve Account is not fully funded at closing, the Local Government shall commence the payment of the 1/120 of the maximum annual debt service on the first day of the month it makes its first monthly payment to the Commission. The Local Government shall instruct the Commission to notify the Authority of any monthly payments which are not received by the 20th day of the month in which the payment was due.

The Local Bonds are fully registered in the name of the Authority as to principal and interest, if any, and the Local Bonds shall grant the Authority a first lien on the net or gross revenues of the Local Government's system as provided in the Local Act.

The Local Government may prepay the Local Bonds in full at any time at the price of par upon 30 days' written notice to the Authority and DEP. The Local Government shall request approval from the Authority and DEP in writing of any proposed debt which will be issued by the Local Government on a parity with the Local Bonds which request must be filed at least 60 days prior to the intended date of issuance.

As of the date of the Loan Agreement, the Local Bonds are on a parity as to liens, pledge and source of and security for payment with the following obligations of the Local Government:

- (1) City of Martinsburg 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) City of Martinsburg 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,

- (3) City of Martinsburg 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
- (4) City of Martinsburg Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011 A, dated December 28, 2011, originally issued in the aggregate principal amount of \$8,830,000.

Number of New Customers: 0

Location: Martinsburg, Berkeley County

**SCHEDULE Y**  
**DEBT SERVICE SCHEDULE**

|                                             |                  |               |                 |                     |
|---------------------------------------------|------------------|---------------|-----------------|---------------------|
| <b>Bond Debt Service</b>                    |                  |               |                 |                     |
| City of Martinsburg                         |                  |               |                 |                     |
| CW SRF                                      |                  |               |                 |                     |
| \$34,644,714                                |                  |               |                 |                     |
| 20 Years                                    |                  |               |                 |                     |
| 0.5% Interest Rate, 0.5% Administrative fee |                  |               |                 |                     |
|                                             | Dated Date       | 10/1/2013     |                 |                     |
|                                             | Delivery Date    | 10/1/2013     |                 |                     |
| <b>Period Ending</b>                        | <b>Principal</b> | <b>Coupon</b> | <b>Interest</b> | <b>Debt Service</b> |
| 12/1/2016                                   | 412,037          | 0.500%        | 43,305.89       | 455,342.89          |
| 3/1/2017                                    | 412,552          | 0.500%        | 42,790.85       | 455,342.85          |
| 6/1/2017                                    | 413,068          | 0.500%        | 42,275.16       | 455,343.16          |
| 9/1/2017                                    | 413,584          | 0.500%        | 41,758.82       | 455,342.82          |
| 12/1/2017                                   | 414,101          | 0.500%        | 41,241.84       | 455,342.84          |
| 3/1/2018                                    | 414,619          | 0.500%        | 40,724.22       | 455,343.22          |
| 6/1/2018                                    | 415,137          | 0.500%        | 40,205.94       | 455,342.94          |
| 9/1/2018                                    | 415,656          | 0.500%        | 39,687.02       | 455,343.02          |
| 12/1/2018                                   | 416,176          | 0.500%        | 39,167.45       | 455,343.45          |
| 3/1/2019                                    | 416,696          | 0.500%        | 38,647.23       | 455,343.23          |
| 6/1/2019                                    | 417,217          | 0.500%        | 38,126.36       | 455,343.36          |
| 9/1/2019                                    | 417,738          | 0.500%        | 37,604.84       | 455,342.84          |
| 12/1/2019                                   | 418,260          | 0.500%        | 37,082.67       | 455,342.67          |
| 3/1/2020                                    | 418,783          | 0.500%        | 36,559.84       | 455,342.84          |
| 6/1/2020                                    | 419,307          | 0.500%        | 36,036.36       | 455,343.36          |
| 9/1/2020                                    | 419,831          | 0.500%        | 35,512.23       | 455,343.23          |
| 12/1/2020                                   | 420,356          | 0.500%        | 34,987.44       | 455,343.44          |
| 3/1/2021                                    | 420,881          | 0.500%        | 34,462.00       | 455,343.00          |
| 6/1/2021                                    | 421,407          | 0.500%        | 33,935.89       | 455,342.89          |
| 9/1/2021                                    | 421,934          | 0.500%        | 33,409.14       | 455,343.14          |
| 12/1/2021                                   | 422,461          | 0.500%        | 32,881.72       | 455,342.72          |
| 3/1/2022                                    | 422,989          | 0.500%        | 32,353.64       | 455,342.64          |
| 6/1/2022                                    | 423,518          | 0.500%        | 31,824.91       | 455,342.91          |
| 9/1/2022                                    | 424,048          | 0.500%        | 31,295.51       | 455,343.51          |
| 12/1/2022                                   | 424,578          | 0.500%        | 30,765.45       | 455,343.45          |
| 3/1/2023                                    | 425,108          | 0.500%        | 30,234.73       | 455,342.73          |
| 6/1/2023                                    | 425,640          | 0.500%        | 29,703.34       | 455,343.34          |
| 9/1/2023                                    | 426,172          | 0.500%        | 29,171.29       | 455,343.29          |
| 12/1/2023                                   | 426,705          | 0.500%        | 28,638.58       | 455,343.58          |
| 3/1/2024                                    | 427,238          | 0.500%        | 28,105.19       | 455,343.19          |
| 6/1/2024                                    | 427,772          | 0.500%        | 27,571.15       | 455,343.15          |
| 9/1/2024                                    | 428,307          | 0.500%        | 27,036.43       | 455,343.43          |
| 12/1/2024                                   | 428,842          | 0.500%        | 26,501.05       | 455,343.05          |
| 3/1/2025                                    | 429,378          | 0.500%        | 25,965.00       | 455,343.00          |
| 6/1/2025                                    | 429,915          | 0.500%        | 25,428.27       | 455,343.27          |
| 9/1/2025                                    | 430,452          | 0.500%        | 24,890.88       | 455,342.88          |
| 12/1/2025                                   | 430,990          | 0.500%        | 24,352.81       | 455,342.81          |
| 3/1/2026                                    | 431,529          | 0.500%        | 23,814.08       | 455,343.08          |
| 6/1/2026                                    | 432,068          | 0.500%        | 23,274.67       | 455,342.67          |
| 9/1/2026                                    | 432,608          | 0.500%        | 22,734.58       | 455,342.58          |
| 12/1/2026                                   | 433,149          | 0.500%        | 22,193.82       | 455,342.82          |
| 3/1/2027                                    | 433,691          | 0.500%        | 21,652.38       | 455,343.38          |

| <b>Bond Debt Service</b>                                                                                                                           |            |        |                 |               |
|----------------------------------------------------------------------------------------------------------------------------------------------------|------------|--------|-----------------|---------------|
| CW SRF                                                                                                                                             |            |        |                 |               |
| \$34,644,714                                                                                                                                       |            |        |                 |               |
| 20 Years                                                                                                                                           |            |        |                 |               |
| 0.5% Interest Rate, 0.5% Administrative fee                                                                                                        |            |        |                 |               |
| Period Ending                                                                                                                                      | Principal  | Coupon | Interest        | Debt Service  |
| 6/1/2027                                                                                                                                           | 434,233    | 0.500% | 21,110.27       | 455,343.27    |
| 9/1/2027                                                                                                                                           | 434,776    | 0.500% | 20,567.48       | 455,343.48    |
| 12/1/2027                                                                                                                                          | 435,319    | 0.500% | 20,024.01       | 455,343.01    |
| 3/1/2028                                                                                                                                           | 435,863    | 0.500% | 19,479.86       | 455,342.86    |
| 6/1/2028                                                                                                                                           | 436,408    | 0.500% | 18,935.03       | 455,343.03    |
| 9/1/2028                                                                                                                                           | 436,954    | 0.500% | 18,389.52       | 455,343.52    |
| 12/1/2028                                                                                                                                          | 437,500    | 0.500% | 17,843.33       | 455,343.33    |
| 3/1/2029                                                                                                                                           | 438,047    | 0.500% | 17,296.45       | 455,343.45    |
| 6/1/2029                                                                                                                                           | 438,594    | 0.500% | 16,748.90       | 455,342.90    |
| 9/1/2029                                                                                                                                           | 439,142    | 0.500% | 16,200.65       | 455,342.65    |
| 12/1/2029                                                                                                                                          | 439,691    | 0.500% | 15,651.73       | 455,342.73    |
| 3/1/2030                                                                                                                                           | 440,241    | 0.500% | 15,102.11       | 455,343.11    |
| 6/1/2030                                                                                                                                           | 440,791    | 0.500% | 14,551.81       | 455,342.81    |
| 9/1/2030                                                                                                                                           | 441,342    | 0.500% | 14,000.82       | 455,342.82    |
| 3/1/2031                                                                                                                                           | 442,446    | 0.500% | 12,896.78       | 455,342.78    |
| 6/1/2031                                                                                                                                           | 442,999    | 0.500% | 12,343.72       | 455,342.72    |
| 9/1/2031                                                                                                                                           | 443,553    | 0.500% | 11,789.97       | 455,342.97    |
| 12/1/2031                                                                                                                                          | 444,108    | 0.500% | 11,235.53       | 455,343.53    |
| 3/1/2032                                                                                                                                           | 444,663    | 0.500% | 10,680.39       | 455,343.39    |
| 6/1/2032                                                                                                                                           | 445,219    | 0.500% | 10,124.57       | 455,343.57    |
| 9/1/2032                                                                                                                                           | 445,775    | 0.500% | 9,568.04        | 455,343.04    |
| 12/1/2032                                                                                                                                          | 446,332    | 0.500% | 9,010.82        | 455,342.82    |
| 3/1/2033                                                                                                                                           | 446,890    | 0.500% | 8,452.91        | 455,342.91    |
| 6/1/2033                                                                                                                                           | 447,449    | 0.500% | 7,894.30        | 455,343.30    |
| 9/1/2033                                                                                                                                           | 448,008    | 0.500% | 7,334.98        | 455,342.98    |
| 12/1/2033                                                                                                                                          | 448,568    | 0.500% | 6,774.97        | 455,342.97    |
| 3/1/2034                                                                                                                                           | 449,129    | 0.500% | 6,214.26        | 455,343.26    |
| 6/1/2034                                                                                                                                           | 449,690    | 0.500% | 5,652.85        | 455,342.85    |
| 9/1/2034                                                                                                                                           | 450,252    | 0.500% | 5,090.74        | 455,342.74    |
| 12/1/2034                                                                                                                                          | 450,815    | 0.500% | 4,527.93        | 455,342.93    |
| 3/1/2035                                                                                                                                           | 451,379    | 0.500% | 3,964.41        | 455,343.41    |
| 6/1/2035                                                                                                                                           | 451,943    | 0.500% | 3,400.18        | 455,343.18    |
| 9/1/2035                                                                                                                                           | 452,508    | 0.500% | 2,835.25        | 455,343.25    |
| 12/1/2035                                                                                                                                          | 453,073    | 0.500% | 2,269.62        | 455,342.62    |
| 3/1/2036                                                                                                                                           | 453,640    | 0.500% | 1,703.28        | 455,343.28    |
| 6/1/2036                                                                                                                                           | 454,207    | 0.500% | 1,136.23        | 455,343.23    |
| 9/1/2036                                                                                                                                           | 454,775    | 0.500% | 568.47          | 455,343.47    |
|                                                                                                                                                    | 34,644,714 |        | 1,782,731.98 ** | 36,427,445.98 |
| ** to include a quarterly administrative fee of \$22,284.15 that reflects a total administrative expense of \$1,782,732 over the life of the loan. |            |        |                 |               |

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**Bond Debt Service**

City of Martinsburg

CW SRF

\$34,644,714

20 Years

0.5% Interest Rate, 0.5% Administrative fee

Dated Date 10/1/2013

Delivery Date 10/1/2013

| Period Ending | Principal | Coupon | Interest  | Debt Service |
|---------------|-----------|--------|-----------|--------------|
| 12/1/2016     | 412,037   | 0.500% | 43,305.89 | 455,342.89   |
| 3/1/2017      | 412,552   | 0.500% | 42,790.85 | 455,342.85   |
| 6/1/2017      | 413,068   | 0.500% | 42,275.16 | 455,343.16   |
| 9/1/2017      | 413,584   | 0.500% | 41,758.82 | 455,342.82   |
| 12/1/2017     | 414,101   | 0.500% | 41,241.84 | 455,342.84   |
| 3/1/2018      | 414,619   | 0.500% | 40,724.22 | 455,343.22   |
| 6/1/2018      | 415,137   | 0.500% | 40,205.94 | 455,342.94   |
| 9/1/2018      | 415,656   | 0.500% | 39,687.02 | 455,343.02   |
| 12/1/2018     | 416,176   | 0.500% | 39,167.45 | 455,343.45   |
| 3/1/2019      | 416,696   | 0.500% | 38,647.23 | 455,343.23   |
| 6/1/2019      | 417,217   | 0.500% | 38,126.36 | 455,343.36   |
| 9/1/2019      | 417,738   | 0.500% | 37,604.84 | 455,342.84   |
| 12/1/2019     | 418,260   | 0.500% | 37,082.67 | 455,342.67   |
| 3/1/2020      | 418,783   | 0.500% | 36,559.84 | 455,342.84   |
| 6/1/2020      | 419,307   | 0.500% | 36,036.36 | 455,343.36   |
| 9/1/2020      | 419,831   | 0.500% | 35,512.23 | 455,343.23   |
| 12/1/2020     | 420,356   | 0.500% | 34,987.44 | 455,343.44   |
| 3/1/2021      | 420,881   | 0.500% | 34,462.00 | 455,343.00   |
| 6/1/2021      | 421,407   | 0.500% | 33,935.89 | 455,342.89   |
| 9/1/2021      | 421,934   | 0.500% | 33,409.14 | 455,343.14   |
| 12/1/2021     | 422,461   | 0.500% | 32,881.72 | 455,342.72   |
| 3/1/2022      | 422,989   | 0.500% | 32,353.64 | 455,342.64   |
| 6/1/2022      | 423,518   | 0.500% | 31,824.91 | 455,342.91   |
| 9/1/2022      | 424,048   | 0.500% | 31,295.51 | 455,343.51   |
| 12/1/2022     | 424,578   | 0.500% | 30,765.45 | 455,343.45   |
| 3/1/2023      | 425,108   | 0.500% | 30,234.73 | 455,342.73   |
| 6/1/2023      | 425,640   | 0.500% | 29,703.34 | 455,343.34   |
| 9/1/2023      | 426,172   | 0.500% | 29,171.29 | 455,343.29   |
| 12/1/2023     | 426,705   | 0.500% | 28,638.58 | 455,343.58   |
| 3/1/2024      | 427,238   | 0.500% | 28,105.19 | 455,343.19   |
| 6/1/2024      | 427,772   | 0.500% | 27,571.15 | 455,343.15   |
| 9/1/2024      | 428,307   | 0.500% | 27,036.43 | 455,343.43   |
| 12/1/2024     | 428,842   | 0.500% | 26,501.05 | 455,343.05   |
| 3/1/2025      | 429,378   | 0.500% | 25,965.00 | 455,343.00   |
| 6/1/2025      | 429,915   | 0.500% | 25,428.27 | 455,343.27   |
| 9/1/2025      | 430,452   | 0.500% | 24,890.88 | 455,342.88   |
| 12/1/2025     | 430,990   | 0.500% | 24,352.81 | 455,342.81   |
| 3/1/2026      | 431,529   | 0.500% | 23,814.08 | 455,343.08   |
| 6/1/2026      | 432,068   | 0.500% | 23,274.67 | 455,342.67   |
| 9/1/2026      | 432,608   | 0.500% | 22,734.58 | 455,342.58   |
| 12/1/2026     | 433,149   | 0.500% | 22,193.82 | 455,342.82   |
| 3/1/2027      | 433,691   | 0.500% | 21,652.38 | 455,343.38   |

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**Bond Debt Service**

CW SRF

\$34,644,714

20 Years

0.5% Interest Rate, 0.5% Administrative fee

| Period Ending | Principal  | Coupon | Interest        | Debt Service  |
|---------------|------------|--------|-----------------|---------------|
| 6/1/2027      | 434,233    | 0.500% | 21,110.27       | 455,343.27    |
| 9/1/2027      | 434,776    | 0.500% | 20,567.48       | 455,343.48    |
| 12/1/2027     | 435,319    | 0.500% | 20,024.01       | 455,343.01    |
| 3/1/2028      | 435,863    | 0.500% | 19,479.86       | 455,342.86    |
| 6/1/2028      | 436,408    | 0.500% | 18,935.03       | 455,343.03    |
| 9/1/2028      | 436,954    | 0.500% | 18,389.52       | 455,343.52    |
| 12/1/2028     | 437,500    | 0.500% | 17,843.33       | 455,343.33    |
| 3/1/2029      | 438,047    | 0.500% | 17,296.45       | 455,343.45    |
| 6/1/2029      | 438,594    | 0.500% | 16,748.90       | 455,342.90    |
| 9/1/2029      | 439,142    | 0.500% | 16,200.65       | 455,342.65    |
| 12/1/2029     | 439,691    | 0.500% | 15,651.73       | 455,342.73    |
| 3/1/2030      | 440,241    | 0.500% | 15,102.11       | 455,343.11    |
| 6/1/2030      | 440,791    | 0.500% | 14,551.81       | 455,342.81    |
| 9/1/2030      | 441,342    | 0.500% | 14,000.82       | 455,342.82    |
| 12/1/2030     | 441,894    | 0.500% | 13,449.14       | 455,343.14    |
| 3/1/2031      | 442,446    | 0.500% | 12,896.78       | 455,342.78    |
| 6/1/2031      | 442,999    | 0.500% | 12,343.72       | 455,342.72    |
| 9/1/2031      | 443,553    | 0.500% | 11,789.97       | 455,342.97    |
| 12/1/2031     | 444,108    | 0.500% | 11,235.53       | 455,343.53    |
| 3/1/2032      | 444,663    | 0.500% | 10,680.39       | 455,343.39    |
| 6/1/2032      | 445,219    | 0.500% | 10,124.57       | 455,343.57    |
| 9/1/2032      | 445,775    | 0.500% | 9,568.04        | 455,343.04    |
| 12/1/2032     | 446,332    | 0.500% | 9,010.82        | 455,342.82    |
| 3/1/2033      | 446,890    | 0.500% | 8,452.91        | 455,342.91    |
| 6/1/2033      | 447,449    | 0.500% | 7,894.30        | 455,343.30    |
| 9/1/2033      | 448,008    | 0.500% | 7,334.98        | 455,342.98    |
| 12/1/2033     | 448,568    | 0.500% | 6,774.97        | 455,342.97    |
| 3/1/2034      | 449,129    | 0.500% | 6,214.26        | 455,343.26    |
| 6/1/2034      | 449,690    | 0.500% | 5,652.85        | 455,342.85    |
| 9/1/2034      | 450,252    | 0.500% | 5,090.74        | 455,342.74    |
| 12/1/2034     | 450,815    | 0.500% | 4,527.93        | 455,342.93    |
| 3/1/2035      | 451,379    | 0.500% | 3,964.41        | 455,343.41    |
| 6/1/2035      | 451,943    | 0.500% | 3,400.18        | 455,343.18    |
| 9/1/2035      | 452,508    | 0.500% | 2,835.25        | 455,343.25    |
| 12/1/2035     | 453,073    | 0.500% | 2,269.62        | 455,342.62    |
| 3/1/2036      | 453,640    | 0.500% | 1,703.28        | 455,343.28    |
| 6/1/2036      | 454,207    | 0.500% | 1,136.23        | 455,343.23    |
| 9/1/2036      | 454,775    | 0.500% | 568.47          | 455,343.47    |
|               | 34,644,714 |        | 1,782,731.98 ** | 36,427,445.98 |

\*\* to include a quarterly administrative fee of \$22,284.15 that reflects a total administrative expense of \$1,782,732 over the life of the loan.

**CITY OF MARTINSBURG**

**COMBINED WATERWORKS AND  
SEWERAGE SYSTEM SUBORDINATED REVENUE BONDS, SERIES 2013 B  
(WEST VIRGINIA INFRASTRUCTURE FUND)  
BOND ORDINANCE**

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**CITY OF MARTINSBURG  
COMBINED WATERWORKS AND SEWERAGE SYSTEM  
SUBORDINATED REVENUE BONDS,  
SERIES 2013 B  
(WEST VIRGINIA INFRASTRUCTURE FUND)**

**BOND ORDINANCE**

ORDINANCE AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING COMBINED WATERWORKS AND SEWERAGE SYSTEM OF THE CITY OF MARTINSBURG AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE CITY OF MARTINSBURG OF NOT MORE THAN TWENTY-ONE MILLION DOLLARS (\$21,000,000) IN AGGREGATE PRINCIPAL AMOUNT OF CITY OF MARTINSBURG COMBINED WATERWORKS AND SEWERAGE SYSTEM SUBORDINATED REVENUE BONDS, SERIES 2013 B (WEST VIRGINIA INFRASTRUCTURE FUND); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING A LOAN AGREEMENT WITH THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY, ACTING ON BEHALF OF THE WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS; AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT 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 31, Article 15A of the Code of West Virginia, 1931, as amended (collectively, the “Act”) and other applicable provisions of law.

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

A. 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 presently owns and operates a public combined waterworks and sewerage system. It is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer that there be constructed certain additions, betterments and improvements to the Issuer’s existing public combined waterworks and sewerage system, including the additions, betterments and improvements described in Exhibit A hereto (collectively, the “Project”) (the Issuer’s existing public combined waterworks and sewerage system, the Project and any further additions thereto or extensions thereof are herein called the “System”) at the costs set forth in Section 2.01 hereof, in accordance with the plans and specifications prepared by O’Brien & Gere Engineers, Inc. (the “Consulting Engineers”), which plans and specifications have heretofore been filed with the Issuer.

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 (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 (the “Series 2000A Bonds”), (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 (the “Series 2000B Bonds”), (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 (the “Series 2000C Bonds”), and (4) the Issuer’s Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011 A, dated December 28, 2011, originally issued in the aggregate principal amount of \$8,830,000 (the “Series 2011 A Bonds” and, together with the Series 2000A Bonds, the Series 2000B Bonds and the Series 2000C Bonds, the “Prior Bonds”), which Series 2000A Bonds, Series 2000B Bonds and Series 2000C 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, as supplemented and amended (the “Series 2000 Bonds Ordinance”), and which Series 2011 A Bonds were issued pursuant to an ordinance enacted by the Issuer on October 20, 2011, and put into effect following

a public hearing held on November 20, 2011, as supplemented and amended (the "Series 2011 A Bonds Ordinance" and, together with the Series 2000 Bonds Ordinance, the "Prior Ordinances"). In addition, certain costs of the design of the Project were financed with the proceeds of the Issuer's Combined Waterworks and Sewerage System Design Revenue Bonds, Series 2012 A (West Virginia Water Development Authority) dated October 23, 2012, originally issued in the aggregate principal amount of \$1,315,000 (the "Series 2012 A Bonds"), which Series 2012 A Bonds were issued pursuant to an ordinance enacted by the Issuer on September 20, 2012, and put into effect following a public hearing held on October 11, 2012, as supplemented and amended by a Supplemental Resolution adopted on October 11, 2012 (the "Series 2012 A Bonds Ordinance").

D. The Issuer derives revenues from the System, and, except for the pledges thereof to secure and pay the Prior Bonds and the Series 2012 A Bonds, said revenues are not pledged or encumbered in any manner.

