

CITY OF McMECHEN
SEWER REVENUE BONDS, SERIES 1986

BOND ORDINANCE

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09/25/86
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CITY OF McMECHEN

ORDINANCE

ORDINANCE AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF PUBLIC SEWERAGE FACILITIES OF THE CITY OF McMECHEN AND THE PERMANENT FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE CITY OF NOT MORE THAN \$750,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1986, PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF McMECHEN:

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 16, Article 13 of the West Virginia Code of 1931, as amended (the "Act"), and other applicable provisions of law.

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

A. The City of McMechen (the "Issuer") is a municipal corporation of the State of West Virginia in Marshall County of said State.

B. The Issuer presently owns and operates a municipal sewage treatment and collection system and has undertaken the acquisition and construction of certain additions, betterments and improvements thereto (the "Project") which system constitute properties for the collection and transportation of liquid or solid wastes, sewage or industrial wastes (the existing system, the

Project, and any further additions thereto or extensions thereof is herein called the "System") at an estimated cost of \$2,593,830, in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications have heretofore been filed with the Governing Body.

C. The Issuer has heretofore issued its Sewerage System Bond Anticipation Notes, Series 1985, dated May 1, 1985 (the "Notes"), in the aggregate principal amount of \$725,000 pursuant to a bond and notes ordinance enacted March 25, 1985, a supplemental resolution adopted April 23, 1985 (collectively, the "Prior Ordinance"), and a Trust Indenture dated as of May 1, 1985, by and between the Issuer and Security National Bank & Trust Co., as trustee (the "Indenture"), to temporarily finance costs of construction and acquisition of the Project pending issuance of the within-described Bonds.

D. The estimated revenues to be derived in each year after the enactment hereof 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 Bonds (as hereinafter defined) and all Sinking Fund, Reserve Account and other payments provided for herein.

E. It is deemed necessary for the Issuer to issue its Sewer Revenue Bonds, Series 1986, in the aggregate principal amount of not more than \$750,000 (the "Bonds"), to pay, at the maturity thereof, a portion of the Notes representing the Issuer's "local share" of the Costs and costs of issuance of the Bonds. Said costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest upon the Notes and the Bonds prior to and during construction or acquisition and for 6 months after completion of construction of the Project; engineering, and legal expenses; expenses for estimates of cost and revenues, expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise, administrative expense, commitment fees, discount, initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Bonds and such other expenses as may be necessary or incident to the financing herein authorized, the construction or acquisition of the Project and the placing of same in operation, and the performance of the things herein required or permitted, in connection with any thereof; provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Bonds or the repayment of indebtedness incurred by the Issuer for such purposes, shall be deemed Costs of the Project, as hereinafter defined.

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

G. It is in the best interests of the Issuer that its Original Bonds (as hereinafter defined) be sold to the Authority (as hereinafter defined) pursuant to the terms and provisions of a loan agreement dated March 21, 1985 (the "Loan Agreement"), heretofore entered into between the Issuer and the Authority, in form satisfactory to the Issuer and the Authority.

H. The Sanitary Board of the Issuer has presented a petition to the Issuer for enactment of this Bond Legislation.

I. Upon deposit of the proceeds of the Bonds in the BAN Debt Service Fund established by the Indenture simultaneously with the issuance of the Bonds, the Notes will be defeased in accordance with the Indenture. Thereafter, there will not be outstanding any obligations of the Issuer which will rank prior to or on a parity with the Bonds as to lien or source of and security for payment.

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

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

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

"Act" means Chapter 16, Article 13 of the West Virginia Code of 1931, as amended and in effect on the date of adoption hereof.

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

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

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

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

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

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

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

"Consulting Engineers" means Holley, Kenney, Schott, a division of Green International, Inc., Sewickley, Pennsylvania, or any engineer or firm of engineers that shall at any time hereafter be retained by the Issuer as Consulting Engineers for the System.

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

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

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

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

"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 city council of the Issuer consisting of the Mayor and 10 councilmembers.