E. The estimated maximum cost of the construction and acquisition of the Project and issuance of the Series 2013 A Bonds and Series 2013 B Bonds, as hereinafter defined, is \$51,396,665, of which not to exceed \$34,948,563 will be permanently financed with the proceeds of the Issuer's Combined Waterworks and Sewerage System Revenue Bonds, Series 2013 A (West Virginia SRF Program) (the "Series 2013 A Bonds"), which will be issued by the Issuer pursuant to a separate bond ordinance to be enacted by the Issuer contemporaneously with the enactment of this Bond Legislation and the balance of \$16,448,102 is anticipated to be paid with proceeds of a grant to be made from the proceeds of the bonds to be issued pursuant to Senate Bill No. 245 passed by the West Virginia Senate on March 12, 2011 (the "Grant"). Because the Grant will not be available until after the anticipated date of commencement of construction of the Project, the Issuer has determined to issue its Combined Waterworks and Sewerage System Subordinated Revenue Bonds, Series 2013 B (West Virginia Infrastructure Fund) in an aggregate principal amount not to exceed \$21,000,000 (the "Series 2013 B Bonds") herein authorized. Proceeds of the Series 2013 B Bonds will be used to finance costs of the construction and acquisition of the Project in the event that the proceeds of the Series 2013 A Bonds have been fully expended and the proceeds of the Grant are not then available. Upon the receipt of the proceeds of the Grant, the Series 2013 B Bonds will be cancelled and the Series 2013 B Bonds, together with the related ordinance, shall thereafter be of no further force or effect, assuming that no proceeds of the Series 2013 B Bonds have been advanced. In the event that the amount of proceeds received by the Issuer from the Grant exceeds the aforesaid sum of \$16,448,102, the Issuer will use such additional amount to pay additional costs of the construction and acquisition of the Project above the \$51,396,665 referenced above, and/or reduce the amount borrowed pursuant to the Series 2013 A Bonds.

F. The Issuer has met all of the requirements set forth in the Prior Ordinances for the issuance of the Series 2013 A Bonds on a parity with the Prior Bonds with respect to lien, pledge and sources of and security for payment, and the Issuer has determined that, upon issuance, the Series 2013 A Bonds shall be on a parity with the Prior Bonds. The Series 2012 A Bonds will be paid in full and discharged with proceeds of the Series 2013 A Bonds upon the issuance of the Series 2013 A Bonds and thereupon the Series 2012 A Bonds Ordinance will be

discharged. The Issuer has not met all of the requirements set forth in the Prior Ordinances for the issuance of the Series 2013 B Bonds on a parity with the Prior Bonds and, accordingly, upon issuance, the Series 2013 B Bonds will be junior and subordinate to the Prior Bonds and the Series 2013 A Bonds with respect to liens, pledge and sources of and security for payment.

G. It is deemed necessary for the Issuer to issue the Series 2013 B Bonds in the aggregate principal amount of not more than \$21,000,000, to finance a portion of the costs of the Project pending receipt of the proceeds of the Grant. Such costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest upon the Series 2013 B Bonds prior to and during a period not exceeding 6 months after completion of construction of the Project; amounts which may be deposited in the Series 2013 B Bonds Reserve Account; engineering and legal expenses; expenses for estimates of costs and revenues, expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise, administrative expense, commitment fees, fees and expenses of the Authority as hereinafter defined, discount, initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Series 2013 B Bonds and such other expenses as may be necessary or incidental to the financing herein authorized, the acquisition and construction of the Project and the placing of same in operation and the performance of the things herein required or permitted, in connection with any thereof, provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Series 2013 B Bonds or the repayment of indebtedness incurred by the Issuer for such purposes, shall be deemed Costs of the Project.

H. The estimated revenues to be derived in each year after completion of the Project from the operation of the System will be sufficient to pay all the costs of the operation and maintenance of said System, the principal of and interest on the Series 2013 A Bonds and the Prior Bonds, and all sinking fund, reserve account and other payments provided for in the ordinance authorizing the issuance of the Series 2013 A Bonds (the "Series 2013 A Bonds Ordinance") and in the Prior Ordinances. In the event that proceeds of the Series 2013 B Bonds are advanced, the Issuer agrees to promptly take all reasonable actions to increase the rates and charges for the System in such amount as may be necessary to cause the revenues of the System to also pay the principal of and interest on the Series 2013 B Bonds, to make the deposits into the Series 2013 B Bonds Reserve Account created in 5.02 hereof and to make the other payments provided for herein.

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

J. It is in the best interests of the Issuer that its Series 2013 B Bonds be issued and sold to the Authority (as hereinafter defined) pursuant to the terms and provisions of a loan agreement by and between the Issuer and the Authority acting on behalf of and the West Virginia Infrastructure and Jobs Development Council (the "Council") (the "Loan Agreement") in such form as may be approved by a Supplemental Resolution, the execution and delivery of which are ratified and approved herein.

K. There are no outstanding obligations of the Issuer, other than the Prior Bonds and the Series 2013 A Bonds, which will rank either senior and prior to or on parity with the Series 2013 B Bonds as to liens and sources of and security for payment.

L. The Series 2013 B Bonds shall be issued with a lien on the Gross Revenues, as hereinafter defined, junior and subordinate in all respects to the liens thereon held by the Holders of the Prior Bonds and the Holder of the Series 2013 A Bonds. A portion of the proceeds of the Series 2013 A Bonds will be used to pay and redeem in full the Series 2012 A Bonds and thereupon the Series 2012 A Bonds Ordinance will be discharged.

M. The Issuer has complied with all requirements of West Virginia law and the Loan Agreement relating to authorization of the planning, development, design, acquisition, construction and operation of the Project and the System, and issuance of the Series 2013 B Bonds or will have so complied prior to issuance of any thereof, including, among other things, the approval of the Project and the financing thereof by the Council, and the obtaining of a Certificate of Public Convenience and Necessity from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which has expired prior to the issuance of the Series 2013 B Bonds or has been waived by all necessary parties.

N. The Project has been reviewed and determined to be technically feasible by the Council (as hereinafter defined) as required under Chapter 31, Article 15A of the Code of West Virginia, 1931, as amended.

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Series 2013 B Bonds by those who shall be the Registered Owners of the same from time to time, this Bond Legislation shall be deemed to be and shall constitute a contract between the Issuer and such Registered Owners, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the Registered Owners of any and all of such Series 2013 B 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 31, Article 15A of the Code of West Virginia, 1931, as amended and in effect on the date of enactment hereof.

“Authority” means the West Virginia Water Development Authority, which is expected to be the original purchaser and Registered Owner of the Series 2013 B Bonds, or any other agency of the State of West Virginia that succeeds to the functions of the Authority, acting in its administrative capacity and upon authorization from the Council under the Act.

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

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

“Bonds” means, collectively, the Prior Bonds, the Series 2013 A Bonds, the Series 2013 B Bonds and, where appropriate, any Bonds on a parity with any of the foregoing 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.

“Certificate of Authentication and Registration” means the certificate of authentication and registration on the Series 2013 B Bonds in substantially the form set forth in the bond form contained herein.

“City Manager” means the City Manager of the Issuer.

“Closing Date” means the date upon which there is an exchange of the Series 2013 B Bonds for an advance of more than a de minimis amount of the principal of the Series 2013 B Bonds by the Authority.

“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.

“Completion Date” means the completion date of the Project.

“Consulting Engineers” means O’Brien & Gere Engineers, Inc., or any professional engineer or firm of professional engineers, licensed by the State, who shall not be a regular, full-time employee of the State or any of its agencies, commissions or political subdivisions, that shall at any time hereafter be retained by the Issuer as Consulting Engineers

for the System, or portion thereof in accordance with Chapter 5G, Article 1 of the Code of West Virginia, 1931, as amended.

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

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

“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.

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

“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 without limitation (i) such obligations which have been stripped from their unmatured interest coupons, interest coupons stripped from such obligations and receipts or certificates evidencing payments from such obligations or interest coupons stripped from such obligations, (ii) evidences of ownership of a proportionate interest in specified direct obligations of, or specified obligations which are unconditionally and fully guaranteed by, the United States of America, which obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian and (iii) obligations, the sole source of the payment of the principal of and interest on which are obligations of the nature of those described in clause (i), which are irrevocably pledged for such purposes.

“Grant” means the grant in the estimated amount of \$16,448,102 to be received by the Issuer from the proceeds of the bonds to be issued pursuant to Senate Bill No. 245 passed by the West Virginia Senate on March 12, 2011.

“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) or any Tap Fees, as hereinafter defined.

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

“Independent Certified Public Accountants” means any 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.

“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.

“Loan Agreement” means the Loan Agreement between the Issuer and the Authority acting on behalf of the Council, providing for the purchase of the Series 2013 B Bonds by the Authority, the form of which shall be approved by the Supplemental Resolution and the execution and delivery by the Issuer are authorized and directed by this Ordinance.

“Mayor” means the Mayor of the Issuer.

“Net Proceeds” means the face amount of the Series 2013 B Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds deposited in the Series 2013 B Bonds Reserve Account.

“Net Revenues” means Gross Revenues less Operating Expenses.

“Operating Expenses” means the reasonable proper and necessary costs 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, the SRF Administrative Fee, fees and expenses of the Authority, fiscal agents and 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 that are applicable 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.

“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.

“Paying Agent” means the West Virginia Municipal Bond Commission, or such entity or authority as may be designated by the Issuer with the consent of the Authority.

“Prior Bonds” means collectively the Series 2000A Bonds, the Series 2000B Bonds, the Series 2000C Bonds and the Series 2011 A Bonds.

“Prior Ordinances” means the ordinances enacted by the Issuer authorizing, among other things, the issuance of the Prior Bonds, as supplemented and amended.

“Project” means the Project described in Section 1.02B and in Exhibit A attached hereto, constituting the acquisition and construction of additions, betterments and improvements to the existing combined waterworks and sewerage system of the Issuer.

“PSC” means the Public Service Commission of West Virginia and any successors to the functions thereof.

“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 to 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 to the extent not insured by the FDIC and FSLIC shall be 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.

(6) Money market funds or similar funds whose only assets are investments of the type described in paragraphs (1) through (5) above.

(7) 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 City 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 City, additional cash and/or acceptable securities shall be transferred.

(8) 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.

(9) 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.

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

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

"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.

"Reserve Accounts" means, collectively, the respective reserve accounts for the Prior Bonds, the Series 2013 A Bonds and the Series 2013 B Bonds.

"Reserve Requirement" means the respective amount required to be on deposit in any Reserve Account.

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

"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 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.

“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.

“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.

“Series 2000B Bonds” means 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.

“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.

“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.

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

“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.

“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.

“Series 2011 A Bonds” means the Issuer’s Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011 A, dated December 28, 2011, originally issued in aggregate principal amount of \$8,830,000.

“Series 2011 A Bonds Redemption Account” means the Series 2011 A Bonds Redemption Account established for the Series 2011 A Bonds in Section 5.02 of the Series 2011 A Bonds Ordinance.

“Series 2011 A Bonds Reserve Account” means the Series 2011 A Bonds Reserve Account established for the Series 2011 A Bonds in Section 5.02 of the Series 2011 A Bonds Ordinance.

“Series 2011 A Bonds Sinking Fund” means the Series 2011 A Bonds Sinking Fund established for the Series 2011 A Bonds in Section 5.02 of the Series 2011 A Bonds Ordinance.

“Series 2012 A Bonds” means the Issuer’s Combined Waterworks and Sewerage System Design Revenue Bonds, Series 2012 A (West Virginia Water Development Authority), dated October 23, 2012, issued in the original aggregate principal amount of \$1,315,000.

“Series 2013 A Bonds” means the not more than \$34,948.563 in aggregate principal amount of Combined Waterworks and Sewerage System Revenue Bonds, Series 2013 A (West Virginia SRF Program) of the Issuer, authorized by the Series 2013 A Bonds Ordinance.

“Series 2013 A Bonds Reserve Account” means the Series 2013 A Bonds Reserve Account established in the Series 2013 A Bonds Sinking Fund pursuant to Section 5.02 of the Series 2013 A Bonds Ordinance.

“Series 2013 A Bonds Sinking Fund” means the Series 2013 A Bonds Sinking Fund established by Section 5.02 of the Series 2013 A Bonds Ordinance.

“Series 2013 B Bonds” means the not more than \$21,000,000 in aggregate principal amount of Combined Waterworks and Sewerage System Subordinated Revenue Bonds, Series 2013 B (West Virginia Infrastructure Fund) of the Issuer authorized by this Bond Legislation to pay Costs of the Project in the event that the proceeds of the Series 2013 A Bonds have been fully expended and the proceeds of the Grant are not then available.

“Series 2013 B Bonds Project Trust Fund” means the Series 2013 B Bonds Project Trust Fund established by Section 5.01 hereof.

“Series 2013 B Bonds Reserve Account” means the Series 2013 B Bonds Reserve Account established in the Series 2013 B Bonds Sinking Fund pursuant to Section 5.02 hereof.

“Series 2013 B Bonds Reserve Requirement” means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 2013 B Bonds in the then concurrent or any succeeding year.

“Series 2013 B Bonds Sinking Fund” means the Series 2013 B Bonds Sinking Fund established by Section 5.02 hereof.

“Sinking Funds” means, collectively, the Series 2000 Bonds Sinking Funds, the Series 2011 A Bonds Sinking Fund, the Series 2013 A Bonds Sinking Fund and the Series 2013 B Bonds Sinking Fund.

“SRF Administrative Fee” means any administrative fee required to be paid with respect to the Series 2013 A Bonds.

“SRF Program” means the State’s Water Pollution Control Revolving Fund Program, under which the Authority purchases the water pollution control revenue bonds of local governmental entities satisfying certain legal and other requirements with the proceeds of a capitalization grant award from the United States Environmental Protection Agency and funds of the State.

“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 2013 B Bonds; provided, that any matter intended by this Ordinance to be included in the Supplemental Resolution with respect to the Series 2013 B Bonds and not so included may be included in another Supplemental Resolution.

“Surplus Revenues” means the Net Revenues not required by the Bond Legislation to be set aside and held for the payment of or security for the Series 2013 A Bonds, the Prior Bonds, the Series 2013 B Bonds or any other obligations of the Issuer, as further defined in Section 5.03(A)(9) 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.

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

Additional terms and phrases are defined in this Ordinance as they are used. 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 ACQUISITION AND CONSTRUCTION OF THE PROJECT

Section 2.01. Authorization of Acquisition and Construction of the Project. There are hereby authorized the acquisition and construction of the Project, at an estimated cost of \$51,396,665, in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed in the office of the Governing Body. The foregoing Project costs shall be paid with the proceeds of the Series 2013 A Bonds and the Grant, if available. Proceeds of the Series 2013 B Bonds will be used to pay Costs of the Project in the event that the proceeds of the Series 2013 A Bonds have been fully expended and the proceeds of the Grant are not then available. The proceeds of the Series 2013 B Bonds hereby authorized shall be applied as provided in Article VI hereof.

The Issuer has received bids and has entered into or will enter into contracts for the acquisition and construction of the Project, which are in an amount and otherwise compatible with the financing plan submitted to the Authority, SRF Program and the Council.

The Costs of the Project, including without limitation the costs of issuing the Series 2013 A Bonds and the Series 2013 B Bonds, are estimated not to exceed \$51,396,665, which Costs are to be paid with the proceeds of the Series 2013 A Bonds and proceeds of the Grant, if available. Proceeds of the Series 2013 B Bonds will be used to pay Costs of the Project in the event that the proceeds of the Series 2013 A Bonds have been fully expended and the proceeds of the Grant are not then available. A portion of the proceeds of the Series 2013 A Bonds will be used to pay in full the entire outstanding principal of and all interest and fees accrued on the Series 2012 A Bonds on the Closing Date.

It is further provided that, in the event that the amount of the proceeds of the Grant received by the Issuer exceeds \$16,448,102, the excess above \$16,448,102 may be used by the Issuer to pay Costs of the Project above the \$51,396,665 referenced above and/or to reduce the amount borrowed pursuant to the Series 2013 A Bonds.

## ARTICLE III

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

Section 3.01. Authorization of Bonds. For the purposes of capitalizing interest on the Series 2013 B Bonds, funding the reserve account for the Series 2013 B Bonds, paying Costs of the Project not otherwise provided for, and paying certain costs of issuance of the Series 2013 B Bonds and related costs, or any or all of such purposes, as determined by the Supplemental Resolution, there shall be and hereby are authorized to be issued negotiable Series 2013 B Bonds of the Issuer in an aggregate principal amount of not more than \$21,000,000. The Series 2013 B Bonds shall be issued in one series, as a single bond, designated as “Combined Waterworks and Sewerage System Subordinated Revenue Bonds, Series 2013 B (West Virginia Infrastructure Fund)”, in an aggregate principal amount of not more than \$21,000,000, which shall have such terms as set forth hereinafter and in the Supplemental Resolution. The proceeds of the Series 2013 B Bonds remaining after funding of the Series 2013 B Bonds Reserve Account (if funded from the Series 2013 B Bond proceeds) and capitalization of interest, if any, shall be deposited in or credited to the Series 2013 B Bonds Project Trust Fund established by Section 5.01 hereof and applied as set forth in Article VI hereof.

Section 3.02. Terms of Bonds. The Series 2013 B Bonds shall be issued in such principal amounts; bear interest at such rate or rates, not exceeding the then legal maximum, payable on such dates; shall mature on such dates and in such amounts; and shall be redeemable, in whole or in part, all as the Issuer shall prescribe in a Supplemental Resolution or as specifically provided in the Loan Agreement. The Series 2013 B Bonds shall be payable as to principal at the office of the Paying Agent, in any coin or currency which, on the dates of payment of principal is legal tender for the payment of public or private debts under the laws of the United States of America. Interest on the Series 2013 B Bonds shall be paid by check or draft of the Paying Agent mailed to the Registered Owner thereof at the address as it appears on the books of the Bond Registrar, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner thereof.

Unless otherwise provided by the Supplemental Resolution, the Series 2013 B Bonds shall initially be issued in the form of a single bond, fully registered to the Authority, with a record of advances and a debt service schedule attached, and shall mature in principal installments, all as provided in the Supplemental Resolution. The Series 2013 B Bonds shall be exchangeable at the option and expense of the Holder for other fully registered Bonds of the same series in aggregate principal amount equal to the amount of said Bonds then Outstanding and being exchanged, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of said Bonds; provided, that the Authority shall not be obligated to pay any expenses of such exchange.

Subsequent series of Bonds, if any, shall be issued in fully registered form and in denominations as determined by a Supplemental Resolution or by a separate bond ordinance.

The Bonds shall be dated as of the date specified in a Supplemental Resolution or separate bond ordinance and shall bear interest, if any, as provided in such Supplemental Resolution or separate bond ordinance.

Section 3.03. Execution of Bonds. The Series 2013 B Bonds shall be executed in the name of the Issuer by the Mayor and City Manager, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the Recorder. In case any one or more of the officers who shall have signed or sealed any of the Series 2013 B Bonds shall cease to be such officer of the Issuer before the Series 2013 B Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Series 2013 B Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.04. Authentication and Registration. The Bond Registrar for the Series 2013 B Bonds shall be the bank or other entity to be designated as such in the Supplemental Resolution and its successors and assigns. No Series 2013 B Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Bond Legislation unless and until the Certificate of Authentication and Registration on such Bond, substantially in the form set forth in Section 3.10 shall have been manually executed by the Bond Registrar. Any such executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Bond Legislation. The Certificate of Authentication and Registration on any Series 2013 B Bond shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

Section 3.05. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Series 2013 B Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder, in accepting any of said Series 2013 B Bonds shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder shall further be conclusively deemed to have agreed that said Bond shall be incontestable in the hands of a bona fide holder for value.

So long as any of the Series 2013 B Bonds remain Outstanding, the Issuer, through the Bond Registrar or its agent, shall keep and maintain the books for the registration and transfer of the Series 2013 B Bonds.

The registered Series 2013 B Bonds shall be transferable only upon the books of the Bond Registrar, by the Registered Owner thereof in person or by his attorney duly authorized in

writing, upon surrender thereto together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the Registered Owner or his duly authorized attorney.

In all cases in which the privilege of exchanging Series 2013 B Bonds or transferring the registered Series 2013 B Bonds are exercised, Series 2013 B Bonds shall be delivered in accordance with the provisions of this Bond Legislation. All Series 2013 B Bonds surrendered in any such exchanges or transfers shall forthwith be cancelled by the Bond Registrar. For every such exchange or transfer of Series 2013 B Bonds, the Bond Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer and the cost of preparing each new Bond upon each exchange or transfer, and any other expenses of the Bond Registrar incurred in connection therewith, which sum or sums shall be paid by the Issuer. The Bond Registrar shall not be obliged to make any such exchange or transfer of Series 2013 B Bonds during the period commencing on the 15th day of the month next preceding an interest payment date on the Series 2013 B Bonds or, in the case of any proposed redemption of Series 2013 B Bonds, next preceding the date of the selection of Series 2013 B Bonds to be redeemed, and ending on such interest payment date or redemption date.

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Series 2013 B Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Bond Registrar shall, if so advised by the Issuer, authenticate and deliver, a new Bond of the same series and of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer and the Bond Registrar may incur. All Bonds so surrendered shall be cancelled by the Bond Registrar and held for the account of the Issuer. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Section 3.07. Bonds not to be Indebtedness of the Issuer. The Series 2013 B Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Gross Revenues derived from the operation of the System as herein provided and amounts, if any, in the Sinking Fund and Reserve Account therefor. No Holder or Holders of any of the Series 2013 B Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Series 2013 B Bonds or the interest thereon.

Section 3.08. Bonds Secured by Pledge of Gross Revenues, Lien Positions With Respect to Prior Bonds and Series 2013 A Bonds. The payment of the debt service of all the Series 2013 B Bonds shall be secured forthwith equally and ratably with each other by a lien on and pledge of the Gross Revenues derived from the System junior and subordinate to the liens on such Gross Revenues in favor of the Holders of the Prior Bonds and the Holder of the Series 2013 A Bonds.

Section 3.09. Delivery of Bonds. The Issuer shall execute and deliver the Series 2013 B Bonds to the Bond Registrar, and the Bond Registrar shall authenticate, register and deliver the Series 2013 B Bonds to the original purchasers upon receipt of the documents set forth below:

A. If other than the Authority, a list of the names in which the Series 2013 B Bonds are to be registered upon original issuance, together with such taxpayer identification and other information as the Bond Registrar may reasonably require;

B. A request and authorization to the Bond Registrar on behalf of the Issuer, signed by an Authorized Officer, to authenticate and deliver the Series 2013 B Bonds to the original purchasers;

C. An executed and certified copy of the Bond Legislation;

D. An executed copy of the Loan Agreement; and

E. The approving opinion of bond counsel on the Series 2013 B Bonds.

Section 3.10. Form of Series 2013 A Bonds. The text of the Series 2013 B Bonds shall be in substantially the following form, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted hereby, or by any Supplemental Resolution adopted prior to the issuance thereof:

[Form of Series 2013 B Bond]

UNITED STATES OF AMERICA  
STATE OF WEST VIRGINIA  
CITY OF MARTINSBURG  
COMBINED WATERWORKS AND SEWERAGE SYSTEM  
SUBORDINATED REVENUE BONDS,  
SERIES 2013 B  
(WEST VIRGINIA INFRASTRUCTURE FUND)

No. BR-\_\_\_\_\_ \$ \_\_\_\_\_

KNOW ALL MEN BY THESE PRESENTS: That CITY OF MARTINSBURG, a municipal corporation and political subdivision of the State of West Virginia in Berkeley County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the West Virginia Water Development Authority (the "Authority") or registered assigns the sum of \_\_\_\_\_ DOLLARS (\$ \_\_\_\_\_), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as Exhibit A hereto and incorporated herein by reference. [Interest only shall commence on the date hereof on the amounts advanced and outstanding, payable in quarterly installments on \_\_\_\_\_ 1, \_\_\_\_\_ 1, \_\_\_\_\_ 1 and \_\_\_\_\_ 1 of each year in arrears at the rate of \_\_\_\_% per annum, commencing on \_\_\_\_\_. Interest accrues at the rate of \_\_\_\_% per annum and interest and principal are payable in quarterly installments on \_\_\_\_\_ 1, \_\_\_\_\_ 1, \_\_\_\_\_ 1 and \_\_\_\_\_ 1 of each year commencing on \_\_\_\_\_ 1, 20\_\_ to and including \_\_\_\_\_ 1, 20\_\_, as set forth on the "Debt Service Schedule" attached as Exhibit B hereto and incorporated herein by reference.]

Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent"). The interest on this Bond is payable by check or draft of the Paying Agent mailed to the registered owner hereof at the address as it appears on the books of the Registrar (as defined in the hereinafter described Bond Legislation) on the 15th day of the month next preceding an interest payment date, or by such other method as shall be mutually agreeable so long as the Authority is the registered owner hereof.

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and the West Virginia Infrastructure and Jobs Development Council (the "Council"), and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement by and between the Issuer and the Authority acting on behalf of the Council, dated \_\_\_\_\_, 2013.

This Bond is issued (i) to finance a portion of the costs of the acquisition and construction of certain additions, betterments and improvements to the existing public combined waterworks and sewerage facilities of the Issuer (the "Project") in the event the proceeds of the Series 2013 A Bonds, as hereinafter defined, have been expended and the proceeds of the grant awarded by the State of West Virginia for the Project have not been received by the Issuer; and (ii) to pay certain costs of issuance hereof and related costs. The existing public combined waterworks and sewerage facilities of the Issuer, the Project and any further additions, betterments or improvements thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 8, Article 20 and Chapter 31, Article 15A of the Code of West Virginia, 1931, as amended (collectively, the "Act"), and an Ordinance duly enacted by the Issuer on \_\_\_\_\_, 2013, and put into effect following a public hearing held on \_\_\_\_\_, 2013, and a Supplemental Resolution duly adopted by the Issuer on \_\_\_\_\_, 2013 (collectively called the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other securities provided for the Bonds of this Series (the "Bonds") under the Bond Legislation.

THIS BOND IS ISSUED JUNIOR AND SUBORDINATE WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, TO (1) THE COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2000A (WEST VIRGINIA DWTRF PROGRAM), OF THE ISSUER, DATED SEPTEMBER 27, 2000, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF \$7,564,000; (2) THE COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2000B (WEST VIRGINIA INFRASTRUCTURE FUND), OF THE ISSUER DATED SEPTEMBER 27, 2000, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$3,000,000; (3) THE COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2000C (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), OF THE ISSUER DATED SEPTEMBER 27, 2000, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$1,976,352; (4) THE COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS, SERIES 2011 A, OF THE ISSUER DATED DECEMBER 28, 2011, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$8,830,000; AND (5) THE COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2013 A (WEST VIRGINIA SRF PROGRAM) ISSUED ON OCTOBER [1], 2013, IN THE AGGREGATE PRINCIPAL AMOUNT OF [\$34,948,563] (COLLECTIVELY, THE "PRIOR BONDS").

This Bond is payable only from and secured by a pledge of the Gross Revenues (as defined in the Bond Legislation) to be derived from the System, junior and subordinate in all respects to the pledge of the Gross Revenues in favor of the holders of the Prior Bonds, and from moneys in the Reserve Account created under the Bond Legislation for the Bonds (the "Series 2013 B Bonds Reserve Account"), and unexpended proceeds of the Bonds. In the event proceeds of the Bonds are advanced, such Gross Revenues shall be sufficient to pay the principal

of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, nor shall the Issuer be obligated to pay the same or the interest hereon, except from said special fund provided from the Gross Revenues, the moneys in the Series 2013 B Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which, in the event proceeds of the Bonds are advanced shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest on the Bonds, and all other obligations secured by a lien on or payable from such revenues senior to or on a parity with the Bonds, including the Prior Bonds, provided however, that so long as there exists in the Series 2013 B Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding senior to or on a parity with the Bonds, including the Prior Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the Registered Owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the Registered Owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

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

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

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

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond do exist, have happened, and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of the Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that, in the event proceeds of the Bonds are advanced, the Issuer will take all

reasonable steps to cause a sufficient amount of the Gross Revenues of the System to be pledged to and set aside into said special fund by the Issuer for the prompt payment of the principal of and interest on this Bond.

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

IN WITNESS WHEREOF, CITY OF MARTINSBURG has caused this Bond to be signed by its Mayor and its City Manager and its corporate seal to be hereunto affixed and attested by its Recorder, and has caused this Bond to be dated \_\_\_\_\_, 20 \_\_\_\_.

CITY OF MARTINSBURG

[SEAL]

\_\_\_\_\_  
Mayor

\_\_\_\_\_  
City Manager

ATTEST:

\_\_\_\_\_  
Recorder

(Form of)

**CERTIFICATE OF AUTHENTICATION AND REGISTRATION**

This Bond is one of the Series 2013 B Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: \_\_\_\_\_.

\_\_\_\_\_,  
as Registrar

By \_\_\_\_\_

## RECORD OF ADVANCES

|     | <u>Amount</u> | <u>Date</u> |      | <u>Amount</u> | <u>Date</u> |
|-----|---------------|-------------|------|---------------|-------------|
| (1) | \$            |             | ( 7) | \$            |             |
| (2) | \$            |             | ( 8) | \$            |             |
| (3) | \$            |             | ( 9) | \$            |             |
| (4) | \$            |             | (10) | \$            |             |
| (5) | \$            |             | (11) | \$            |             |
| (6) | \$            |             | (12) | \$            |             |

Total    \$ \_\_\_\_\_

**EXHIBIT B**

DEBT SERVICE SCHEDULE

**(Form of)**  
**ASSIGNMENT**

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

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

Dated: \_\_\_\_\_, 20 \_\_\_\_.

\_\_\_\_\_

In the presence of:

\_\_\_\_\_

Section 3.11. Sale of Series 2013 B Bonds; Approval and Ratification of Execution of Loan Agreement with Authority. The Series 2013 B Bonds shall be sold to the Authority, pursuant to the terms and conditions of the Loan Agreement. If not so authorized by previous ordinance, the Mayor is specifically authorized and directed to execute the said Loan 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 Loan Agreement to the Authority, and any such prior execution and delivery is hereby authorized, approved, ratified and confirmed.

Section 3.12. Series 2013 B Bonds are Issued Junior and Subordinate With Respect to Prior Bonds and Series 2013 A Bonds. The Series 2013 B Bonds are issued and shall be junior and subordinate in all respects to the Prior Bonds and the Series 2013 A Bonds.

Section 3.13. “Amended Schedule A” Filing. Within sixty (60) days following the Completion Date, the Issuer will file with the Authority a schedule, the form of which will be provided by the Authority, setting forth the actual costs of the Project and sources of funds therefor.

**ARTICLE IV**  
**[RESERVED]**

## ARTICLE V

### FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

Section 5.01. Establishment 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); and
- D. Series 2013 B Bonds Project Trust 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 or Series 2013 A Bonds Ordinance) with the Commission:

- A. Series 2000A Bonds Sinking Fund Series (created by the 2000 Bonds Ordinance);
- B. Within the Series 2000A Bonds Sinking Fund, the Series 2000A Bonds Reserve Account (created by the 2000 Bonds Ordinance);
- C. Series 2000B Bonds Sinking Fund (created by the 2000 Bonds Ordinance);
- D. Within the Series 2000B Bonds Sinking Fund, the Series 2000B Bonds Reserve Account (created by the 2000 Bonds Ordinance);
- E. Series 2000C Bonds Sinking Fund (created by the 2000 Bonds Ordinance);
- F. Within the Series 2000C Bonds Sinking Fund, the Series 2000C Bonds Reserve Account (created by the 2000 Bonds Ordinance);
- G. Series 2011 A Bonds Sinking Fund (established by the Series 2011 A Bonds Ordinance);
- H. Within the Series 2011 A Bonds Sinking Fund, the Series 2011 A Bonds Reserve Account (established by the Series 2011 A Bonds Ordinance);

I. Series 2011 A Bonds Redemption Account (established by the 2011 A Bonds Ordinance);

J. Series 2013 A Bonds Sinking Fund (established by the Series 2013 A Bonds Ordinance);

K. Within the Series 2013 A Bonds Sinking Fund, the Series 2013 A Bonds Reserve Account (established by the Series 2013 A Bonds Ordinance);

L. Series 2013 B Bonds Sinking Fund; and

M. Within the Series 2013 B Bonds Sinking Fund, the Series 2013 B Bonds Reserve Account.

Section 5.03. System Revenues; Flow of Funds. A. The entire Gross Revenues derived from the operation of the System shall be deposited upon receipt in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in this Bond Legislation and shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner herein provided. 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 respective Series 2000 Bonds Sinking Funds, the amount required by the Series 2000 Bonds Ordinance for payment of interest on the respective Series 2000 Bonds; (ii) for deposit in the Series 2011 A Bonds Sinking Fund, the amount required by the Series 2011 A Bonds Ordinance for payment of interest on the Series 2011 A Bonds; and (iii) beginning 3 months prior to the first interest payment date on the Series 2013 A Bonds, for deposit in the Series 2013 A Bonds Sinking Fund, a sum equal to 1/3rd of the amount of interest which will become due on the Series 2013 A Bonds on the next ensuing quarterly interest payment date, provided, that in the event the period to elapse between the date of such initial deposit in the Series 2013 A Bonds Sinking Fund and the next ensuing quarterly interest payment date is less than 3 months, then such monthly payments shall be increased proportionately to provide, 1 month prior to the next ensuing quarterly interest payment date, the required amount of interest coming due on such date.

2. The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Commission (i) for deposit in the respective Series 2000 Bonds Sinking Funds, the amount required by the Series 2000 Bonds Ordinance for payment of principal of the respective Series 2000 Bonds; (ii) for deposit in the Series 2011 A Bonds Sinking Fund, and in the Series 2011 A Bonds Redemption Account therein in the case of Term Bonds, as defined in the Series 2011 A Bonds Ordinance, which are to be redeemed, the amounts required by the Series 2011 A Bonds Ordinance for payment of principal of the Series 2011 A Bonds; and (iii) beginning 3 months prior to the first principal payment date of the Series 2013 A Bonds, for deposit in the Series 2013 A Bonds Sinking Fund, a sum equal to 1/3rd of the amount of principal which will mature and become due on the Series 2013 A Bonds on the next

ensuing quarterly principal payment date, provided, that in the event the period to elapse between the date of such initial deposit in the Series 2013 A Bonds Sinking Fund and the next ensuing quarterly principal payment date is less than 3 months, then such monthly payments shall be increased proportionately to provide, 1 month prior to the next ensuing quarterly 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) for deposit in the respective Series 2000 Bonds Reserve Accounts, the amount, if any, required by the Series 2000 Bonds Ordinance to be deposited therein; (ii) for deposit in the Series 2011 A Bonds Reserve Account, the amount, if any, required by the Series 2011 A Bonds Ordinance to be deposited therein; and (iii) beginning 3 months prior to the first principal payment date of the Series 2013 A Bonds, if not fully funded upon issuance of the Series 2013 A Bonds, for deposit in the Series 2013 A Bonds Reserve Account, an amount equal to 1/120th of the Series 2013 A Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2013 A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2013 A 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, upon resolution of the Issuer, be 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, on the first day of each month, transfer from the Revenue Fund and remit to the Commission, beginning 3 months prior to the first interest payment date on the Series 2013 B Bonds, for deposit in the Series 2013 B Bonds Sinking Fund, a sum equal to 1/3rd of the amount of interest which will become due on the Series 2013 B Bonds on the next ensuing quarterly interest payment date, provided, that in the event the period to elapse between the date of such initial deposit in the Series 2013 B Bonds Sinking Fund and the next ensuing quarterly interest payment date is less than 3 months, then such monthly payments shall be increased proportionately to provide, 1 month prior to the next ensuing quarterly interest payment date, the required amount of interest coming due on such date.

7. The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and remit to the Commission, beginning 3 months prior to the first principal payment date of the Series 2013 B Bonds, for deposit in the Series 2013 B Bonds Sinking Fund, a sum equal to 1/3rd of the amount of principal which will mature and become due on the Series 2013 B Bonds on the next ensuing quarterly principal payment date, provided, that in the event the period to elapse between the date of such initial deposit in the Series 2013 B Bonds Sinking Fund and the next ensuing quarterly principal payment date is less than 3 months, then such monthly payments shall be increased proportionately to provide, 1 month prior to the next ensuing quarterly principal payment date, the required amount of principal coming due on such date.

8. The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and remit to the Commission, beginning 3 months prior to the first principal payment date of the Series 2013 B Bonds, if not fully funded upon issuance of the Series 2013 B Bonds, for deposit in the Series 2013 B Bonds Reserve Account, an amount equal to 1/120th of the Series 2013 B Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2013 B Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2013 B Bonds Reserve Requirement.

9. 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.

10. 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.

11. Principal and interest payments into the respective Sinking Funds for the Prior Bonds and the Series 2013 A Bonds, and any payments made for the purpose of funding a deficiency in any Reserve Account for the Prior Bonds or the Series 2013 A Bonds shall be made on a parity and pro rata with respect to the Prior Bonds and the Series 2013 A Bonds in accordance with the respective principal amounts then Outstanding, and upon full payment of the foregoing payments shall then be made to the Depreciation Fund, then to the Series 2013 B Bonds Sinking Fund and then to the Series 2013 B Bonds Reserve Account.

B. Moneys in the Series 2013 B Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest on the Series 2013 B Bonds as the same shall become due. Moneys in the Series 2013 B Bonds Reserve Account shall be used only for the purpose of paying principal of and interest on the Series 2013 B Bonds as the same shall come due, when other moneys in the Series 2013 B Bonds Sinking Fund are insufficient therefor, and for no other purpose.

All investment earnings on moneys in the Series 2013 B Bonds Sinking Fund and the Series 2013 B Bonds Reserve Account shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall, during the Project, be deposited in the Series 2013 B Bonds Project Trust Fund, and following completion of the Project, shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payment(s) due on the Series 2013 B Bonds.

Any withdrawals from the Series 2013 B Bonds Reserve Account which result in a reduction in the balance therein to below the Reserve Requirement thereof 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 senior to or on a parity with the Series 2013 B Bonds are issued, provision shall be made for additional payments into the respective sinking fund sufficient to pay the interest on such additional parity Bonds and accomplish

retirement thereof at maturity and to accumulate a balance in the respective reserve account in an amount equal to the requirement thereof.

The Issuer shall not be required to make any further payments into the Series 2013 B Bonds Sinking Fund or the Series 2013 B Bonds Reserve Account when the aggregate amount of funds therein are at least equal to the respective aggregate principal amount of the Series 2013 B 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 2013 B Bonds Sinking Fund and the Series 2013 B Bonds Reserve Account created hereunder, and all amounts required for said accounts shall be remitted to the Commission from the Revenue Fund by the Issuer at the time provided herein. The Issuer shall make the necessary arrangements whereby required payments into said accounts shall be automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates required hereunder.

Moneys in the Series 2013 B Bonds Sinking Fund and the Series 2013 B Bonds Reserve Account shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The Series 2013 B Bonds Sinking Fund and the Series 2013 B Bonds Reserve Accounts shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 2013 B Bonds, 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 2013 B Bonds and all such payments shall be remitted to the Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Bond Legislation.

D. The Issuer shall complete the "Monthly Payment Form," a form of which is attached to the Loan Agreement and submit a copy of said form along with a copy of its payment check to the Authority by the 5th day of such calendar month.

E. The Issuer shall remit from the Revenue Fund to the Commission, the Registrar, the Paying Agent or the Depository Bank, on such dates as the Commission, the Registrar, the Paying Agent or the Depository Bank, as the case may be, shall require, such additional sums as shall be necessary to pay their respective charges and fees then due. In the case of payments to the Commission under this paragraph, the Issuer shall, if required by the Authority at any time, make the necessary arrangements whereby such required payments shall be automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates required.

F. The moneys in excess of the 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 Government Obligations or by other Qualified Investments as shall be eligible as security for deposits of state and municipal funds under the laws of the State.

G. 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; DISBURSEMENTS

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 2013 B Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Series 2013 B Bonds, there shall first be deposited with the Commission in the Series 2013 B Bonds Sinking Fund, the amount, if any, specified in the Supplemental Resolution as capitalized interest; provided, that such amount may not exceed the amount necessary to pay interest on the Series 2013 B Bonds for the period commencing on the date of issuance of the Series 2013 B Bonds and ending 6 months after the estimated date of completion of the Project.

B. Next, from the proceeds of the Series 2013 B Bonds, there shall be deposited with the Commission in the Series 2013 B Bonds Reserve Account the amount, if any, set forth in the Supplemental Resolution for funding of the Series 2013 B Bonds Reserve Account.

C. As the Issuer receives advances of the remaining moneys derived from the sale of such Series 2013 B Bonds, such moneys shall be deposited with the Depository Bank in the Series 2013 B Bonds Project Trust Fund. The monies in the Series 2013 B Bonds Project Trust Fund shall be applied solely to payment of Costs of the Project in the manner set forth in Section 6.02 hereof and until so transferred or expended, are hereby pledged as additional security for the Series 2013 B Bonds.

D. After completion of the Project, as certified by the Consulting Engineers, and all Costs have been paid, any remaining proceeds of the Series 2013 B Bonds shall be applied as directed by the Council.

Section 6.02. Disbursements From the Series 2013 B Bonds Project Trust Fund. The Issuer shall each month provide the Council with a requisition for the costs incurred for the Project, together with such documentation as the Council shall require. Payments for costs of the Project shall be made monthly.

Except as provided in Section 6.01 hereof, disbursements from the Series 2013 B Bonds Project Trust Fund shall be made only after submission to the Council of a certificate, signed by an Authorized Officer and Consulting Engineers, 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 Project and constitutes a Cost of the Project;

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 applications, moneys in the Series 2013 B Bonds Project Trust Fund shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

After completion of the Project, as certified by the Consulting Engineers, and all Costs have been paid, any remaining proceeds of the Series 2013 B Bonds shall be applied as directed by the Council.

## 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 2013 B Bonds. In addition to the other covenants, agreements and provisions of this Bond Legislation, the Issuer hereby covenants and agrees with the Holders of the Series 2013 B Bonds as hereinafter provided in this Article VII. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of the Series 2013 B Bonds or the interest thereon is Outstanding and unpaid.

Section 7.02. Bonds not to be Indebtedness of the Issuer. The Series 2013 B 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 2013 B Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Series 2013 B Bonds or the interest thereon.

Section 7.03. Bonds Secured by Pledge of Gross Revenues; Lien Positions With Respect to Prior Bonds and Series 2013 A Bonds. The payment of the debt service of the Series 2013 B Bonds issued hereunder shall be secured forthwith equally and ratably by a lien on the Gross Revenues derived from the operation of the System junior and subordinate in all respects to the lien on such Gross Revenues in favor of the Holders of the Prior Bonds and the Series 2013 A Bonds.

Section 7.04. Rates and Charges. The Issuer has obtained any and all approvals of rates and charges required by State law and has taken any other action required to establish and impose such rates and charges, with all requisite appeal periods having expired without successful appeal. In the event any proceeds of the Series 2013 B Bonds are advanced, such rates and charges shall be sufficient to comply with the requirements of the Loan Agreement. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth and approved and described in the Ordinance enacted by the Issuer on May 23, 2013, with respect to sewerage portion of the System and in the Ordinance enacted by the Issuer on June 13, 2013, with respect to waterworks portion of the System.

In the event any proceeds of the Series 2013 B Bonds are advanced, so long as the Series 2013 B Bonds are outstanding, the Issuer covenants and agrees to fix and collect rates, fees and other charges for the use of the System and to take all such actions necessary to provide funds sufficient to produce the required sums set forth in the Bond Legislation and in compliance with the Loan Agreement. In the event any proceeds of the Series 2013 B Bonds are advanced and the schedule of rates and charges initially established for the System in connection with the Series 2013 B Bonds shall prove to be insufficient to produce the required sums set forth in this Bond Legislation and the Loan Agreement, the Issuer hereby covenants and agrees that it will, to

the extent 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 and the Loan Agreement.

Section 7.05. Sale of the System. So long as the Prior Bonds and the Series 2013 A 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 respective Prior Ordinances and the Series 2013 A Bonds Ordinance. Additionally, so long as the Series 2013 B Bonds are Outstanding and except as otherwise required by law or with the written consent of the Authority and the Council, the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Series 2013 B Bonds, the Series 2013 A Bonds and Prior 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, the Series 2011 A Bonds Sinking Fund, the Series 2013 A Bonds Sinking Fund and the Series 2013 B Bonds Sinking Fund, respectively, pro rata, with respect to the principal amount of each of the Series 2013 B Bonds, Series 2013 A Bonds and Prior Bonds then Outstanding, and, with the written permission of the Authority and the Council, or in the event the Authority is no longer a Bondholder, the Issuer shall direct the Commission to apply such proceeds to the payment of principal of and interest on the Series 2013 B Bonds, Series 2013 A Bonds and Prior Bonds in such manner. Any balance remaining after the payment of all the Series 2013 B Bonds, Series 2013 A Bonds and Prior 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 \$250,000, 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 \$250,000 but not in excess of \$1,000,000, 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 \$1,000,000 and insufficient to pay the Series 2013 B Bonds, Series 2013 A Bonds and Prior Bonds then Outstanding without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of over 50% in principal amount of Bonds then outstanding. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Series 2013 B Bonds, Series 2013 A Bonds and Prior 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 2013 B 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 2013 B Bonds without the prior written consent of the Holder(s) of the Series 2013 B Bonds. All obligations issued by the Issuer after the issuance of the Series 2013 B Bonds and payable from the revenues of the System, except such additional senior or 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 2013 B 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 2013 B Bonds, and the interest thereon, if any, upon any of the income and revenues of the System pledged for payment of the Series 2013 B Bonds and the interest thereon, if any, in this Bond Legislation, or upon the System or any part thereof.

The Issuer shall give the Authority and the Council prior written notice of its issuance of any other obligations to be used for the System, payable from the revenues of the System or from any grants, or any other obligations related to the Project or the System.

Section 7.07. Parity Bonds. So long as any of the Prior Bonds or Series 2013 A Bonds are Outstanding, the limitations on the issuance of obligations on a parity therewith set forth in the respective Prior Ordinances and Series 2013 A Bonds Ordinance, respectively, 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 2013 B Bonds pursuant to this Bond Legislation without the prior written consent of the Authority and the Council and without complying with the conditions and requirements herein provided.

All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 2013 B Bonds.

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 Bonds, to pay claims which may exist against the revenues or facilities of the System or any or all of 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 Prior Bonds, the Series 2013 A Bonds and the Series 2013 B 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) or has been waived by all necessary parties 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 Accounts, 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, as stated in a certificate, 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) or has been waived by all necessary parties 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 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 2013 B Bonds on such revenues. The Issuer shall not issue any obligations whatsoever payable from the revenues of the System, or any part thereof, which rank prior to or, except in the manner and under the conditions provided in this section, equally, as to lien on and source of and security for payment from such revenues, with the Series 2013 B Bonds.

No Parity Bonds shall be issued any time, however, unless all the payments into the respective funds and accounts provided for in this Bond Legislation, the Prior Ordinances and the Series 2013 B Bonds Ordinance with respect to the Series 2013 B Bonds, the Series 2013 A Bonds and Prior 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 shall keep complete and accurate records of the cost of acquiring the Project site and the costs of designing, acquiring, constructing and installing the Project. The Issuer shall permit the Council and the Authority, or their agents and representatives, to inspect all books, documents, papers and records relating to the Project and the System at all reasonable times for the purpose of audit and examination. The Issuer shall submit to the Council and the Authority such documents and information as they may reasonably require in connection with the acquisition, construction and installation of the Project, the operation and maintenance of the System and the administration of the loan or any grants or other sources of financing for the Project.

The Issuer shall permit the Council and the Authority, or their agents and representatives, to inspect all records pertaining to the operation and maintenance of the System at all reasonable times following completion of the Project and commencement of operation thereof, or, if the Project is an improvement to an existing system, at any reasonable time following commencement of the Project.

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

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

Issuer. Subsidiary records as may be required shall be kept in the manner and on the forms, books and other bookkeeping records as prescribed by the Governing Body. The Governing Body shall prescribe and institute the manner by which subsidiary records of the accounting system which may be installed remote from the direct supervision of the Governing Body shall be reported to such agent of the Issuer as the Governing Body shall direct.

The Issuer shall file with the Council and the Authority, or any other original purchaser of the Series 2013 B Bonds, and shall mail in each year to any Holder or Holders of Series 2013 B Bonds requesting the same, an annual report containing the following:

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

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

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

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants in compliance with the applicable OMB Circular, or any successor thereto, and the Single Audit Act, or any successor thereto, to the extent legally required, and shall mail upon request, and make available generally, the report of said Independent Certified Public Accountants, or a summary thereof, to any Holder or Holders of the Series 2013 B Bonds and shall submit said report to the Council and the Authority or any other original purchaser of the Series 2013 B Bonds. Such audit report submitted to the Council and the Authority shall include a statement that notes that results of tests disclosed instances of noncompliance that are required to be reported under government auditing standards and, if they are, describes the instances of noncompliance and the audited financial statements shall include a statement that notes whether the revenues of the System are adequate to meet the Issuer's Operating Expenses and debt service and reserve requirements.

Subject to the terms, conditions and provisions of the Loan Agreement and Act, the Issuer has acquired, or shall do all things necessary to acquire, the proposed site of the Project and shall do, is doing or has done all things necessary to construct the Project in accordance with the plans, specifications and designs prepared by the Consulting Engineers. All real estate and interests in real estate and all personal property constituting the Project and the Project site heretofore or hereafter acquired shall at all times be and remain the property of the Issuer.

The Issuer shall permit the Council and the Authority, or its agents and representatives, to enter and inspect the Project site and Project facilities at all reasonable times. Prior to, during and after completion of construction and commencement of operation of the Project, the Issuer shall also provide the Council and the Authority, or its agents and representatives, with access to the System site and System facilities as may be reasonably necessary to accomplish all of the powers and rights of the Council and the Authority with respect to the System pursuant to the Act.

Section 7.09. Rates. Prior to the issuance of the Series 2013 B Bonds, equitable rates or charges for the use of and service rendered by the System have been established all in the manner and form required by law, and copies of 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. In the event that proceeds of the Series 2013 B Bonds are advanced, the schedule of rates and charges shall thereafter 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. In the event that proceeds of the Series 2013 B Bonds are advanced, 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, in the event that proceeds of the Series 2013 B Bonds are advanced, the schedule of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System, (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the Series 2013 B Bonds and all other obligations secured by a lien on or payable from such revenues senior to or on a parity with the Series 2013 B Bonds, including the Prior Bonds and the Series 2013 A Bonds; provided that, in the event that amounts equal to or in excess of the reserve requirements are on deposit, respectively, in the Series 2013 B Bonds Reserve Account and reserve accounts for obligations senior to or on a parity with the Series 2013 B 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 2013 B Bonds and all other obligations secured by a lien on or payable from such revenues senior to or on a parity with the Series 2013 B Bonds, including the Prior Bonds and the Series 2013 A Bonds.

In the event that proceeds of the Series 2013 B Bonds are advanced, the Issuer hereby covenants to commence enactment of such ordinance or ordinances as shall be required to increase the rates and charges for the services and facilities of the System within 30 days following a determination of the Independent Certified Public Accountant that less than the above-required coverage exists or in the event that the annual audit report shows less than the above-required coverage, such increase to provide rates and charges sufficient to produce such required coverage.

Section 7.10. Operating Budget and Monthly Financial Report. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year and shall submit a copy of such budget to the Council and the Authority within 30 days of adoption thereof. The Issuer with the approval of the Governing Body, may amend the budget during the subject Fiscal Year provided that the budget remains balanced after such amendment. If the budget is so amended, a copy of the amended budget shall be submitted to the Council and the Authority within 15 days of the adoption of such amendment. After the adoption of any such amendment, the budget, as amended, shall be the budget of the Issuer for the balance of the subject Fiscal Year. No

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

Commencing on the date contracts are executed for the Project and for two years following the completion of the Project, the Issuer shall each month complete a "Monthly Financial Report," a form of which is attached to the Loan Agreement and forward a copy of such report to the Council and the Authority by the 10th day of each month.

Section 7.11. Engineering Services and Operating Personnel. The Issuer will obtain a certificate of the Consulting Engineers in the form attached to the Loan Agreement, stating, among other things, that the Project has been or will be constructed in accordance with the approved plans, specifications and designs as submitted to the Authority and the Council, the Project is adequate for the purposes for which it was designed, the funding plan as submitted to the Authority and the Council is sufficient to pay the costs of acquisition and construction of the Project, and all permits required by federal and state laws for construction of the Project have been obtained.

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

The Issuer shall employ qualified operating personnel properly certified by the State to operate the System so long as the Series 2013 B Bonds are Outstanding.

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 will, to the extent permitted by law, use diligent efforts to 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 and Construction Bonds. A. The Issuer hereby covenants and agrees that so long as any of the Series 2013 B Bonds remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance with a reputable insurance carrier or carriers as is customarily covered with respect to works and properties similar to the System. Such insurance shall initially cover the following risks and be in the following amounts:

(1) FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE, on all above-ground insurable portions of the System in an amount equal to the actual cost thereof. In time of war the Issuer will also carry and maintain insurance to the extent available against the risks and hazards of war. The proceeds of all such insurance policies shall be placed in the Depreciation Account and used only for the repairs and restoration of the damaged or destroyed properties or for the other purposes provided herein for said Depreciation Fund. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance (fire and extended coverage) to protect the interests of the Issuer, the Authority, the prime contractor and all subcontractors as their respective interests may appear, in accordance with the Loan Agreement, during construction of the Project on a 100% basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Authority, the Issuer, the contractors and subcontractors, as their interests may appear.

(2) PUBLIC LIABILITY INSURANCE, with limits of not less than \$1,000,000 per occurrence to protect the Issuer and the Authority from claims for bodily injury and/or death and not less than \$500,000 per occurrence from claims for damage to property of others which may arise from the operation of the System, and insurance with the same limits to protect the Issuer from claims arising out of operation or ownership of motor vehicles of or for the System.

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

(4) FLOOD INSURANCE, if the facilities of the System are or will be located in designated special flood or mudslide-prone areas and to the extent available at reasonable cost to the Issuer.

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

(6) FIDELITY BONDS, will be provided for every officer and employee of the Issuer or the Governing Body having custody of the revenues or of any other funds of the System, in an amount at least equal to the total funds in the custody of any such person at any one time.

B. The Issuer shall require all contractors engaged in the construction of the Project to furnish a performance bond and a payment bond, each in an amount equal to 100% of the contract price of the portion of the Project covered by the particular contract as security for the faithful performance of such contract. The Issuer shall verify such bonds prior to commencement of construction. The Issuer shall also require all contractors engaged in the

construction of the Project to carry such workers' compensation coverage for all employees working on the Project and public liability insurance, vehicular liability insurance and property damage insurance in amounts adequate for such purposes and as is customarily carried with respect to works and properties similar to the Project; provided that the amounts and terms of such coverage are satisfactory to the Authority and the DEP. In the event the Loan Agreement so requires, such insurance shall be made payable to the order of the Authority, the Issuer, the prime contractor and all subcontractors, as their interest may appear. The Issuer shall verify such insurance prior to commencement of construction.

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. Completion of Project; Permits and Orders. The Issuer will complete the Project as promptly as possible and operate and maintain the System as a revenue-producing utility in good condition and in compliance with all Federal and state requirements and standards.

The Issuer will obtain all permits required by state and federal laws for the Project, all orders and approvals from the Public Service Commission of West Virginia and the Council necessary for the Project and the operation of the System and all approvals for issuance of the Series 2013 A Bonds required by state law, with all requisite appeal periods having expired without successful appeal and the Issuer shall provide an opinion of counsel to such effect.

Section 7.18. Compliance With Loan Agreement and Law. The Issuer shall perform, satisfy and comply with all terms and conditions of the Loan Agreement and the Act.

Notwithstanding anything herein to the contrary, the Issuer will provide the Council with all copies submitted to the Authority.

The Issuer also agrees to comply with the Act and all applicable laws, rules and regulations issued by the Authority and the Council or other state, federal or local bodies in regard to the acquisition and construction of the Project and the operation, maintenance and use of the System.

The Issuer shall perform the annual maintenance audits as required by the Act and shall submit such audits to the Council, the Authority and the PSC.

The Issuer shall serve the additional customers, if any, described in the Loan Agreement and shall not reduce the amount of additional customers served without the written approval of the Board of the Authority.

Section 7.19. Securities Laws Compliance. The Issuer will provide the Authority, in a timely manner, with any and all information that may be requested of it (including its annual audit report, financial statements, related information and notices of changes in usage and customer base) so that the Authority may comply with the provisions of SEC Rule 15c2-12 (17 CFR Part 240).

Section 7.20. Contracts; Public Releases. A. The Issuer shall, simultaneously with the delivery of the Series 2013 B Bonds immediately enter into written contracts for the immediate acquisition or construction of the Project.

B. The Issuer shall list the funding provided by the Council and the Authority in any press release, publication, program bulletin, sign or other public communication that references the Project, including but not limited to any program document distributed in conjunction with any ground breaking or dedication of the Project.

Section 7.21. Statutory Mortgage Lien. For the further protection of the Holders of the Series 2013 B Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, shall take effect immediately upon delivery of the Series 2013 B Bonds and shall be for the equal benefit of all Holders of the Series 2013 B Bonds; provided, however, that the statutory mortgage lien in favor of the Holders of the Series 2013 B Bonds shall be junior and subordinate to the statutory mortgage lien in favor of the Holders of the Prior Bonds and the Series 2013 A Bonds.

## ARTICLE VIII

### INVESTMENT OF FUNDS; NON ARBITRAGE

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

Any investment shall be held in and at all times deemed a part of the fund or account in which such moneys were originally held, and the interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. The investments held for any fund or account shall be valued at the lower of cost or then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including the value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held in the "Consolidated Fund." The Commission, 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 2013 A Bonds are Outstanding.

Section 8.02. Certificate as to Use of Proceeds; Covenants as to Use of Proceeds. The Issuer shall deliver a certificate as to use of proceeds or other similar certificate to be prepared by nationally recognized bond counsel relating to restrictions on the use of proceeds of the Series 2013 B Bonds as a condition of issuance of the Series 2013 B Bonds. In addition, the Issuer covenants (i) to comply with the Code and all Regulations from time to time in effect and applicable to the Series 2013 B Bonds as may be necessary in order to maintain the status of the Series 2013 B Bonds as governmental bonds; (ii) that it shall not take, or permit or suffer to be taken, any action with respect to the Issuer's use of the proceeds of the Series 2013 B Bonds which would cause any bonds, the interest on which is exempt from federal income taxation under Section 103(a) of the Code, issued by the Authority from which the proceeds of the Series 2013 B Bonds are derived, to lose their status as tax-exempt bonds; and (iii) to take such action, or refrain from taking such action, as shall be deemed necessary by the Issuer, or requested by

the Authority, to ensure compliance with the covenants and agreements set forth in this Section 8.02, regardless of whether such actions may be contrary to any of the provisions of this Bond Legislation.

The Issuer shall annually furnish to the Authority information with respect to the Issuer's use of the proceeds of the Series 2013 B Bonds and any additional information requested by the Authority.

## ARTICLE IX

### DEFAULT AND REMEDIES

Section 9.01. Events of Default. Each of the following events shall constitute an “Event of Default” with respect to the Series 2013 B Bonds:

A. If default occurs in the due and punctual payment of the principal of or interest on the Series 2013 B 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 2013 B Bonds, set forth in this Bond Legislation, any supplemental resolution or in the Series 2013 B Bonds, and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Commission, the Depository Bank, Registrar or any other Paying Agent or a Holder of a 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 any of the Prior Bonds, the Series 2013 A Bonds, the Prior Ordinances or the Series 2013 A 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 2013 B Bonds shall be junior and subordinate to the rights and remedies of the Holders of the Prior Bonds and the Series 2013 A Bonds.

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, the completion of the Project and after commencement of operation of the System, the making and collection of sufficient rates and charges for services rendered by the System and segregation of the revenues therefrom and the application thereof. If there be any Event of Default with respect to 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 or the Project on behalf of the Issuer with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of Operating Expenses

of the System, the payment of the Bonds and interest and the deposits into the funds and accounts hereby established, and to apply such rates, rentals, fees, charges or other 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.

## **ARTICLE X**

### **PAYMENT AND DEFEASANCE OF BONDS**

Section 10.01. Payment of Series 2013 B Bonds. If the Issuer shall pay or there shall otherwise be paid, to the Holders of all Series 2013 B Bonds, the principal of and interest, if any, due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then the pledge of Gross Revenues and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 2013 B Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

## ARTICLE XI

### MISCELLANEOUS

Section 11.01. Amendment or Modification of Bond Legislation. Prior to the issuance of the Series 2013 B Bonds, this Ordinance may be amended or supplemented in any way by the Supplemental Resolution. Following issuance of the Series 2013 B Bonds, no material modification or amendment of this Bond Legislation, or of any resolution amendatory or supplemental hereto, that would materially and adversely affect the respective rights of Registered Owners of the Series 2013 B Bonds shall be made without the consent in writing of the Holders of the Series 2013 B Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of any Series 2013 B Bonds or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest out of the funds herein respectively pledged therefor without the consent of the respective Registered Owner thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of Bonds required for consent to the above-permitted amendments or modifications.

Section 11.02. Bond Legislation Constitutes Contract. The provisions of the Bond Legislation shall constitute a contract between the Issuer and the Holders of the Series 2013 B Bonds and no change, variation or alteration of any kind of the provisions of the Bond Legislation shall be made in any manner, except as in this Bond Legislation provided.

Section 11.03. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Ordinance should be held invalid by any court of competent jurisdiction, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Ordinance, the Supplemental Resolution, or the Series 2013 B Bonds.

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

Section 11.05. Conflicting Provisions Repealed; Prior Ordinances and Series 2013 A Bonds Ordinance. Except for the Prior Ordinances and the Series 2013 A Bonds Ordinance, all ordinances, orders or resolutions and or parts thereof in conflict with the provisions of this Ordinance are, to the extent of such conflict, hereby repealed. In the event of any conflict between this Ordinance and the Prior Ordinances or the Series 2013 A Bonds Ordinance, the Prior Ordinances or the Series 2013 A Bonds Ordinance shall control (unless less restrictive) so long as the respective Prior Bonds or Series 2013 A Bonds are Outstanding.

Section 11.06. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the 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 11.07. Statutory Notice and Public Hearing. Upon adoption hereof, an abstract of this Ordinance, substantially in the form attached hereto as Exhibit B, which is determined by the Issuer to contain sufficient information as to give notice of the contents hereof, shall be published once a week for 2 successive weeks within a period of 14 consecutive days, with at least 6 full days intervening between each publication, in The Journal, a qualified newspaper of general circulation in the City of Martinsburg, together with the notice set forth therein stating that this Ordinance has been adopted and that the Issuer contemplates the issuance of the Bonds, and that any person interested may appear before the Governing Body upon a date certain, not less than 10 days subsequent to the date of the first publication of the said abstract and notice, and present protests, and that a certified copy of the Ordinance is on file in the office of the Recorder for review by interested parties during the office hours of the Recorder.

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

Section 11.08. Effective Date. This Ordinance shall take effect following the public hearing described in Section 11.07 above.

|                                                  |                    |
|--------------------------------------------------|--------------------|
| Passed on First and Second Reading               | September 4, 2013  |
| Passed on Third Reading                          | September 12, 2013 |
| Put into effect following public hearing held on | September 23, 2013 |

  
\_\_\_\_\_  
Mayor

  
\_\_\_\_\_  
City Manager

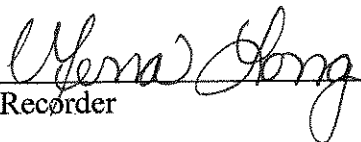
  
\_\_\_\_\_  
Recorder

Exhibit A

**DESCRIPTION OF PROJECT**

The acquisition and construction of certain additions, betterments and improvements to the sewerage portion of Issuer's existing combined waterworks and sewerage system, in the City of Martinsburg, Berkeley County, West Virginia, including without limitation the acquisition and construction of an upgrade of the City's wastewater treatment plant to meet Chesapeake Bay effluent standards, and related appurtenance and improvements.

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 \_\_\_\_\_, 2013, at \_\_\_\_\_.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 ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING COMBINED WATERWORKS AND SEWERAGE SYSTEM OF THE CITY OF MARTINSBURG AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE CITY OF MARTINSBURG OF NOT MORE THAN TWENTY-ONE MILLION DOLLARS (\$21,000,000) IN AGGREGATE PRINCIPAL AMOUNT OF CITY OF MARTINSBURG COMBINED WATERWORKS AND SEWERAGE SYSTEM SUBORDINATED REVENUE BONDS, SERIES 2013 B (WEST VIRGINIA INFRASTRUCTURE FUND); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING A BOND PURCHASE AGREEMENT WITH THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY ACTING ON BEHALF OF THE WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS; AND ADOPTING OTHER PROVISIONS RELATING THERETO.

The above-entitled Ordinance was enacted by the Council of the City of Martinsburg on \_\_\_\_\_, 2013.

The above quoted title of the Ordinance describes generally the contents thereof and the purposes of the Bond issues contemplated thereby. The Bonds are being issued to provide permanent financing of a portion of the costs of the acquisition and construction of certain additions, betterments, improvements and upgrades to the wastewater treatment plant of the City of Martinsburg to meet Chesapeake Bay effluent standards (the "Project"). 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.

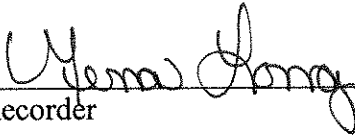
Dated: \_\_\_\_\_, 2013.

/s/ \_\_\_\_\_, Recorder

**CERTIFICATION**

Certified a true copy of an Ordinance duly enacted by the Common Council of the CITY OF MARTINSBURG on the 12th day of September, 2013, and put into effect following a public hearing held on September 23, 2013.

Dated: October 1, 2013.

  
Recorder

[SEAL

UNITED STATES OF AMERICA  
STATE OF WEST VIRGINIA  
CITY OF MARTINSBURG  
COMBINED WATERWORKS AND SEWERAGE SYSTEM  
SUBORDINATED REVENUE BONDS,  
SERIES 2013 B  
(WEST VIRGINIA INFRASTRUCTURE FUND)

No. BR-1

\$18,863,102

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF MARTINSBURG, a municipal corporation and political subdivision of the State of West Virginia in Berkeley County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the West Virginia Water Development Authority (the "Authority") or registered assigns the sum of EIGHTEEN MILLION EIGHT HUNDRED SIXTY-THREE THOUSAND ONE HUNDRED TWO AND 00/100 DOLLARS (\$18,863,102), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as Exhibit A hereto and incorporated herein by reference. Interest accrues following completion of the Project hereinafter described on the principal advanced hereunder from the time such principal is advanced at the rate of 1.0% per annum and interest and principal are payable in quarterly installments on March 1, June 1, September 1 and December 1 of each year commencing on December 1, 2016 to and including September 1, 2046, as set forth on the "Debt Service Schedule" attached as Exhibit B hereto and incorporated herein by reference.

Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent"). The interest on this Bond is payable by check or draft of the Paying Agent mailed to the registered owner hereof at the address as it appears on the books of the Registrar (as defined in the hereinafter described Bond Legislation) on the 15th day of the month next preceding an interest payment date, or by such other method as shall be mutually agreeable so long as the Authority is the registered owner hereof.

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and the West Virginia Infrastructure and Jobs Development Council (the "Council"), and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement by and between the Issuer and the Authority acting on behalf of the Council, dated October 1, 2013.

This Bond is issued to finance a portion of the costs of the acquisition and construction of certain additions, betterments and improvements to the existing public

combined waterworks and sewerage facilities of the Issuer (the "Project") in the event the proceeds of the Series 2013 A Bonds, as hereinafter defined, have been expended and the proceeds of the grant to be made for the Project from the proceeds of the bonds to be issued pursuant to Senate Bill No. 245 passed by the West Virginia Senate on March 12, 2011 (the "Grant") have not been received by the Issuer or, if received, are received in an amount less than \$18,863,102. The existing public combined waterworks and sewerage facilities of the Issuer, the Project and any further additions, betterments or improvements thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 8, Article 20 and Chapter 31, Article 15A of the Code of West Virginia, 1931, as amended (collectively, the "Act"), and an Ordinance duly enacted by the Issuer on September 12, 2013, and put into effect following a public hearing held on September 23, 2013, and a Supplemental Resolution duly adopted by the Issuer on September 23, 2013 (collectively called the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other securities provided for the Bonds of this Series (the "Bonds") under the Bond Legislation.

Notwithstanding any provision herein or in the Bond Legislation to the contrary, in the event that proceeds of the Grant are received by the Issuer but the amount of such Grant is less than \$18,863,102, no more than the amount equal to \$18,863,102, less the amount of the Grant actually received by Issuer may be advanced hereunder and, no advance of the proceeds of this Bond may be made under such circumstance unless the Bonds are on parity with the Prior Bonds described below.

THIS BOND IS ISSUED JUNIOR AND SUBORDINATE WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, TO (1) THE COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2000A (WEST VIRGINIA DWTRF PROGRAM), OF THE ISSUER, DATED SEPTEMBER 27, 2000, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF \$7,564,000; (2) THE COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2000B (WEST VIRGINIA INFRASTRUCTURE FUND), OF THE ISSUER DATED SEPTEMBER 27, 2000, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$3,000,000; (3) THE COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2000C (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), OF THE ISSUER DATED SEPTEMBER 27, 2000, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$1,976,352; (4) THE COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING REVENUE BONDS, SERIES 2011 A, OF THE ISSUER DATED DECEMBER 28, 2011, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$8,830,000; AND (5) THE COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2013 A (WEST VIRGINIA SRF PROGRAM) ISSUED ON OCTOBER

1, 2013, IN THE AGGREGATE PRINCIPAL AMOUNT OF \$34,644,714 (COLLECTIVELY, THE "PRIOR BONDS").

This Bond is payable only from and secured by a pledge of the Gross Revenues (as defined in the Bond Legislation) to be derived from the System, junior and subordinate in all respects to the pledge of the Gross Revenues in favor of the holders of the Prior Bonds, and from moneys in the Reserve Account created under the Bond Legislation for the Bonds (the "Series 2013 B Bonds Reserve Account"), and unexpended proceeds of the Bonds. In the event proceeds of the Bonds are advanced, such Gross Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, nor shall the Issuer be obligated to pay the same or the interest hereon, except from said special fund provided from the Gross Revenues, the moneys in the Series 2013 B Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which, in the event proceeds of the Bonds are advanced shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest on the Bonds, and all other obligations secured by a lien on or payable from such revenues senior to or on a parity with the Bonds, including the Prior Bonds, provided however, that so long as there exists in the Series 2013 B Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding senior to or on a parity with the Bonds, including the Prior Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the Registered Owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the Registered Owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

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

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

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

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

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

[Rest of page intentionally left blank]

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 hereunto affixed and attested by its Recorder, and has caused this Bond to be dated October 1, 2013.

[SEAL]

CITY OF MARTINSBURG

George Karow  
Mayor

Maubadem  
City Manager

ATTEST:

Yvonne Long  
Recorder

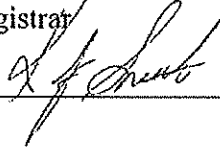
**CERTIFICATE OF AUTHENTICATION AND REGISTRATION**

This Bond is one of the Series 2013 B Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: October 1, 2013.

UNITED BANK, INC.,  
as Registrar

By: \_\_\_\_\_



## RECORD OF ADVANCES

| <u>Amount</u> | <u>Date</u> | <u>Amount</u> | <u>Date</u> |
|---------------|-------------|---------------|-------------|
| (1) \$        |             | (7) \$        |             |
| (2) \$        |             | (8) \$        |             |
| (3) \$        |             | (9) \$        |             |
| (4) \$        |             | (10) \$       |             |
| (5) \$        |             | (11) \$       |             |
| (6) \$        |             | (12) \$       |             |

Total \$ \_\_\_\_\_

EXHIBIT B

DEBT SERVICE SCHEDULE

ASSIGNMENT

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

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

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

Dated: \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_

In the presence of:

\_\_\_\_\_

**CITY OF MARTINSBURG  
COMBINED WATERWORKS AND SEWERAGE SYSTEM  
SUBORDINATED REVENUE BONDS,  
SERIES 2013 B  
(WEST VIRGINIA INFRASTRUCTURE FUND)**

**SUPPLEMENTAL RESOLUTION**

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNT, INTEREST RATE, DATE, MATURITY DATE, REDEMPTION PROVISIONS, PRINCIPAL AND INTEREST PAYMENT DATES, SALE PRICE AND OTHER TERMS OF THE CITY OF MARTINSBURG COMBINED WATERWORKS AND SEWERAGE SYSTEM SUBORDINATED REVENUE BONDS, SERIES 2013 B (WEST VIRGINIA INFRASTRUCTURE FUND); AUTHORIZING, RATIFYING AND APPROVING A LOAN AGREEMENT RELATING TO SUCH BONDS AND THE SALE AND DELIVERY OF SUCH BONDS TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; DESIGNATING A BONDS REGISTRAR, DEPOSITORY BANK, AND PAYING AGENT; SUPPLEMENTING AND AMENDING THE ORDINANCE AUTHORIZING THE ISSUANCE OF THE AFORESAID BONDS; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the Council (the "Governing Body") of the City of Martinsburg (the "Issuer") has duly and officially enacted an Ordinance on September 12, 2013, and has put such Ordinance into effect following a public hearing held earlier on the date hereof (the "Ordinance") entitled:

ORDINANCE AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING COMBINED WATERWORKS AND SEWERAGE SYSTEM OF THE CITY OF MARTINSBURG AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE CITY OF MARTINSBURG OF NOT MORE THAN TWENTY-ONE MILLION DOLLARS (\$21,000,000) IN AGGREGATE PRINCIPAL AMOUNT OF CITY OF MARTINSBURG COMBINED WATERWORKS AND SEWERAGE SYSTEM SUBORDINATED REVENUE BONDS, SERIES 2013 B (WEST VIRGINIA INFRASTRUCTURE FUND); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING

EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING A BOND PURCHASE AGREEMENT WITH THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY ACTING ON BEHALF OF THE WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS; AND ADOPTING OTHER PROVISIONS RELATING THERETO.

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

WHEREAS, the Ordinance provides for the issuance by the Issuer of not more than Twenty-One Million Dollars (\$21,000,000.00) in aggregate principal amount of combined waterworks and sewerage system subordinated revenue bonds in one series (the "Series 2013 B Bonds"), and has preliminarily authorized the execution and delivery of a Loan Agreement relating to the Series 2013 B Bonds (the "Loan Agreement"), by and between the Issuer and West Virginia Water Development Authority (the "Authority"), acting on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), all in accordance with Chapter 8, Article 20 and Chapter 31, Article 15A of the Code of West Virginia, 1931, as amended (collectively, the "Act"); and in the Ordinance it is provided that the exact principal amount, date, maturity date, interest rate, interest and principal payment dates, redemption provisions, sale price and other terms of the Series 2013 B Bonds should be established by a supplemental resolution pertaining to the Series 2013 B Bonds; and that other matters relating to the Series 2013 B Bonds be herein provided for;

WHEREAS, the Series 2013 B Bonds shall be on parity with respect to liens, pledges and sources of and security for payment with respect to each other and junior and subordinate with respect to the Prior Bonds and the Series 2013 A Bonds;

WHEREAS, the form of the Loan Agreement has been presented to the Issuer at this meeting for final ratification and approval;

WHEREAS, the Series 2013 B Bonds are proposed to be purchased by the Authority pursuant to the Loan Agreement; and

WHEREAS, the Governing Body deems it essential and desirable that this supplemental resolution (the "Supplemental Resolution") be adopted, that the Loan Agreement be finally ratified, approved and entered into by the Issuer, that the exact principal amount, interest rate, date, maturity date, redemption provisions, interest and principal payment dates, sale price and other terms of the Series 2013 B Bonds be fixed hereby in the manner stated herein, that the Ordinance be supplemented and amended as provided herein, and that other matters relating to the Series 2013 B Bonds be herein provided for.

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

Section 1. Pursuant to the Ordinance and the Act, this Supplemental Resolution is adopted and there are hereby authorized and ordered to be issued the Combined Waterworks and Sewerage System Subordinated Revenue Bonds, Series 2013 B (West Virginia Infrastructure Fund) of the Issuer, originally represented by a single bond, numbered BR-1, in the principal amount of \$18,863,102. The Series 2013 B Bonds shall be dated the date of delivery thereof, shall finally mature on September 1, 2046, shall bear at the rate of one percent (1.0%) per annum, payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing December 1, 2016, as further set forth in the Schedule Y attached to the Loan Agreement shall be subject to redemption upon thirty-days prior written notice to the Authority, and upon payment of the interest and otherwise in compliance with the Loan Agreement, as long as the Authority shall be registered owner of the Series 2013 B Bonds, and shall be payable in quarterly installments of principal on March 1, June 1, September 1 and December 1 of each year, commencing December 1, 2016, in the amounts as set forth in the Schedule Y attached to the Loan Agreement and incorporated in and made a part of the Series 2013 B Bonds.

Section 2. All other provisions relating to the Series 2013 B Bonds and the text of the Series 2013 B Bonds shall be as provided in the Ordinance.

Section 3. The Issuer does hereby authorize, ratify, approve and accept the form of the Loan Agreement, a copy of which is incorporated herein by reference, and the execution and delivery of the Loan Agreement by the Mayor and the Recorder and the performance of the obligations contained therein, on behalf of the Issuer are hereby authorized, approved and directed. The price of the Series 2013 B Bonds shall be 100% of par value, there being no interest accrued thereon. The proceeds of the Series 2013 B Bonds shall be advanced from time to time as requisitioned by the Issuer, provided that no proceeds of the Series 2013 B Bonds shall be advanced at closing. The Issuer hereby affirms all covenants and representations made in the Loan Agreement and in the application to the Authority and/or the Council.

Section 4. The Issuer does hereby appoint and designate United Bank, Inc., Charleston, West Virginia, to serve as Registrar for the Bonds (the "Registrar") and does approve and accept the Registrar's Agreement to be dated the date of delivery of the Bonds, by and between the Issuer and the Registrar, and the execution and delivery of the Registrar's Agreement by the Mayor, and the performance of the obligations contained therein, on behalf of the Issuer are hereby authorized, approved and directed.

Section 5. The Issuer does hereby appoint and designate the West Virginia Municipal Bond Commission, Charleston, West Virginia, to serve as Paying Agent for the Series 2013 B Bonds under the Ordinance.

Section 6. The Issuer does hereby appoint and designate Jefferson Security Bank, Shepherdstown, West Virginia, to serve as Depository Bank under the Ordinance.

Section 7. The Series 2013 B Bonds proceeds in the amount of \$-0- shall be deposited in the Series 2013 B Bonds Sinking Fund as capitalized interest.

Section 8. The Series 2013 B Bonds proceeds in the amount of \$-0- shall be deposited in a Series 2013 B Bonds Reserve Account.

Section 9. The remaining proceeds of the Series 2013 B Bonds shall be deposited in the Series 2013 B Bonds Project Trust Fund as received from time to time for payment of Costs of the Project.

Section 10. The Mayor, City Manager and Recorder are hereby authorized and directed to execute and deliver the Series 2013 B Bonds and such other documents, agreements, instruments and certificates required or desirable in connection with the Series 2013 B Bonds hereby and by the Ordinance approved and provided for, and to affix thereon the seal of the Issuer, as appropriate, to the end that the Series 2013 B Bonds may be delivered to the Authority pursuant to the Loan Agreement on or about October 1, 2013, or as soon thereafter as practicable.

Section 11. Sections 1.02E and 2.01 of the Ordinance are hereby supplemented and amended to change all references to the maximum or estimated cost of the Project from \$51,396,665 to \$53,507,816. Sections 1.02E and 2.01 of the Ordinance and the definition of "Grant" in the Ordinance are further supplemented and amended to change all references to the amount of the Grant from \$16,448,102 to \$18,863,102. In addition, Sections 1.02E and 2.01 of the Ordinance and the definition "Series 2013 B Bonds" in the Ordinance are supplemented and amended to add a sentence at the end of each Section and such definition as follows: "If the Issuer actually receives proceeds of the Grant but the amount of the Grant received by the Issuer is in an amount less than \$18,863,102, the Issuer may, at its option and with the approval of the West Virginia Infrastructure and Jobs Development Council, use proceeds of the Series 2013 B Bonds to pay Costs of the Project up to an amount equal to \$18,863,102 less the amount of the Grant received by the Issuer, provided that, as a condition to using the aforesaid proceeds of the Series 2013 B Bonds in such a manner, the Issuer must increase rates and take such other actions as may be necessary for the Series 2013 B Bonds to be on parity with the Series 2013 A Bonds and the Prior Bonds."

Section 12. The financing of the Project with the proceeds of the Series 2013 B Bonds are in the public interest, serve a public purpose of the Issuer and will promote the health, welfare and safety of the residents of the Issuer.

Section 13. The Governing Body hereby determines that it is in the best interest of the Issuer to invest all monies in the funds and accounts established by the Ordinance held by the Depository Bank in time deposits of the Depository Bank, secured by a pledge of Government Obligations, and therefore the Issuer hereby authorizes and directs the Depository Bank to take such actions as may be necessary to cause such monies to be invested in such time deposits until further directed by the Issuer. Monies in the Sinking Fund and Reserve Account for the Series 2013 B Bonds shall be invested by the Municipal Bond Commission in the West Virginia Consolidated Fund.

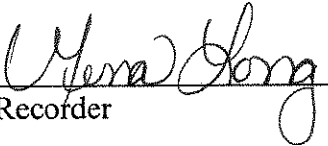
Section 14. This Supplemental Resolution shall be effective immediately following adoption hereof.

Adopted this 23rd day of September, 2013.

CITY OF MARTINSBURG

  
\_\_\_\_\_  
Mayor

  
\_\_\_\_\_  
City Manager

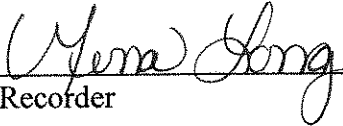
  
\_\_\_\_\_  
Recorder

**CERTIFICATION**

Certified a true copy of a Supplemental Resolution duly adopted by the Council of the City of Martinsburg on the 23rd day of September, 2013.

Dated: October 1, 2013.

[SEAL]

  
Recorder

101 South Queen Street  
Martinsburg, West Virginia 25401

7000 Hampton Center  
Morgantown, West Virginia 26505

511 7th Street  
Moundsville, West Virginia 26041

501 Avery Street  
Parkersburg, West Virginia 26101



600 Quarrier Street  
Charleston, West Virginia 25301

Post Office Box 1386  
Charleston, West Virginia 25325-1386  
(304) 347-1100

[www.bowlesrice.com](http://www.bowlesrice.com)

October 1, 2013

6000 Town Center Boulevard, Suite 210  
Canonsburg, Pennsylvania 15317

333 West Vine Street, Suite 1700  
Lexington, Kentucky 40507

480 West Jubal Early Drive, Suite 130  
Winchester, Virginia 22601

City of Martinsburg  
232 North Queen Street  
Martinsburg, WV 25401

West Virginia Water Development Authority  
1009 Bullitt Street  
Charleston, WV 25301

West Virginia Infrastructure and Jobs Development  
Council  
1009 Bullitt Street  
Charleston, WV 25301

Re: City of Martinsburg Combined Waterworks and Sewerage System  
Subordinated Revenue Bonds, Series 2013 B  
(West Virginia Infrastructure Fund)

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the City of Martinsburg (the "Governmental Agency"), a municipal corporation and political subdivision of the State of West Virginia, of its \$18,863,102 Combined Waterworks and Sewerage System Subordinated Revenue Bonds, Series 2013 B (West Virginia Infrastructure Fund), dated the date hereof (the "Local Bonds").

We have examined a certified copy of proceedings and other papers relating to the authorization of (i) a loan agreement dated October 1, 2013, including all schedules and exhibits attached thereto (the "Loan Agreement"), between the Governmental Agency and the West Virginia Water Development Authority (the "Authority"), acting on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), and (ii) the issuance of the Local Bonds, which are to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Local Bonds are in the principal amount of \$18,863,102, issued initially in the form of one bond, registered as to principal and interest to the Authority, with interest and principal payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing

December 1, 2016 and ending September 1, 2046, all as set forth in “Schedule Y” attached to the Loan Agreement and incorporated in and made a part of the Local Bonds.

The Local Bonds are issued for the purpose of paying 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 Governmental Agency (the “Project”).

We have also examined the applicable provisions of Chapter 8, Article 20 and Chapter 31, Article 15A of the Code of West Virginia, 1931, as amended (collectively, the “Local Statute”), and the Bond Ordinance duly enacted by the Governmental Agency on September 12, 2013, and put into effect following a public hearing held on September 23, 2013, as supplemented by a Supplemental Resolution duly adopted by the Governmental Agency on September 23, 2013 (collectively, the “Local Act”), pursuant to and under which Local Statute and Local Act the Local Bonds are authorized and issued and the Loan Agreement has been undertaken. The Local Bonds are subject to redemption prior to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Local Act and the Loan Agreement.

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

1. The Loan Agreement has been duly authorized by and executed on behalf of the Governmental Agency and is a valid and binding special obligation of the Governmental Agency enforceable in accordance with the terms thereof.
2. The Loan Agreement inures to the benefit of the Authority and the Council and cannot be amended so as to affect adversely the rights of the Authority or the Council or diminish the obligations of the Governmental Agency without the consent of the Authority.
3. The Governmental Agency is a duly organized and presently existing municipal corporation and political subdivision of the State of West Virginia, with full power and authority to acquire and construct the Project, to operate and maintain the System referred to in the Loan Agreement, to enact the Local Act and to issue and sell the Local Bonds, all under the Local Statute and other applicable provisions of law.
4. The Local Act and all other necessary orders and resolutions have been duly and effectively adopted or enacted by the Governmental Agency in connection with the issuance and sale of the Local Bonds and constitute valid and binding obligations of the Governmental Agency enforceable against the Governmental Agency in accordance with their terms. The Local Act contains provisions and covenants substantially in the form of those set forth in Section 4.1 of the Loan Agreement, as modified by the Special Conditions in Schedule Z thereto.
5. The Local Bonds have been duly authorized, issued, executed and delivered by the Governmental Agency to the Authority and are valid and legally enforceable special

West Virginia Water Development Authority  
October 1, 2013  
Page 3

obligations of the Governmental Agency, payable from the Gross Revenues of the System referred to in the Local Act and secured by a lien on and pledge of the Gross Revenues of said System, junior and subordinate to lien and pledge thereof in favor of (i) the Governmental Agency's outstanding Combined Waterworks and Sewerage System Revenue Bonds, Series 2000A (West Virginia DWTRF Program), dated September 27, 2000, issued in the original principal amount of \$7,564,000, (ii) the Governmental Agency's outstanding Combined Waterworks and Sewerage System Revenue Bonds, Series 2000B (West Virginia Infrastructure Fund), dated September 27, 2000, issued in the original principal amount of \$3,000,000, (iii) the Government Agency's outstanding 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; (iv) the Governmental Agency's outstanding Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011 A, dated December 28, 2011, issued in the original principal amount of \$8,830,000; and (v) the Governmental Agency's outstanding Combined Waterworks and Sewerage System Revenue Bonds, Series 2013 A (West Virginia SRF Program) issued on October 1, 2013, in the original principal amount of \$34,644,714, all in accordance with the terms of the Local Bonds and the Local Act.

6. The Local Bonds are, under the Act, exempt from all taxation by the State of West Virginia, and any county, municipality, political subdivision or agency thereof.

7. The Local Bonds have not been issued on the basis that the interest thereon is or will be excluded from the gross income of the owners thereof for federal income tax purposes. We express no opinion regarding the excludability of such interest from the gross income of the owners thereof for federal income tax purposes or other federal tax consequences arising with respect to the Local Bonds.

No opinion is given herein as to the effect upon enforceability of the Local Bonds, the Local Act or the Loan Agreement of bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other laws affecting creditors' rights or in the exercise of judicial discretion in appropriate cases.

We have examined the executed and authenticated Local Bond No. BR-1, and are of the opinion that the form of said Bond and its execution and authentication are regular and proper.

Very truly yours,

BOWLES RICE LLP  
A handwritten signature in cursive script that reads 'Bowles Rice LLP'.

**RESOLUTION 2013-20**  
**AUTHORIZING RESOLUTION**

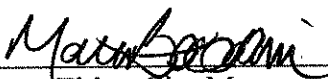
At the special meeting of the City Council of the City of Martinsburg held on September 23, 2013, George Karos, Mayor, and Mark S. Baldwin, City Manager, have each been duly authorized to act on and sign on behalf of the City of Martinsburg any and all federal and state actions as they relate to acquisition and construction of improvements to the City's combined waterworks and sewerage system.

This motion being duly presented and seconded, has been adopted on a quorum vote and therefore George Karos, Mayor, and Mark S. Baldwin, City Manager, may each separately sign all such documents relative to combined waterworks and sewerage system on behalf of the City of Martinsburg.

AUTHORIZED REPRESENTATIVE:

  
\_\_\_\_\_  
Title: Mayor

AUTHORIZED REPRESENTATIVE:

  
\_\_\_\_\_  
Title: City Manager

Dated: October 1, 2013

ATTESTED BY:

  
\_\_\_\_\_  
Gena Long, Recorder

Dated: October 1, 2013

101 South Queen Street  
Martinsburg, West Virginia 25401

7000 Hampton Center  
Morgantown, West Virginia 26505

511 7th Street  
Moundsville, West Virginia 26041

501 Avery Street  
Parkersburg, West Virginia 26101



600 Quarrier Street  
Charleston, West Virginia 25301

Post Office Box 1386  
Charleston, West Virginia 25325-1386  
(304) 347-1100

[www.bowlesrice.com](http://www.bowlesrice.com)

6000 Town Center Boulevard, Suite 210  
Canonsburg, Pennsylvania 15317

333 West Vine Street, Suite 1700  
Lexington, Kentucky 40507

480 West Jubal Early Drive, Suite 130  
Winchester, Virginia 22601

October 1, 2013

Camden P. Siegrist  
Telephone — (304) 347-1129  
Facsimile — (304) 343-3058

E-Mail Address:  
[csiegrist@bowlesrice.com](mailto:csiegrist@bowlesrice.com)

Sara L. Rogers, Executive Director  
West Virginia Municipal Bond Commission  
900 Pennsylvania Avenue  
Suite 1117  
Charleston, WV 25302

**VIA HAND DELIVERY**

Re: \$18,863,102 City of Martinsburg Combined Waterworks and  
Sewerage System Subordinated Revenue Bonds, Series 2013 B  
(West Virginia Infrastructure Fund)

Dear Sara:

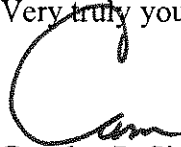
Please find enclosed the West Virginia Municipal Bond Commission New Issue Report form for the above-referenced bond issue. Also enclosed are the following:

1. Bond Ordinance (original);
2. Supplemental Resolution (original);
3. Loan Agreement (copy);
4. Specimen Bond (copy);
5. Bond Counsel Opinion (original);
6. Resolution Approving Signatories (copy); and
7. Sweep Resolution (original).

Sara L. Rogers, Executive Director  
West Virginia Municipal Bond Commission  
October 1, 2013  
Page 2

If you have any questions or comments regarding the foregoing or need any additional documentation, please contact me at your convenience.

Very truly yours,



Camden P. Siegrist

CPS/spg  
Enclosures

Suite 1116

900 Pennsylvania Avenue, Charleston, WV 25302

(304) 558-3971

FAX: 558-1280

## NEW ISSUE REPORT FORM

Date of Report: October 1, 2013

|                                                                                                                                                                                                                                            |                                                                     |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------|
| <b>ISSUE:</b>                                                                                                                                                                                                                              |                                                                     |
| City of Martinsburg Combined Waterworks and Sewerage System<br>Subordinated Revenue Bonds, Series 2013 B (West Virginia Infrastructure Fund)                                                                                               |                                                                     |
| <b>ADDRESS:</b>                                                                                                                                                                                                                            | 232 North Queen Street, Martinsburg, WV 25401      COUNTY: Berkeley |
| <b>PURPOSE OF ISSUE:</b>                                                                                                                                                                                                                   | New Money <input checked="" type="checkbox"/><br>Refunding _____    |
|                                                                                                                                                                                                                                            | Refunds issue(s) dated: _____                                       |
| <b>ISSUE DATE</b>                                                                                                                                                                                                                          | October 1, 2013                                                     |
| <b>CLOSING DATE:</b>                                                                                                                                                                                                                       | October 1, 2013                                                     |
| <b>ISSUE AMOUNT:</b>                                                                                                                                                                                                                       | \$ 18,863,102                                                       |
| <b>RATE:</b>                                                                                                                                                                                                                               | 1%                                                                  |
| <b>1<sup>st</sup> DEBT SERVICE DUE:</b>                                                                                                                                                                                                    | December 1, 2016                                                    |
| <b>1<sup>st</sup> PRINCIPAL DUE:</b>                                                                                                                                                                                                       | December 1, 2016                                                    |
| <b>1<sup>st</sup> DEBT SERVICE AMOUNT:</b>                                                                                                                                                                                                 | \$182,143.76*                                                       |
| <b>PAYING AGENT:</b>                                                                                                                                                                                                                       | WV Municipal Bond Commission                                        |
|                                                                                                                                                                                                                                            |                                                                     |
| <b>BOND COUNSEL:</b>                                                                                                                                                                                                                       | Bowles Rice LLP                                                     |
| <b>UNDERWRITER'S COUNSEL:</b>                                                                                                                                                                                                              | Jackson Kelly PLLC                                                  |
| <b>Contact Person:</b>                                                                                                                                                                                                                     | Camden P. Siegrist                                                  |
| <b>Contact Person:</b>                                                                                                                                                                                                                     | Samme L. Gee                                                        |
| <b>Phone:</b>                                                                                                                                                                                                                              | (304) 347-1129                                                      |
| <b>Phone:</b>                                                                                                                                                                                                                              | (304) 340-1318                                                      |
| <b>CLOSING BANK:</b>                                                                                                                                                                                                                       | Jefferson Security Bank                                             |
| <b>ESCROW TRUSTEE:</b>                                                                                                                                                                                                                     |                                                                     |
| <b>Contact Person:</b>                                                                                                                                                                                                                     | Sylvia Palmer                                                       |
| <b>Contact Person:</b>                                                                                                                                                                                                                     |                                                                     |
| <b>Phone:</b>                                                                                                                                                                                                                              | (304) 262-3155                                                      |
| <b>Phone:</b>                                                                                                                                                                                                                              |                                                                     |
| <b>KNOWLEDGEABLE ISSUE CONTACT:</b>                                                                                                                                                                                                        | <b>OTHER:</b> West Virginia Water Development Authority             |
| <b>Contact Person:</b>                                                                                                                                                                                                                     | Mark Spickler                                                       |
| <b>Contact Person:</b>                                                                                                                                                                                                                     | Sheila Miller                                                       |
| <b>Position:</b>                                                                                                                                                                                                                           | Finance Director                                                    |
| <b>Function:</b>                                                                                                                                                                                                                           |                                                                     |
| <b>Phone:</b>                                                                                                                                                                                                                              | (304) 264-2131                                                      |
| <b>Phone:</b>                                                                                                                                                                                                                              | (304) 414-6500                                                      |
| <b>Email:</b>                                                                                                                                                                                                                              | MBSpick@aol.com                                                     |
|                                                                                                                                                                                                                                            |                                                                     |
| <b>DEPOSITS TO MBC AT CLOSE:</b>                                                                                                                                                                                                           |                                                                     |
| <b>By:</b>                                                                                                                                                                                                                                 | Accrued Interest: \$                                                |
| _____ Wire                                                                                                                                                                                                                                 | Capitalized Interest: \$                                            |
| _____ Check                                                                                                                                                                                                                                | Reserve Account: \$                                                 |
|                                                                                                                                                                                                                                            | Other: \$                                                           |
|                                                                                                                                                                                                                                            |                                                                     |
| <b>REFUNDS &amp; TRANSFERS BY MBC AT CLOSE:</b>                                                                                                                                                                                            |                                                                     |
| <b>By:</b>                                                                                                                                                                                                                                 | To Escrow Trustee (MBC): \$                                         |
| _____ Wire                                                                                                                                                                                                                                 | To Issuer: \$                                                       |
| _____ Check                                                                                                                                                                                                                                | To Cons. Invest. Fund \$                                            |
| _____ IGT                                                                                                                                                                                                                                  | To: \$                                                              |
|                                                                                                                                                                                                                                            |                                                                     |
| <b>NOTES:</b> The Series 2013 B Bonds Reserve Account will be funded over a period of ten years commencing September 1, 2016, in monthly installments in the amount of 1/120 <sup>th</sup> of the Series 2013 B Bonds Reserve Requirement. |                                                                     |
| *or such lesser amount, if any, as may be due and payable based on the amount actually advanced pursuant to the Series 2013 B Bonds                                                                                                        |                                                                     |
|                                                                                                                                                                                                                                            |                                                                     |
|                                                                                                                                                                                                                                            |                                                                     |
|                                                                                                                                                                                                                                            |                                                                     |
| <b>FOR MUNICIPAL BOND COMMISSION USE ONLY:</b>                                                                                                                                                                                             |                                                                     |
| Documents Required: _____                                                                                                                                                                                                                  |                                                                     |
| Transfers Required: _____                                                                                                                                                                                                                  |                                                                     |

13-B

**Bond Debt Service**

City of Martinsburg

IF

\$18,863,102

30 Years

1.0% Interest Rate

Dated Date 10/1/2013  
Delivery  
Date 10/1/2013

| Period<br>Ending | Principal | Coupon | Interest  | Debt Service |
|------------------|-----------|--------|-----------|--------------|
| 12/1/2016        | 134,986   | 1.000% | 47,157.76 | 182,143.76   |
| 3/1/2017         | 135,323   | 1.000% | 46,820.29 | 182,143.29   |
| 6/1/2017         | 135,661   | 1.000% | 46,481.98 | 182,142.98   |
| 9/1/2017         | 136,001   | 1.000% | 46,142.83 | 182,143.83   |
| 12/1/2017        | 136,341   | 1.000% | 45,802.83 | 182,143.83   |
| 3/1/2018         | 136,681   | 1.000% | 45,461.98 | 182,142.98   |
| 6/1/2018         | 137,023   | 1.000% | 45,120.27 | 182,143.27   |
| 9/1/2018         | 137,366   | 1.000% | 44,777.72 | 182,143.72   |
| 12/1/2018        | 137,709   | 1.000% | 44,434.30 | 182,143.30   |
| 3/1/2019         | 138,053   | 1.000% | 44,090.03 | 182,143.03   |
| 6/1/2019         | 138,399   | 1.000% | 43,744.90 | 182,143.90   |
| 9/1/2019         | 138,745   | 1.000% | 43,398.90 | 182,143.90   |
| 12/1/2019        | 139,091   | 1.000% | 43,052.04 | 182,143.04   |
| 3/1/2020         | 139,439   | 1.000% | 42,704.31 | 182,143.31   |
| 6/1/2020         | 139,788   | 1.000% | 42,355.71 | 182,143.71   |
| 9/1/2020         | 140,137   | 1.000% | 42,006.24 | 182,143.24   |
| 12/1/2020        | 140,488   | 1.000% | 41,655.90 | 182,143.90   |
| 3/1/2021         | 140,839   | 1.000% | 41,304.68 | 182,143.68   |
| 6/1/2021         | 141,191   | 1.000% | 40,952.58 | 182,143.58   |
| 9/1/2021         | 141,544   | 1.000% | 40,599.60 | 182,143.60   |
| 12/1/2021        | 141,898   | 1.000% | 40,245.74 | 182,143.74   |
| 3/1/2022         | 142,252   | 1.000% | 39,891.00 | 182,143.00   |
| 6/1/2022         | 142,608   | 1.000% | 39,535.37 | 182,143.37   |
| 9/1/2022         | 142,965   | 1.000% | 39,178.85 | 182,143.85   |
| 12/1/2022        | 143,322   | 1.000% | 38,821.44 | 182,143.44   |
| 3/1/2023         | 143,680   | 1.000% | 38,463.13 | 182,143.13   |
| 6/1/2023         | 144,040   | 1.000% | 38,103.93 | 182,143.93   |
| 9/1/2023         | 144,400   | 1.000% | 37,743.83 | 182,143.83   |
| 12/1/2023        | 144,761   | 1.000% | 37,382.83 | 182,143.83   |
| 3/1/2024         | 145,123   | 1.000% | 37,020.93 | 182,143.93   |
| 6/1/2024         | 145,485   | 1.000% | 36,658.12 | 182,143.12   |
| 9/1/2024         | 145,849   | 1.000% | 36,294.41 | 182,143.41   |
| 12/1/2024        | 146,214   | 1.000% | 35,929.79 | 182,143.79   |
| 3/1/2025         | 146,579   | 1.000% | 35,564.25 | 182,143.25   |
| 6/1/2025         | 146,946   | 1.000% | 35,197.80 | 182,143.80   |
| 9/1/2025         | 147,313   | 1.000% | 34,830.44 | 182,143.44   |
| 12/1/2025        | 147,681   | 1.000% | 34,462.16 | 182,143.16   |
| 3/1/2026         | 148,051   | 1.000% | 34,092.95 | 182,143.95   |
| 6/1/2026         | 148,421   | 1.000% | 33,722.83 | 182,143.83   |
| 9/1/2026         | 148,792   | 1.000% | 33,351.77 | 182,143.77   |
| 12/1/2026        | 149,164   | 1.000% | 32,979.79 | 182,143.79   |

|          |         |        |           |            |
|----------|---------|--------|-----------|------------|
| 3/1/2027 | 149,537 | 1.000% | 32,606.88 | 182,143.88 |
| 6/1/2027 | 149,910 | 1.000% | 32,233.04 | 182,143.04 |

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(WDA:LOANS-MART213) 2

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**Bond Debt Service**

City of Martinsburg

IF

\$18,863,102

30 Years

1.0% Interest Rate

| Period<br>Ending | Principal | Coupon | Interest  | Debt Service |
|------------------|-----------|--------|-----------|--------------|
| 9/1/2027         | 150,285   | 1.000% | 31,858.27 | 182,143.27   |
| 12/1/2027        | 150,661   | 1.000% | 31,482.55 | 182,143.55   |
| 3/1/2028         | 151,038   | 1.000% | 31,105.90 | 182,143.90   |
| 6/1/2028         | 151,415   | 1.000% | 30,728.31 | 182,143.31   |
| 9/1/2028         | 151,794   | 1.000% | 30,349.77 | 182,143.77   |
| 12/1/2028        | 152,173   | 1.000% | 29,970.28 | 182,143.28   |
| 3/1/2029         | 152,554   | 1.000% | 29,589.85 | 182,143.85   |
| 6/1/2029         | 152,935   | 1.000% | 29,208.47 | 182,143.47   |
| 9/1/2029         | 153,317   | 1.000% | 28,826.13 | 182,143.13   |
| 12/1/2029        | 153,701   | 1.000% | 28,442.84 | 182,143.84   |
| 3/1/2030         | 154,085   | 1.000% | 28,058.58 | 182,143.58   |
| 6/1/2030         | 154,470   | 1.000% | 27,673.37 | 182,143.37   |
| 9/1/2030         | 154,856   | 1.000% | 27,287.20 | 182,143.20   |
| 12/1/2030        | 155,243   | 1.000% | 26,900.06 | 182,143.06   |
| 3/1/2031         | 155,632   | 1.000% | 26,511.95 | 182,143.95   |
| 6/1/2031         | 156,021   | 1.000% | 26,122.87 | 182,143.87   |
| 9/1/2031         | 156,411   | 1.000% | 25,732.82 | 182,143.82   |
| 12/1/2031        | 156,802   | 1.000% | 25,341.79 | 182,143.79   |
| 3/1/2032         | 157,194   | 1.000% | 24,949.78 | 182,143.78   |
| 6/1/2032         | 157,587   | 1.000% | 24,556.80 | 182,143.80   |
| 9/1/2032         | 157,981   | 1.000% | 24,162.83 | 182,143.83   |
| 12/1/2032        | 158,376   | 1.000% | 23,767.88 | 182,143.88   |
| 3/1/2033         | 158,772   | 1.000% | 23,371.94 | 182,143.94   |
| 6/1/2033         | 159,168   | 1.000% | 22,975.01 | 182,143.01   |
| 9/1/2033         | 159,566   | 1.000% | 22,577.09 | 182,143.09   |
| 12/1/2033        | 159,965   | 1.000% | 22,178.17 | 182,143.17   |
| 3/1/2034         | 160,365   | 1.000% | 21,778.26 | 182,143.26   |
| 6/1/2034         | 160,766   | 1.000% | 21,377.35 | 182,143.35   |
| 9/1/2034         | 161,168   | 1.000% | 20,975.43 | 182,143.43   |
| 12/1/2034        | 161,571   | 1.000% | 20,572.51 | 182,143.51   |
| 3/1/2035         | 161,975   | 1.000% | 20,168.59 | 182,143.59   |
| 6/1/2035         | 162,380   | 1.000% | 19,763.65 | 182,143.65   |
| 9/1/2035         | 162,786   | 1.000% | 19,357.70 | 182,143.70   |
| 12/1/2035        | 163,193   | 1.000% | 18,950.73 | 182,143.73   |
| 3/1/2036         | 163,601   | 1.000% | 18,542.75 | 182,143.75   |
| 6/1/2036         | 164,010   | 1.000% | 18,133.75 | 182,143.75   |
| 9/1/2036         | 164,420   | 1.000% | 17,723.72 | 182,143.72   |
| 12/1/2036        | 164,831   | 1.000% | 17,312.67 | 182,143.67   |
| 3/1/2037         | 165,243   | 1.000% | 16,900.60 | 182,143.60   |
| 6/1/2037         | 165,656   | 1.000% | 16,487.49 | 182,143.49   |
| 9/1/2037         | 166,070   | 1.000% | 16,073.35 | 182,143.35   |
| 12/1/2037        | 166,485   | 1.000% | 15,658.17 | 182,143.17   |
| 3/1/2038         | 166,902   | 1.000% | 15,241.96 | 182,143.96   |
| 6/1/2038         | 167,319   | 1.000% | 14,824.71 | 182,143.71   |
| 9/1/2038         | 167,737   | 1.000% | 14,406.41 | 182,143.41   |

|           |         |        |           |            |
|-----------|---------|--------|-----------|------------|
| 12/1/2038 | 168,156 | 1.000% | 13,987.07 | 182,143.07 |
| 3/1/2039  | 168,577 | 1.000% | 13,566.68 | 182,143.68 |

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(WDA:LOANS-MART213) 3

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**Bond Debt Service**

City of Martinsburg

IF

\$18,863,102

30 Years

1.0% Interest Rate

| Period<br>Ending | Principal  | Coupon | Interest     | Debt Service  |
|------------------|------------|--------|--------------|---------------|
| 6/1/2039         | 168,998    | 1.000% | 13,145.23    | 182,143.23    |
| 9/1/2039         | 169,421    | 1.000% | 12,722.74    | 182,143.74    |
| 12/1/2039        | 169,844    | 1.000% | 12,299.19    | 182,143.19    |
| 3/1/2040         | 170,269    | 1.000% | 11,874.58    | 182,143.58    |
| 6/1/2040         | 170,695    | 1.000% | 11,448.90    | 182,143.90    |
| 9/1/2040         | 171,121    | 1.000% | 11,022.17    | 182,143.17    |
| 12/1/2040        | 171,549    | 1.000% | 10,594.36    | 182,143.36    |
| 3/1/2041         | 171,978    | 1.000% | 10,165.49    | 182,143.49    |
| 6/1/2041         | 172,408    | 1.000% | 9,735.55     | 182,143.55    |
| 9/1/2041         | 172,839    | 1.000% | 9,304.53     | 182,143.53    |
| 12/1/2041        | 173,271    | 1.000% | 8,872.43     | 182,143.43    |
| 3/1/2042         | 173,704    | 1.000% | 8,439.25     | 182,143.25    |
| 6/1/2042         | 174,138    | 1.000% | 8,004.99     | 182,142.99    |
| 9/1/2042         | 174,574    | 1.000% | 7,569.65     | 182,143.65    |
| 12/1/2042        | 175,010    | 1.000% | 7,133.21     | 182,143.21    |
| 3/1/2043         | 175,448    | 1.000% | 6,695.69     | 182,143.69    |
| 6/1/2043         | 175,886    | 1.000% | 6,257.07     | 182,143.07    |
| 9/1/2043         | 176,326    | 1.000% | 5,817.35     | 182,143.35    |
| 12/1/2043        | 176,767    | 1.000% | 5,376.54     | 182,143.54    |
| 3/1/2044         | 177,209    | 1.000% | 4,934.62     | 182,143.62    |
| 6/1/2044         | 177,652    | 1.000% | 4,491.60     | 182,143.60    |
| 9/1/2044         | 178,096    | 1.000% | 4,047.47     | 182,143.47    |
| 12/1/2044        | 178,541    | 1.000% | 3,602.23     | 182,143.23    |
| 3/1/2045         | 178,988    | 1.000% | 3,155.87     | 182,143.87    |
| 6/1/2045         | 179,435    | 1.000% | 2,708.40     | 182,143.40    |
| 9/1/2045         | 179,884    | 1.000% | 2,259.82     | 182,143.82    |
| 12/1/2045        | 180,333    | 1.000% | 1,810.11     | 182,143.11    |
| 3/1/2046         | 180,784    | 1.000% | 1,359.27     | 182,143.27    |
| 6/1/2046         | 181,236    | 1.000% | 907.31       | 182,143.31    |
| 9/1/2046         | 181,689    | 1.000% | 454.22       | 182,143.22    |
|                  | 18,863,102 |        | 2,994,120.03 | 21,857,222.03 |



LOAN AGREEMENT

THIS LOAN AGREEMENT, made and entered into in several counterparts, by and between the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY, a governmental instrumentality and body corporate of the State of West Virginia (the "Authority"), acting on behalf of the WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL (the "Council"), and the governmental agency designated below (the "Governmental Agency").

CITY OF MARTINSBURG  
(2011S-1293/C-544147)

(Governmental Agency)

W I T N E S S E T H:

WHEREAS, pursuant to the provisions of Chapter 31, Article 15A of the Code of West Virginia, 1931, as amended (the "Act"), the Authority is empowered upon request of the Council to make loans to governmental agencies for the acquisition or construction of projects by such governmental agencies, subject to such provisions and limitations as are contained in the Act;

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

WHEREAS, the Governmental Agency is authorized and empowered by the statutes of the State to acquire, construct, improve, operate and maintain a project, as defined by the Act, and to finance the cost of acquisition and construction of the same by borrowing money to be evidenced by revenue bonds issued by the Governmental Agency;

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

WHEREAS, the Governmental Agency has completed and filed with the Authority an Application for a Construction Loan with attachments and exhibits and an

Amended Application for a Construction Loan also with attachments and exhibits (together, as further revised and supplemented, the "Application"), which Application is incorporated herein by this reference; and

WHEREAS, having reviewed the Application and made all findings required by the Act and having available sufficient funds therefor, the Council has authorized the Authority to lend the Governmental Agency the amount set forth on Schedule X attached hereto and incorporated herein by reference, through the purchase of revenue bonds of the Governmental Agency with money in the Infrastructure Fund, subject to the Governmental Agency's satisfaction of certain legal and other requirements of the Council's loan program (the "Program") as hereinafter set forth.

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

## ARTICLE I

### Definitions

1.1 Except where the context clearly indicates otherwise, the terms "Authority," "cost," "Council," "governmental agency," "project," "waste water facility" and "water facility" have the definitions and meanings ascribed to them in the Act.

1.2 "Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser of the Bonds, acting in its administrative capacity pursuant to Section 10 of the Act and upon authorization from the Council.

1.3 "Consulting Engineers" means the professional engineer, licensed by the State, designated in the Application and any qualified successor thereto; provided, however, when a Loan is made for a Project financed, in part, by the Office of Abandoned Mine Lands, "Consulting Engineers" shall mean the West Virginia Department of Environmental Protection, or any successor thereto.

1.4 "Infrastructure Fund" means the West Virginia Infrastructure Fund established in accordance with Section 9 of the Act.

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

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

1.7 "Local Bonds" means the revenue bonds to be issued by the Governmental Agency pursuant to the provisions of the Local Statute, as hereinafter defined, to evidence the Loan and to be purchased by the Authority, all in accordance with the provisions of this Loan Agreement.

1.8 "Local Statute" means the specific provisions of the Code of West Virginia, 1931, as amended, pursuant to which the Local Bonds are issued.

1.9 "Operating Expenses" means the reasonable, proper and necessary costs of operation and maintenance of the System, as hereinafter defined, as should normally and regularly be included as such under generally accepted accounting principles.

1.10 "Project" means the project hereinabove referred to, to be constructed or being constructed by the Governmental Agency in whole or in part with the net proceeds of the Local Bonds.

1.11 "System" means the project owned by the Governmental Agency, of which the Project constitutes all or to which the Project constitutes an improvement, and any improvements thereto hereafter constructed or acquired from any sources whatsoever.

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

## ARTICLE II

### The Project and the System

2.1 The Project shall generally consist of the construction and acquisition of the facilities described in the Application, to be, being or having been constructed in accordance with plans, specifications and designs prepared for the Governmental Agency by the Consulting Engineers, the Authority and Council having found, to the extent applicable, that the Project is consistent with the Act.

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

2.3 All real estate and interests in real estate and all personal property constituting the Project and the Project site heretofore or hereafter acquired shall at all times be and remain the property of the Governmental Agency, subject to any mortgage lien or other security interest as is provided for in the Local Statute unless a sale or transfer of all or a portion of said property or any interest therein is approved by the Authority and Council.

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

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

2.6 The Governmental Agency agrees that it will permit the Authority and the Council and their agents and representatives to have access to the records of the Governmental Agency pertaining to the operation and maintenance of the System at any reasonable time following completion of construction of the Project and commencement of operation thereof or if the Project is an improvement to an existing system at any reasonable time following commencement of construction.

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

2.8 The Governmental Agency shall require that each of its contractors and all subcontractors maintain, during the life of the construction contract, workers'

compensation coverage, public liability insurance, property damage insurance and vehicle liability insurance in amounts and on terms satisfactory to the Council and the Authority and shall verify or have verified such insurance prior to commencement of construction. Until the Project facilities are completed and accepted by the Governmental Agency, the Governmental Agency or (at the option of the Governmental Agency) the contractor shall maintain builder's risk insurance (fire and extended coverage) on a one hundred percent (100%) basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Authority, the Governmental Agency, the prime contractor and all subcontractors, as their interests may appear. If facilities of the System which are detrimentally affected by flooding are or will be located in designated special flood or mudslide-prone areas and if flood insurance is available at a reasonable cost, a flood insurance policy must be obtained by the Governmental Agency on or before the Date of Loan Closing, as hereinafter defined, and maintained so long as any of the Local Bonds is outstanding. Prior to commencing operation of the Project, the Governmental Agency must also obtain, and maintain so long as any of the Local Bonds are outstanding, business interruption insurance if available at a reasonable cost.

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

2.10 The Governmental Agency shall at all times provide operation and maintenance of the System in compliance with any and all State and federal standards. The Governmental Agency shall employ qualified operating personnel properly certified by the State to operate the System during the entire term of this Loan Agreement.

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

2.12 The Governmental Agency, commencing on the date contracts are executed for the acquisition or construction of the Project and for two years following the completion of acquisition or construction of the Project, shall each month complete a Monthly Financial Report, the form of which is attached hereto as Exhibit C and incorporated herein by reference, and forward a copy by the 10<sup>th</sup> of each month to the Authority and Council.

2.13 The Governmental Agency shall serve the additional customers at the location(s) as set forth in Schedule X. The Governmental Agency shall not reduce the amount of additional customers served by the project without the prior written approval of the WDA Board. Following completion of the Project the Governmental Agency shall certify to the Authority the number of customers added to the System.

2.14 The Governmental Agency shall perform an annual maintenance audit which maintenance audit shall be submitted to the WDA and the Public Service Commission of West Virginia.

### ARTICLE III

#### Conditions to Loan; Issuance of Local Bonds

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

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

(b) The Governmental Agency shall have authorized the issuance of and delivery to the Authority of the Local Bonds described in this Article III and in Article IV hereof;

(c) The Governmental Agency shall either have received bids or entered into contracts for the construction of the Project which are in an amount and otherwise compatible with the plan of financing described in the Application; provided that, if the Loan will refund an interim construction financing, the Governmental Agency must either be constructing or have constructed its Project for a cost and as otherwise compatible with the plan of financing described in the Application; and, in either case, the Authority and the Council shall have received a certificate of the Consulting Engineers to such effect, the form of which certificate is attached hereto as Exhibit A;

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

(e) The Governmental Agency shall have obtained all requisite orders of and approvals from the Public Service Commission of West Virginia (the "PSC") and the Council necessary for the construction of the Project and operation of the System, with all requisite appeal periods having expired without successful appeal, and the Authority and the Council shall have received an opinion of counsel to the Governmental Agency, which may be local counsel to the Governmental Agency, bond counsel or special PSC counsel but must be satisfactory to the Authority and the Council, to such effect;

(f) The Governmental Agency shall have obtained any and all approvals for the issuance of the Local Bonds required by State law, including compliance with Chapter 21, Article 1D of the Code of West Virginia, 1931, as amended, and the Authority and the Council shall have received an opinion of counsel to the Governmental Agency, which may be local counsel to the Governmental Agency, bond counsel or special PSC counsel but must be satisfactory to the Authority, to such effect;

(g) The Governmental Agency shall have obtained any and all approvals of rates and charges required by State law and shall have taken any other action required to establish and impose such rates and charges (imposition of such rates and charges is not, however, required to be effective until completion of construction of the Project), with all requisite appeal periods having expired without successful appeal, and the Authority and the Council shall have received an opinion of counsel to the Governmental Agency, which may be local counsel to the Governmental Agency, bond counsel or special PSC counsel but must be satisfactory to the Authority and the Council, to such effect;

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

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

3.2 Subject to the terms and provisions of this Loan Agreement, the rules and regulations promulgated by the Authority, the Council or any other appropriate State agency and any applicable rules, regulations and procedures promulgated from time to time by the federal government, it is hereby agreed that the Authority shall make the Loan to the Governmental Agency and the Governmental Agency shall accept the Loan from the Authority, and in furtherance thereof it is agreed that the Governmental Agency shall sell to the Authority and the Authority shall make the Loan by purchasing the Local Bonds in the principal amount and at the price set forth in Schedule X hereto. The Local Bonds shall have such further terms and provisions as described in Article IV hereof.

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

3.4 The Local Bonds shall be delivered to the Authority, at the offices of the Authority, on a date designated by the Governmental Agency by written notice to the Authority, which written notice shall be given not less than ten (10) business days prior to the date designated; provided, however, that if the Authority is unable to accept delivery on the date designated, the Local Bonds shall be delivered to the Authority on a date as close as possible to the designated date and mutually agreeable to the Authority, the Council and the Governmental Agency. The date of delivery so designated or agreed upon is hereinafter referred to as the "Date of Loan Closing." Notwithstanding the foregoing, the Date of Loan Closing shall in no event occur more than ninety (90) days after the date of execution of this Loan Agreement by the Authority or such later date as is agreed to in writing by the Council.

3.5 The Governmental Agency understands and acknowledges that it is one of several governmental agencies which have applied to the Council for loans from the Infrastructure Fund to finance projects and that the obligation of the Authority to make any such loan is subject to the Council's authorization and the Governmental Agency's fulfilling all of the terms and conditions of this Loan Agreement on or prior to the Date of Loan Closing. The Governmental Agency specifically recognizes that the Authority will not purchase the Local Bonds unless and until sufficient funds are available in the Infrastructure Fund to purchase all the Local Bonds and that, prior to execution of this Loan Agreement, the Authority may commit to and purchase the revenue bonds of other governmental agencies for which it has sufficient funds available.

#### ARTICLE IV

Local Bonds; Security for Loan;  
Repayment of Loan; Interest on Loan;  
Fees and Charges

4.1 The Governmental Agency shall, as one of the conditions of the Authority to make the Loan, authorize the issuance of and issue the Local Bonds pursuant to an official action of the Governmental Agency in accordance with the Local Statute, which shall, as adopted or enacted, contain provisions and covenants in substantially the form as follows, unless the specific provision or covenant is modified or waived by the Council:

(a) That the gross revenues of the System shall always be used for purposes of the System. Such gross revenues shall be used monthly, in the order of priority listed below:

(i) to pay Operating Expenses of the System;

(ii) to the extent not otherwise limited by any outstanding loan resolution, indenture or other act or document and beginning on the date set forth in Schedule X, to provide debt service on the Local Bonds by depositing in a sinking fund one-third (1/3) of the interest payment next coming due on the Local Bonds and one-third (1/3) of the principal payment next coming due on the Local Bonds and, beginning three (3) months prior to the first date of payment of principal of the Local Bonds, if the reserve account for the Local Bonds (the "Reserve Account") was not funded from proceeds of the Local Bonds or otherwise concurrently with the issuance thereof (which, with an approving opinion of bond counsel to the Governmental Agency, may be with a letter of credit or surety) in an amount equal to the maximum amount of principal and interest which will come due on the Local Bonds in the then current or any succeeding year (the "Reserve Requirement"), by depositing in the Reserve Account an amount not less than one-twelfth (1/12) of one-tenth (1/10) of the Reserve Requirement or, if the Reserve Account has been so funded (whether by Local Bond proceeds, monthly deposits or otherwise), any amount necessary to maintain the Reserve Account at the Reserve Requirement;

(iii) to create a renewal and replacement, or similar, fund in an amount equal to two and one-half percent (2-1/2%) of the gross revenues from the System, exclusive of any payments into the Reserve Account, for the purpose of improving or making emergency repairs or replacements to the System or eliminating any deficiencies in the Reserve Account; and

(iv) for other legal purposes of the System, including payment of debt service on other obligations junior, subordinate and inferior to the Local Bonds.

Provided, that if the Governmental Agency has existing outstanding indebtedness which has greater coverage or renewal and replacement fund requirements, then the greater requirements will prevail until said existing indebtedness is paid in full.

(b) Covenants substantially as follows:

(i) That the Local Bonds shall be secured by a pledge of either the gross or net revenues of the System, as more fully set forth in Schedule X attached hereto and in the Local Act;

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

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

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

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

(vi) That the Governmental Agency will carry such insurance as is customarily carried with respect to works and properties similar to the System, including those specified by Section 2.8 hereof;

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

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

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

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

(xi) That the Governmental Agency shall annually cause the records of the System to be audited by an independent certified public accountant or independent public accountant and shall submit the report of said audit to the Authority and the Council, which report shall include a statement that notes whether the results of tests disclosed instances of noncompliance that are required to be reported under government auditing standards and, if they are, describes the instances of noncompliance and the audited financial statements shall include a statement that notes whether the Governmental Agency's revenues are adequate to meet its Operating Expenses and debt service and reserve requirements;

(xii) That the Governmental Agency shall annually adopt a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding fiscal year and shall submit a copy of such budget to the Authority and the Council within 30 days of adoption thereof;

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

(xiv) That the proceeds of the Local Bonds, advanced from time to time, must (a) be deposited in a construction fund, which, except as otherwise agreed to in writing by the Authority, shall be held separate and apart from all other funds of the Governmental Agency and on which the owners of the Local Bonds shall have a lien until such proceeds are applied to the construction of the Project (including the repayment of any incidental interim financing) and/or (b) be used to pay (or redeem)

bond anticipation notes or other interim financing of such Governmental Agency, the proceeds of which were used to finance the construction of the Project; provided that, with the prior written consent of the Authority and the Council, the proceeds of the Local Bonds may be used to fund all or a portion of the Reserve Account, on which the owner of the Local Bonds shall have a lien as provided herein;

(xv) That, as long as the Authority is the owner of any of the Local Bonds, the Governmental Agency may not redeem any Local Bonds by it without the written consent of the Authority and the Council and otherwise in compliance with this Loan Agreement;

(xvi) That the West Virginia Municipal Bond Commission (the "Commission") shall serve as paying agent for the Local Bonds;

(xvii) That the Governmental Agency 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 payment. The Governmental Agency shall complete the Monthly Payment Form, attached hereto as Exhibit D and incorporated herein by reference, and submit a copy of said form along with a copy of the check or electronic transfer to the Authority by the 5<sup>th</sup> day of such calendar month. When required by the Authority, the Local Entity shall make monthly payments to the Commission by electronic transfer;

(xviii) That, unless it qualifies for an exception to the provisions of Section 148 of the Internal Revenue Code of 1986, as amended, which exception shall be set forth in an opinion of bond counsel, the Governmental Agency will furnish to the Authority, annually, at such time as it is required to perform its rebate calculations under the Internal Revenue Code of 1986, as amended, a certificate with respect to its rebate calculations and, at any time, any additional information requested by the Authority;

(xix) That the Governmental Agency shall take any and all action, or shall refrain from taking any action regarding the use of the proceeds of the Local Bonds, as shall be deemed necessary by the Authority to maintain the exclusion from gross income for federal income tax purposes of interest on the State's general obligation bonds or any bonds secured by the Local Bonds;

(xx) That the Governmental Agency shall have obtained the certificate of the Consulting Engineer in the form attached hereto as Exhibit A, to the effect that the Project has been or will be constructed in accordance with the approved plans, specifications and design as submitted to the Authority and the Council, the Project is adequate for the purposes for which it was designed, the funding plan as submitted to the Authority and the Council is sufficient to pay the costs of acquisition and construction

of the Project and all permits required by federal and State laws for construction of the Project have been obtained;

(xxi) That the Governmental Agency shall, to the full extent permitted by applicable law and the rules and regulations of the PSC, terminate the services of any water facility owned by it to any customer of the System who is delinquent in payment of charges for services provided by the System and will not restore the services of the water facility until all delinquent charges for the services of the System have been fully paid or, if the water facility is not owned by the Governmental Agency, then the Governmental Agency shall enter into a termination agreement with the water provider;

(xxii) That the Governmental Agency shall furnish to the Authority such information with respect to earnings on all funds constituting "gross proceeds" of the Local Bonds (as that term is defined in the Internal Revenue Code of 1986, as amended) from time to time as the Authority may request;

(xxiii) That the Governmental Agency shall submit all proposed change orders to the Council for written approval. The Governmental Agency shall obtain the written approval of the Council before expending any proceeds of the Local Bonds held in "contingency" as set forth in the final Schedule B attached to the certificate of the Consulting Engineer. The Governmental Agency shall obtain the written approval of the Council before making any changes to the final Schedule B and also before expending any proceeds of the Local Bonds available due to bid/construction/project underruns;

(xxiv) That the Governmental Agency shall list the funding provided by the Authority and the Council in any press release, publication, program bulletin, sign or other public communication that references the Project, including but not limited to any program document distributed in conjunction with any groundbreaking or dedication of the Project; and

(xxv) That, unless it qualifies for an exception, the Governmental Agency shall comply with all the requirements of Chapter 21, Article 1C of the Code of West Virginia, 1931, as amended (the "West Virginia Jobs Act") and shall require its contractors and subcontractors to comply with the West Virginia Jobs Act. The Governmental Agency shall provide the Council and the Authority with a certificate stating that (I) the Governmental Agency will comply with all the requirements of the West Virginia Jobs Act; (II) the Governmental Agency has included the provisions of the West Virginia Jobs Act in each contract and subcontract for the Project; (III) the Governmental Agency has received or will receive, prior to entering into contracts or subcontracts, from each contractor or subcontractor a certificate demonstrating compliance with Section 4 of the West Virginia Jobs Act or waiver certificates from the West Virginia Division of Labor ("DOL"); and (IV) the Governmental Agency will file with the DOL and the Council copies of the waiver certificates and certified payrolls or comparable documents that include the number of employees, the county and state

wherein the employees reside and their occupation, following the procedures established by the DOL. The monthly requisitions submitted to the Council shall also certify that the Governmental Agency is monitoring compliance by its contractors and subcontractors and that the required information has been submitted.

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

4.2 The Loan shall be secured by the pledge and assignment by the Governmental Agency, as effected by the Local Act, of the fees, charges and other revenues of the Governmental Agency from the System as further set forth by and subject only to such reservations and exceptions as are described in Schedules X and Y hereto or are otherwise expressly permitted in writing by the Authority and the Council.

4.3 The principal of the Loan shall be repaid by the Governmental Agency on the days and in the years provided in Schedule X hereto. Interest payments on the Loan shall be made by the Governmental Agency on a quarterly basis as provided in said Schedule X.

4.4 The Loan shall bear interest from the date and at the rate or rates per annum set forth on Schedule X hereto. In no event shall the interest rate on or the net interest cost of the Local Bonds exceed any statutory limitation with regard thereto.

4.5 The Local Bonds shall be delivered to the Authority in fully registered form, transferable and exchangeable as provided in the Local Act at the expense of the Governmental Agency. Anything to the contrary herein notwithstanding, the Local Bonds may be issued in one or more series, as reflected by Schedule X hereto.

4.6 The Governmental Agency agrees to expend the net proceeds of the Local Bonds for the Project within 3 years of the issuance of the bonds which are the source of money used to purchase the Local Bonds, unless otherwise agreed to by the Council.

## ARTICLE V

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

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

5.2 In the event, for any reason, the schedule of rates, fees and charges initially established for the System in connection with the Local Bonds shall prove to be insufficient to produce the required sums set forth in the Local Act and this Loan Agreement, the Governmental Agency hereby covenants and agrees that it will, to the extent or in the manner authorized by law, immediately adjust and increase such schedule of rates, fees and charges (or where applicable, immediately file with the PSC for a rate increase) and take all such actions necessary to provide funds sufficient to produce the required sums set forth in the Local Act and this Loan Agreement.

5.3 In the event the Governmental Agency defaults in the payment due to the Authority pursuant to this Loan Agreement, the amount of such default shall bear interest at the interest rate of the installment of the Loan next due, from the date of the default until the date of the payment thereof.

5.4 The Governmental Agency hereby irrevocably covenants and agrees with the Authority that, in the event of any default hereunder by the Governmental Agency, the Authority may exercise any or all of the rights and powers granted under the Act and State law, including, without limitation, the right to an appointment of a receiver.

## ARTICLE VI

### Other Agreements of the Governmental Agency

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

6.2 The Governmental Agency hereby covenants that it will rebate any amounts required by Section 148 of the Internal Revenue Code of 1986, as amended, and will take all steps necessary to make any such rebates. In the event the Governmental Agency fails to make any such rebates as required, then the Governmental Agency shall pay any and all penalties, obtain a waiver from the Internal Revenue Service and take any other actions necessary or desirable to preserve the exclusion from gross income for federal income tax purposes of interest on the Local Bonds.

6.3 Notwithstanding Section 6.2, the Authority may at any time, in its sole discretion, cause the rebate calculations prepared by or on behalf of the Governmental Agency to be monitored or cause the rebate calculations for the Governmental Agency to be prepared, in either case at the expense of the Governmental Agency.

6.4 The Governmental Agency hereby agrees to give the Authority and the Council prior written notice of the issuance by it of any other obligations to be used for the System, payable from the revenues of the System or from any grants for the Project or otherwise related to the Project or the System.

6.5 The Governmental Agency hereby agrees to file with the Authority and the Council upon completion of acquisition and construction of the Project a schedule in substantially the form of Amended Schedule B to the Application, setting forth the actual costs of the Project and sources of funds therefor.

## ARTICLE VII

### Miscellaneous

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

7.2 Schedules X and Y shall be attached to this Loan Agreement by the Authority as soon as practicable after the Date of Loan Closing is established and shall be approved by an official action of the Governmental Agency supplementing the Local Act, a certified copy of which official action shall be submitted to the Authority and the Council.

7.3 The Authority shall take all actions required by the Council in making and enforcing this Loan Agreement.

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

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

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

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

7.8 The Authority acknowledges that certain terms and requirements in this Loan Agreement may not be applicable when the Project is financed in part by the West Virginia Department of Environmental Protection, Office of Abandoned Mine

Lands and under that circumstance those terms and requirements are specifically waived or modified as agreed to by the Authority and set forth in the Local Act.

7.9 By execution and delivery of this Loan Agreement, notwithstanding the date hereof, the Governmental Agency specifically recognizes that it is hereby agreeing to sell its Local Bonds to the Authority and that such obligation may be specifically enforced or subject to a similar equitable remedy by the Authority.

7.10 This Loan Agreement shall terminate upon the earlier of:

- (i) the end of ninety (90) days after the date of execution hereof by the Authority or such later date as is agreed to in writing by the Council if the Governmental Agency has failed to deliver the Local Bonds to the Authority;
- (ii) termination by the Authority and the Council pursuant to Section 6.1 hereof; or
- (iii) payment in full of the principal of and interest on the Loan and of any fees and charges owed by the Governmental Agency to the Authority, acting on behalf of the Council.

IN WITNESS WHEREOF, the parties hereto have caused this Loan Agreement to be executed by their respective duly authorized officers as of the date executed below by the Authority.

CITY OF MARTINSBURG

(SEAL)

Attest:

Werna Hong  
Its: Clerk

By: George Kravos  
Its: Mayor  
Date: October 1, 2013

WEST VIRGINIA WATER  
DEVELOPMENT AUTHORITY

(SEAL)

Attest:

Sheila A. Miller  
Its: Authorized Officer

By: [Signature]  
Its: Executive Director  
Date: October 1, 2013

EXHIBIT A

FORM OF CERTIFICATE OF CONSULTING ENGINEER

\_\_\_\_\_  
(Issuer)

\_\_\_\_\_  
(Name of Bonds)

I, \_\_\_\_\_, Registered Professional Engineer, West Virginia License No. \_\_\_\_\_, of \_\_\_\_\_, Consulting Engineers, \_\_\_\_\_, hereby certify as follows:

1. My firm is engineer for the acquisition and construction of \_\_\_\_\_ to \_\_\_\_\_ the \_\_\_\_\_ system (the "Project") of \_\_\_\_\_ (the "Issuer"), to be constructed primarily in \_\_\_\_\_ County, West Virginia, which acquisition and construction are being permanently financed in part by the above-captioned bonds (the "Bonds") of the Issuer. Capitalized words not defined herein shall have the same meanings set forth in the bond \_\_\_\_\_ adopted or enacted by the Issuer on \_\_\_\_\_, and the Loan Agreement by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), dated \_\_\_\_\_.

2. The Bonds are being issued for the purposes of (i) \_\_\_\_\_, and (ii) paying certain issuance and other costs in connection therewith.

3. To the best of my knowledge, information and belief, (i) within the limits and in accordance with the applicable and governing contractual requirements relating to the Project, the Project will be constructed in general accordance with the approved plans, specifications and designs prepared by my firm and approved by the DEP and any change orders approved by the Issuer, the DEP and all necessary governmental bodies; (ii) the Project, as designed, is adequate for its intended purpose and has a useful life of at least \_\_\_\_\_ years, if properly operated and maintained, excepting anticipated replacements due to normal wear and tear; (iii) the Issuer has received bids for the acquisition and construction of the Project which are in an amount and otherwise compatible with the plan of financing set forth in Schedule attached hereto

as Exhibit A, and my firm<sup>1</sup> has ascertained that all successful bidders have made required provisions for all insurance and payment and performance bonds and that such insurance policies or binders and such bonds have been verified for accuracy; (iv) the successful bidders received any and all addenda to the original bid documents; (v) the bid documents relating to the Project reflect the Project as approved by the DEP and the bid forms provided to the bidders contain all critical operational components of the Project; (vi) the successful bids include prices for every item on such bid forms; (vii) the uniform bid procedures were followed; (viii) the Issuer has obtained all permits required by the laws of the State of West Virginia and the United States necessary for the acquisition and construction of the Project and operation of the System; (ix) as of the effective date thereof<sup>2</sup>, the rates and charges for the System as adopted by the Issuer will be sufficient to comply with the provisions of the Funding Assistance Agreement; (x) the net proceeds of the Bonds, together with all other moneys on deposit or to be simultaneously deposited and irrevocably pledged thereto and the proceeds of grants, if any, irrevocably committed therefor, are sufficient to pay the costs of acquisition and construction of the Project approved by the DEP; (xi) the Project was designed and will be constructed in compliance with the provisions of West Virginia Code Chapter 22, Article 29; and (xii) attached hereto as Exhibit A is the final amended "Schedule A - Total Cost of Project; Sources of Funds and Cost of Financing" for the Project.

4. The Project will serve \_\_\_\_\_ new customers in the \_\_\_\_\_ area.

WITNESS my signature and seal on this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_.

[SEAL]

\_\_\_\_\_  
By: \_\_\_\_\_  
West Virginia License No. \_\_\_\_\_

<sup>1</sup>If another responsible party, such as the Issuer's attorney, reviews the insurance and payment bonds, then insert the following: [and in reliance upon the opinion of \_\_\_\_\_, Esq.] and delete "my firm has ascertained that".

<sup>2</sup>If the Rule 42 Exhibit and/or rate structure was prepared by an accountant, then insert the following: "In reliance upon the certificate of \_\_\_\_\_ of even date herewith," at the beginning of (ix).

## EXHIBIT B

### OPINION OF BOND COUNSEL FOR GOVERNMENTAL AGENCY

[To Be Dated as of Date of Loan Closing]

West Virginia Infrastructure and  
Jobs Development Council  
1009 Bullitt Street  
Charleston, WV 25301

West Virginia Water Development Authority  
1009 Bullitt Street  
Charleston, WV 25301

Ladies and Gentlemen:

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

We have examined a certified copy of proceedings and other papers relating to the authorization of (i) a loan agreement dated \_\_\_\_\_, including all schedules and exhibits attached thereto (the "Loan Agreement"), between the Governmental Agency and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), and (ii) the issue of a series of revenue bonds of the Governmental Agency, dated \_\_\_\_\_ (the "Local Bonds"), to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Local Bonds are issued in the principal amount of \$\_\_\_\_\_, in the form of one bond, registered as to principal and interest to the Authority, with interest and principal payable quarterly on March 1, June 1, September 1 and December 1 of each year, beginning , 1, \_\_\_\_\_, and ending \_\_\_\_\_, 1, \_\_\_\_\_, as set forth in the "Schedule Y" attached to the Loan Agreement and incorporated in and made a part of the Local Bonds.

The Local Bonds are issued for the purposes of (i) \_\_\_\_\_, and (ii) paying certain issuance and other costs in connection therewith.

We have also examined the applicable provisions of \_\_\_\_\_ of the Code of West Virginia, 1931, as amended (the "Local Statute"), and the bond \_\_\_\_\_ duly adopted or enacted by the Governmental Agency on \_\_\_\_\_, as supplemented by the supplemental resolution duly adopted by the Governmental Agency on \_\_\_\_\_ (collectively, the "Local Act"), pursuant to and under which Local Statute and Local Act the Local Bonds are authorized and issued, and the Loan Agreement has been undertaken. The Local Bonds are subject to redemption prior to maturity to the extent, at the time, under the

conditions and subject to the limitations set forth in the Local Act and the Loan Agreement.

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

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

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

3. The Governmental Agency is a duly organized and validly existing \_\_\_\_\_, with full power and authority to acquire and construct the Project, to operate and maintain the System, to adopt or enact the Local Act and to issue and sell the Local Bonds, all under the Local Statute and other applicable provisions of law.

4. The Local Act and all other necessary orders and resolutions have been legally and effectively adopted or enacted by the Governmental Agency and constitute valid and binding obligations of the Governmental Agency, enforceable against the Governmental Agency in accordance with their terms. The Local Act contains provisions and covenants substantially in the form of those set forth in Section 4.1 of the Loan Agreement.

5. The Local Bonds have been duly authorized, issued, executed and delivered by the Governmental Agency to the Authority and are valid, legally enforceable and binding special obligations of the Governmental Agency, payable from the net or gross revenues of the System set forth in the Local Act and secured by a first lien on and pledge of the net or gross revenues of the System, all in accordance with the terms of the Local Bonds and the Local Act.

6. The Local Bonds are, by statute, exempt \_\_\_\_\_, and under existing statutes and court decisions of the United States of America, as presently written and applied, the interest on the Local Bonds is excludable from the gross income of the recipients thereof for federal income tax purposes.

No opinion is given herein as to the effect upon enforceability of the Local Bonds of bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights or in the exercise of judicial discretion in appropriate cases.

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

Very truly yours,

# EXHIBIT C

## MONTHLY FINANCIAL REPORT

Name of Governmental Agency \_\_\_\_\_  
 Name of Bond Issue(s) \_\_\_\_\_  
 Type of Project \_\_\_\_\_ Water \_\_\_\_\_ Wastewater \_\_\_\_\_  
 Fiscal Year \_\_\_\_\_ Report Month \_\_\_\_\_

| <u>Item</u>                                    | <u>Current<br/>Month</u> | <u>Total<br/>Year<br/>To Date</u> | <u>Budget<br/>Year<br/>To Date</u> | <u>Budget<br/>Year To<br/>Date Minus<br/>Total Year<br/>To Date</u> |
|------------------------------------------------|--------------------------|-----------------------------------|------------------------------------|---------------------------------------------------------------------|
| 1. Gross Revenues                              | _____                    | _____                             | _____                              | _____                                                               |
| 2. Operating Expenses                          | _____                    | _____                             | _____                              | _____                                                               |
| 3. Bond Payments:                              |                          |                                   |                                    |                                                                     |
| <u>Type of Issue</u>                           |                          |                                   |                                    |                                                                     |
| Clean Water SRF                                | _____                    | _____                             | _____                              | _____                                                               |
| Drinking Water TRF                             | _____                    | _____                             | _____                              | _____                                                               |
| Infrastructure Fund                            | _____                    | _____                             | _____                              | _____                                                               |
| Water Development<br>Authority                 | _____                    | _____                             | _____                              | _____                                                               |
| Rural Utilities Service                        | _____                    | _____                             | _____                              | _____                                                               |
| Economic Development                           | _____                    | _____                             | _____                              | _____                                                               |
| Administration                                 | _____                    | _____                             | _____                              | _____                                                               |
| Other (Identify)                               | _____                    | _____                             | _____                              | _____                                                               |
| _____                                          | _____                    | _____                             | _____                              | _____                                                               |
| _____                                          | _____                    | _____                             | _____                              | _____                                                               |
| 4. Renewal and<br>Replacement<br>Fund Deposits | _____                    | _____                             | _____                              | _____                                                               |

\_\_\_\_\_  
 Name of Person Completing Form

\_\_\_\_\_  
 Address

\_\_\_\_\_  
 Telephone

## INSTRUCTIONS FOR COMPLETING MONTHLY FINANCIAL REPORT

- Item 1      You will need a copy of the current fiscal year budget adopted by the Governmental Agency to complete Items 1 and 2. In Item 1, provide the amount of actual **Gross Revenues** for the current month and the total amount year-to-date in the respective columns. Divide the budgeted annual Gross Revenues by 12. For example, if Gross Revenues of \$1,200 are anticipated to be received for the year, each month the base would be increased by \$100 ( $\$1,200/12$ ). This is the incremental amount for the Budget Year-to-Date column.
- Item 2      Provide the amount of actual **Operating Expenses** for the current month and the total amount year-to-date in the respective columns. Any administrative fee should be included in the Operating Expenses. Divide the budgeted annual Operating Expenses by 12. For example, if Operating Expenses of \$900 are anticipated to be incurred for the year, each month the base would be increased by \$75 ( $\$900/12$ ). This is the incremental amount for the Budget Year-to-Date column.
- Item 3      Provide the **Bond Payments (principal, interest and reserve account)** for all the outstanding bonds of the Governmental Agency according to the source of funding. For example, Clean Water State Revolving Fund loan from Department of Environmental Protection, Drinking Water Treatment Revolving Fund loan from Bureau for Public Health, Infrastructure Fund loan from Infrastructure and Jobs Development Council, or a loan from the Water Development Authority, etc.
- Item 4      Provide the amount deposited into the **Renewal and Replacement Fund** each month. This amount is equal to 2.5% of Gross Revenues minus the total reserve account payments included in Item 3. If Gross Revenues are \$1,200, then \$30 (2.5% of \$1,200), LESS the amount of all reserve account payments in Item 3 should be deposited into the Renewal and Replacement Fund. The money in the Renewal and Replacement Fund should be kept separate and apart from all other funds of the Governmental Agency.

**The Governmental Agency must complete the Monthly Financial Report and forward it to the Water Development Authority by the 10<sup>th</sup> day of each month, commencing on the date contracts are executed for the acquisition or construction of the Project and for two years following the completion of acquisition or construction of the Project.**

EXHIBIT D

MONTHLY PAYMENT FORM

West Virginia Water Development Authority  
1009 Bullitt Street  
Charleston, WV 25301

Re: [Name of bond issue]

Ladies and Gentlemen:

The following deposits were made to the West Virginia Municipal Bond Commission on behalf of [Name of Governmental Agency] on [Date].

Sinking Fund:

Interest \$

Principal \$

Total: \$

Reserve Account: \$

Witness my signature this \_\_\_\_ day of \_\_\_\_\_.

[Name of Governmental Agency]

By: \_\_\_\_\_  
Authorized Officer

Enclosure: copy of check(s)

## SCHEDULE X

### DESCRIPTION OF LOCAL BONDS

|                                 |              |
|---------------------------------|--------------|
| Principal Amount of Local Bonds | \$18,863,102 |
| Purchase Price of Local Bonds   | \$18,863,102 |

The Local Bonds shall bear interest at a rate of 1% per annum. No interest accrues during the construction period. Commencing December 1, 2016, principal and interest on the Local Bonds is payable quarterly. Quarterly payments will be made on March 1, June 1, September 1 and December 1 of each year as set forth on the Schedule Y attached hereto and incorporated herein by reference.

The Governmental Agency shall authorize the Commission to electronically debit its monthly payments. The Commission will make quarterly payments to the Authority at such address as is given to the Commission in writing by the Authority.

The Local Bonds are fully registered in the name of the Authority as to interests and principal and the Local Bonds shall grant the Authority a first lien on the gross or net revenues of the Governmental Agency's system as provided in the Local Act.

The Governmental Agency may prepay the Local Bonds in full at any time at the price of par but only with the Council's written consent. The Governmental Agency shall request approval from the Authority and Council in writing of any proposed debt which will be issued by the Governmental Agency on a parity with the Local Bonds which request must be filed at least 60 days prior to the intended date of issuance.

As of the date of the Loan Agreement, the Local Bonds will be subordinate to the liens, pledge and source of and security for payment with the following obligations of the Governmental Agency:

- (1) City of Martinsburg 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) City of Martinsburg 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,
- (3) City of Martinsburg 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,

- (4) City of Martinsburg Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2011 A, dated December 28, 2011, originally issued in the aggregate principal amount of \$8,830,000, and
- (5) City of Martinsburg Combined Waterworks and Sewerage System Revenue Bonds, Series 2013 A, dated October 1, 2013, originally issued in the aggregate principal amount of \$34,644,714.

Number of New Customers: 0  
Location: Martinsburg, Berkeley County

# SCHEDULE Y

## DEBT SERVICE SCHEDULE

|  |                     |               |           |               |                |  |
|--|---------------------|---------------|-----------|---------------|----------------|--|
|  | Bond Debt Service   |               |           |               |                |  |
|  | City of Martinsburg |               |           |               |                |  |
|  | IF                  |               |           |               |                |  |
|  | \$18,863,102        |               |           |               |                |  |
|  | 30 Years            |               |           |               |                |  |
|  | 1.0% Interest Rate  |               |           |               |                |  |
|  |                     | Dated Date    | 10/1/2013 |               |                |  |
|  |                     | Delivery Date | 10/1/2013 |               |                |  |
|  |                     |               |           |               |                |  |
|  |                     |               |           |               |                |  |
|  |                     |               |           |               |                |  |
|  | Period              |               |           |               |                |  |
|  | Ending              | Principal     | Coupon    | Interest      | Debt Service   |  |
|  | 12/1/2016           | 134,985,763   | 1.000%    | 47,157,755.00 | 182,143,518.00 |  |
|  | 3/1/2017            | 135,323,227   | 1.000%    | 46,820,290.59 | 182,143,517.59 |  |
|  | 6/1/2017            | 135,661,535   | 1.000%    | 46,481,982.53 | 182,143,517.53 |  |
|  | 9/1/2017            | 136,000,689   | 1.000%    | 46,142,828.69 | 182,143,517.69 |  |
|  | 12/1/2017           | 136,340,691   | 1.000%    | 45,802,826.97 | 182,143,517.97 |  |
|  | 3/1/2018            | 136,681,542   | 1.000%    | 45,461,975.24 | 182,143,517.24 |  |
|  | 6/1/2018            | 137,023,246   | 1.000%    | 45,120,271.38 | 182,143,517.38 |  |
|  | 9/1/2018            | 137,365,804   | 1.000%    | 44,777,713.27 | 182,143,517.27 |  |
|  | 12/1/2018           | 137,709,219   | 1.000%    | 44,434,298.76 | 182,143,517.76 |  |
|  | 3/1/2019            | 138,053,492   | 1.000%    | 44,090,025.71 | 182,143,517.71 |  |
|  | 6/1/2019            | 138,398,626   | 1.000%    | 43,744,891.98 | 182,143,517.98 |  |
|  | 9/1/2019            | 138,744,622   | 1.000%    | 43,398,895.42 | 182,143,517.42 |  |
|  | 12/1/2019           | 139,091,484   | 1.000%    | 43,052,033.86 | 182,143,517.86 |  |
|  | 3/1/2020            | 139,439,212   | 1.000%    | 42,704,305.15 | 182,143,517.15 |  |
|  | 6/1/2020            | 139,787,811   | 1.000%    | 42,355,707.12 | 182,143,518.12 |  |
|  | 9/1/2020            | 140,137,280   | 1.000%    | 42,006,237.59 | 182,143,517.59 |  |
|  | 12/1/2020           | 140,487,623   | 1.000%    | 41,655,894.39 | 182,143,517.39 |  |
|  | 3/1/2021            | 140,838,842   | 1.000%    | 41,304,675.34 | 182,143,517.34 |  |
|  | 6/1/2021            | 141,190,939   | 1.000%    | 40,952,578.23 | 182,143,517.23 |  |
|  | 9/1/2021            | 141,543,917   | 1.000%    | 40,599,600.88 | 182,143,517.88 |  |
|  | 12/1/2021           | 141,897,777   | 1.000%    | 40,245,741.09 | 182,143,518.09 |  |
|  | 3/1/2022            | 142,252,521   | 1.000%    | 39,890,996.65 | 182,143,517.65 |  |
|  | 6/1/2022            | 142,608,152   | 1.000%    | 39,535,365.35 | 182,143,517.35 |  |
|  | 9/1/2022            | 142,964,673   | 1.000%    | 39,178,844.97 | 182,143,517.97 |  |
|  | 12/1/2022           | 143,322,084   | 1.000%    | 38,821,433.28 | 182,143,517.28 |  |
|  | 3/1/2023            | 143,680,390   | 1.000%    | 38,463,128.07 | 182,143,518.07 |  |
|  | 6/1/2023            | 144,039,591   | 1.000%    | 38,103,927.10 | 182,143,518.10 |  |
|  | 9/1/2023            | 144,399,690   | 1.000%    | 37,743,828.12 | 182,143,518.12 |  |
|  | 12/1/2023           | 144,760,689   | 1.000%    | 37,382,828.90 | 182,143,517.90 |  |
|  | 3/1/2024            | 145,122,590   | 1.000%    | 37,020,927.17 | 182,143,517.17 |  |
|  | 6/1/2024            | 145,485,397   | 1.000%    | 36,658,120.70 | 182,143,517.70 |  |
|  | 9/1/2024            | 145,849,110   | 1.000%    | 36,294,407.21 | 182,143,517.21 |  |
|  | 12/1/2024           | 146,213,733   | 1.000%    | 35,929,784.43 | 182,143,517.43 |  |
|  | 3/1/2025            | 146,579,268   | 1.000%    | 35,564,250.10 | 182,143,518.10 |  |
|  | 6/1/2025            | 146,945,716   | 1.000%    | 35,197,801.93 | 182,143,517.93 |  |
|  | 9/1/2025            | 147,313,080   | 1.000%    | 34,830,437.64 | 182,143,517.64 |  |
|  | 12/1/2025           | 147,681,363   | 1.000%    | 34,462,154.94 | 182,143,517.94 |  |
|  | 3/1/2026            | 148,050,566   | 1.000%    | 34,092,951.53 | 182,143,517.53 |  |
|  | 6/1/2026            | 148,420,693   | 1.000%    | 33,722,825.12 | 182,143,518.12 |  |
|  | 9/1/2026            | 148,791,744   | 1.000%    | 33,351,773.38 | 182,143,517.38 |  |
|  | 12/1/2026           | 149,163,724   | 1.000%    | 32,979,794.02 | 182,143,518.02 |  |
|  | 3/1/2027            | 149,536,633   | 1.000%    | 32,606,884.71 | 182,143,517.71 |  |
|  | 6/1/2027            | 149,910,474   | 1.000%    | 32,233,043.13 | 182,143,517.13 |  |

|  |                     |             |        |               |                |  |
|--|---------------------|-------------|--------|---------------|----------------|--|
|  | Bond Debt Service   |             |        |               |                |  |
|  | City of Martinsburg |             |        |               |                |  |
|  | IF                  |             |        |               |                |  |
|  | \$18,863,102        |             |        |               |                |  |
|  | 30 Years            |             |        |               |                |  |
|  | 1.0% Interest Rate  |             |        |               |                |  |
|  |                     |             |        |               |                |  |
|  | Period<br>Ending    | Principal   | Coupon | Interest      | Debt Service   |  |
|  | 9/1/2027            | 150,285,251 | 1.000% | 31,858,266.95 | 182,143,517.95 |  |
|  | 12/1/2027           | 150,660,964 | 1.000% | 31,482,553.82 | 182,143,517.82 |  |
|  | 3/1/2028            | 151,037,616 | 1.000% | 31,105,901.41 | 182,143,517.41 |  |
|  | 6/1/2028            | 151,415,210 | 1.000% | 30,728,307.37 | 182,143,517.37 |  |
|  | 9/1/2028            | 151,793,748 | 1.000% | 30,349,769.34 | 182,143,517.34 |  |
|  | 12/1/2028           | 152,173,233 | 1.000% | 29,970,284.97 | 182,143,517.97 |  |
|  | 3/1/2029            | 152,553,666 | 1.000% | 29,589,851.89 | 182,143,517.89 |  |
|  | 6/1/2029            | 152,935,050 | 1.000% | 29,208,467.73 | 182,143,517.73 |  |
|  | 9/1/2029            | 153,317,388 | 1.000% | 28,826,130.10 | 182,143,518.10 |  |
|  | 12/1/2029           | 153,700,681 | 1.000% | 28,442,836.63 | 182,143,517.63 |  |
|  | 3/1/2030            | 154,084,933 | 1.000% | 28,058,584.93 | 182,143,517.93 |  |
|  | 6/1/2030            | 154,470,145 | 1.000% | 27,673,372.60 | 182,143,517.60 |  |
|  | 9/1/2030            | 154,856,320 | 1.000% | 27,287,197.23 | 182,143,517.23 |  |
|  | 12/1/2030           | 155,243,461 | 1.000% | 26,900,056.43 | 182,143,517.43 |  |
|  | 3/1/2031            | 155,631,570 | 1.000% | 26,511,947.78 | 182,143,517.78 |  |
|  | 6/1/2031            | 156,020,649 | 1.000% | 26,122,868.86 | 182,143,517.86 |  |
|  | 9/1/2031            | 156,410,700 | 1.000% | 25,732,817.23 | 182,143,517.23 |  |
|  | 12/1/2031           | 156,801,727 | 1.000% | 25,341,790.48 | 182,143,517.48 |  |
|  | 3/1/2032            | 157,193,731 | 1.000% | 24,949,786.17 | 182,143,517.17 |  |
|  | 6/1/2032            | 157,586,716 | 1.000% | 24,556,801.84 | 182,143,517.84 |  |
|  | 9/1/2032            | 157,980,683 | 1.000% | 24,162,835.05 | 182,143,518.05 |  |
|  | 12/1/2032           | 158,375,634 | 1.000% | 23,767,883.34 | 182,143,517.34 |  |
|  | 3/1/2033            | 158,771,573 | 1.000% | 23,371,944.26 | 182,143,517.26 |  |
|  | 6/1/2033            | 159,168,502 | 1.000% | 22,975,015.32 | 182,143,517.32 |  |
|  | 9/1/2033            | 159,566,424 | 1.000% | 22,577,094.07 | 182,143,518.07 |  |
|  | 12/1/2033           | 159,965,340 | 1.000% | 22,178,178.01 | 182,143,518.01 |  |
|  | 3/1/2034            | 160,365,253 | 1.000% | 21,778,264.66 | 182,143,517.66 |  |
|  | 6/1/2034            | 160,766,166 | 1.000% | 21,377,351.53 | 182,143,517.53 |  |
|  | 9/1/2034            | 161,168,082 | 1.000% | 20,975,436.11 | 182,143,518.11 |  |
|  | 12/1/2034           | 161,571,002 | 1.000% | 20,572,515.91 | 182,143,517.91 |  |
|  | 3/1/2035            | 161,974,929 | 1.000% | 20,168,588.40 | 182,143,517.40 |  |
|  | 6/1/2035            | 162,379,867 | 1.000% | 19,763,651.08 | 182,143,518.08 |  |
|  | 9/1/2035            | 162,785,816 | 1.000% | 19,357,701.41 | 182,143,517.41 |  |
|  | 12/1/2035           | 163,192,781 | 1.000% | 18,950,736.87 | 182,143,517.87 |  |
|  | 3/1/2036            | 163,600,763 | 1.000% | 18,542,754.92 | 182,143,517.92 |  |
|  | 6/1/2036            | 164,009,765 | 1.000% | 18,133,753.01 | 182,143,518.01 |  |
|  | 9/1/2036            | 164,419,789 | 1.000% | 17,723,728.60 | 182,143,517.60 |  |
|  | 12/1/2036           | 164,830,838 | 1.000% | 17,312,679.13 | 182,143,517.13 |  |
|  | 3/1/2037            | 165,242,916 | 1.000% | 16,900,602.03 | 182,143,518.03 |  |
|  | 6/1/2037            | 165,656,023 | 1.000% | 16,487,494.74 | 182,143,517.74 |  |
|  | 9/1/2037            | 166,070,163 | 1.000% | 16,073,354.68 | 182,143,517.68 |  |
|  | 12/1/2037           | 166,485,338 | 1.000% | 15,658,179.28 | 182,143,517.28 |  |
|  | 3/1/2038            | 166,901,552 | 1.000% | 15,241,965.93 | 182,143,517.93 |  |
|  | 6/1/2038            | 167,318,806 | 1.000% | 14,824,712.05 | 182,143,518.05 |  |
|  | 9/1/2038            | 167,737,103 | 1.000% | 14,406,415.04 | 182,143,518.04 |  |
|  | 12/1/2038           | 168,156,445 | 1.000% | 13,987,072.28 | 182,143,517.28 |  |
|  | 3/1/2039            | 168,576,836 | 1.000% | 13,566,681.17 | 182,143,517.17 |  |

| Bond Debt Service   |                |        |                  |                   |  |
|---------------------|----------------|--------|------------------|-------------------|--|
| City of Martinsburg |                |        |                  |                   |  |
| IF                  |                |        |                  |                   |  |
| \$18,863,102        |                |        |                  |                   |  |
| 30 Years            |                |        |                  |                   |  |
| 1.0% Interest Rate  |                |        |                  |                   |  |
| Period<br>Ending    | Principal      | Coupon | Interest         | Debt Service      |  |
| 6/1/2039            | 168,998,279    | 1.000% | 13,145,239.08    | 182,143,518.08    |  |
| 9/1/2039            | 169,420,774    | 1.000% | 12,722,743.38    | 182,143,517.38    |  |
| 12/1/2039           | 169,844,326    | 1.000% | 12,299,191.44    | 182,143,517.44    |  |
| 3/1/2040            | 170,268,937    | 1.000% | 11,874,580.63    | 182,143,517.63    |  |
| 6/1/2040            | 170,694,609    | 1.000% | 11,448,908.29    | 182,143,517.29    |  |
| 9/1/2040            | 171,121,346    | 1.000% | 11,022,171.76    | 182,143,517.76    |  |
| 12/1/2040           | 171,549,149    | 1.000% | 10,594,368.40    | 182,143,517.40    |  |
| 3/1/2041            | 171,978,022    | 1.000% | 10,165,495.53    | 182,143,517.53    |  |
| 6/1/2041            | 172,407,967    | 1.000% | 9,735,550.47     | 182,143,517.47    |  |
| 9/1/2041            | 172,838,987    | 1.000% | 9,304,530.55     | 182,143,517.55    |  |
| 12/1/2041           | 173,271,085    | 1.000% | 8,872,433.09     | 182,143,518.09    |  |
| 3/1/2042            | 173,704,262    | 1.000% | 8,439,255.37     | 182,143,517.37    |  |
| 6/1/2042            | 174,138,523    | 1.000% | 8,004,994.72     | 182,143,517.72    |  |
| 9/1/2042            | 174,573,869    | 1.000% | 7,569,648.41     | 182,143,517.41    |  |
| 12/1/2042           | 175,010,304    | 1.000% | 7,133,213.74     | 182,143,517.74    |  |
| 3/1/2043            | 175,447,830    | 1.000% | 6,695,687.98     | 182,143,517.98    |  |
| 6/1/2043            | 175,886,449    | 1.000% | 6,257,068.40     | 182,143,517.40    |  |
| 9/1/2043            | 176,326,165    | 1.000% | 5,817,352.28     | 182,143,517.28    |  |
| 12/1/2043           | 176,766,981    | 1.000% | 5,376,536.87     | 182,143,517.87    |  |
| 3/1/2044            | 177,208,898    | 1.000% | 4,934,619.42     | 182,143,517.42    |  |
| 6/1/2044            | 177,651,920    | 1.000% | 4,491,597.17     | 182,143,517.17    |  |
| 9/1/2044            | 178,096,050    | 1.000% | 4,047,467.37     | 182,143,517.37    |  |
| 12/1/2044           | 178,541,290    | 1.000% | 3,602,227.25     | 182,143,517.25    |  |
| 3/1/2045            | 178,987,644    | 1.000% | 3,155,874.02     | 182,143,518.02    |  |
| 6/1/2045            | 179,435,113    | 1.000% | 2,708,404.91     | 182,143,517.91    |  |
| 9/1/2045            | 179,883,700    | 1.000% | 2,259,817.13     | 182,143,517.13    |  |
| 12/1/2045           | 180,333,410    | 1.000% | 1,810,107.88     | 182,143,517.88    |  |
| 3/1/2046            | 180,784,243    | 1.000% | 1,359,274.35     | 182,143,517.35    |  |
| 6/1/2046            | 181,236,204    | 1.000% | 907,313.75       | 182,143,517.75    |  |
| 9/1/2046            | 181,689,294    | 1.000% | 454,223.24       | 182,143,517.24    |  |
|                     | 18,863,102,000 |        | 2,994,120,117.16 | 21,857,222,117.16 |  |

## SCHEDULE Z

### Special Conditions

1. Notwithstanding the provisions of this Loan Agreement, the Local Bonds shall be junior and subordinate to all other outstanding bonds of the Governmental Agency; provided however, if the SB 245 Grant received by the Governmental Authority is less than the Local Bonds and the Governmental Authority with the Council's approval elects to use the proceeds of the Local Bonds in excess of the SB 245 Grant, then the Governmental Authority will increase its rates to provide for the Local Bonds to become elevated to a first lien parity position on the Gross Revenues of the Governmental Authority's system prior to drawing such funds.
2. The Local Bonds shall have a first lien on the Surplus Revenues of the Governmental Agency's System; provided however, if the SB 245 Grant received by the Governmental Authority is less than the Local Bonds and the Governmental Authority with the Council's approval elects to use the proceeds of the Local Bonds in excess of the SB 245 Grant, then the Governmental Authority will increase its rates to provide for the Local Bonds to become elevated to a first lien parity position on the Gross Revenues of the Governmental Authority's system.
3. The proceeds of the Local Bonds shall only be advanced after all other funding has been expended.
4. The Local Bonds may be repaid at any time from any source, except the SB 245 Grant funds, with 30 days written notice to the Authority and the Council.
5. If the Governmental Agency receives a SB 245 Grant in or exceeding the amount of the Local Bonds from the Council for the Project, then the Local Bonds shall be canceled and deemed paid; provided however, if the SB 245 Grant received by the Governmental Authority is less than the Local Bonds and the Governmental Authority with the Council's approval elects to use the proceeds of the Local Bonds in excess of the SB 245 Grant, then the Local Bonds shall not be cancelled and the Local Bonds shall be in the amount drawn and reflected on the Record of Advances attached to and incorporated in the Local Bonds.