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

"Grants" means, collectively, the EPA Grant and the Other Grants, as hereinafter defined.

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

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

"Indenture" or "Trust Indenture" means the Trust Indenture between the Issuer and the Trustee dated as of May 1, 1985, relating to the Notes and all supplements or amendments thereto.

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

"Issuer" or "City" means the City of McMechen, in Marshall County, West Virginia, and, unless the context clearly indicates otherwise, includes the Governing Body of the Issuer, the Sanitary Board, and any other commission, board or department established by the Issuer to operate and maintain the System.

"Loan Agreement" means, the loan agreement dated March 21, 1985, heretofore entered into between the Authority and the Issuer providing for the purchase of the Original Bonds from the Issuer by the Authority, the form of which shall have been approved,

and the execution and delivery by the Issuer authorized by, this Ordinance or an ordinance or resolution adopted by the Issuer prior to the enactment of this Ordinance.

"Mayor" means the Mayor of the Issuer.

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

"Notes" means the \$725,000 in aggregate principal amount of Sewerage System Bond Anticipation Notes, Series 1985, heretofore issued by the Issuer to pay a portion of the Costs of Project pending receipt of the proceeds of the Bonds.

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

"Original Bonds" "Series 1986 Bonds" or "Bonds originally authorized hereby" or similar phrases means, the not more than \$750,000 in aggregate principal amount of bonds issued for the purpose of paying a portion of the principal of the Notes, and for such other purposes as shall be permitted and authorized hereby.

"Other Grants" means collectively, the WDA Grant, together with any other grant hereafter received by the Issuer to aid in financing any Costs.

"Outstanding," when used with reference to Bonds and as of any particular date, describes all Bonds theretofore and thereupon being delivered except (i) any Bond cancelled by the Registrar, at or prior to said date; (ii) any Bond for the payment of which moneys, equal to its principal amount, with interest to the date of maturity, shall be in trust hereunder and set aside for such payment

(whether upon or prior to maturity); (iii) any Bond deemed to have been paid as provided in Article X hereof; and (iv) for purposes of consents or other action by a specified percentage of Bondholders, any Bonds registered to the Issuer.

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

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

"Prior Ordinance" means the Bond and Notes Ordinance enacted by the Issuer on March 25, 1985, originally authorizing issuance of the Bonds and the Notes.

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

"Project" means the acquisition and construction of additions, betterments and improvements for the existing sewage treatment and collection system of the Issuer, pumping stations and force mains and all necessary appurtenances.

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

(a) Government Obligations;

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

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

Transit Authority;

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

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

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

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

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

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

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

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

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

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

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

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

"Sanitary Board" means the Sanitary Board of the Issuer heretofore established by an ordinance duly enacted by the Issuer, or any successor to the functions thereof.

"Sinking Fund" means the Sinking Fund established by Section 5.02 hereof.

"State" means the State of West Virginia.

"Supplemental Resolution" means any resolution 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 Original Bonds; provided, that any matter intended by this Ordinance to be included in the Supplemental Resolution with respect to the Original Bonds and not so included may be included in another Supplemental Resolution.

"Surplus Revenues" means the Net Revenues not required by the Bond Legislation to be set aside and held for the payment of or security for the Bonds, including the Renewal and Replacement Fund and the Reserve Account.

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

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

"Trustee" means Security National Bank & Trust Co., Wheeling, West Virginia, the trustee named in the Indenture.

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

ARTICLE II

AUTHORIZATION OF CONSTRUCTION AND ACQUISITION OF THE PROJECT

Section 2.01. Authorization of Construction and Acquisition of the Project. There is hereby ratified the acquisition and construction of the Project, at an estimated cost of \$2,593,830, in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed in the office of the Governing Body. The proceeds of the Bonds hereby authorized shall be applied as provided in Article VI hereof.

ARTICLE III

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

Section 3.01. Authorization of Bonds. For the purpose of paying the Notes at their maturity and paying certain costs of issuance and related costs, there shall be issued negotiable Original Bonds of the Issuer, in an aggregate principal amount of not more than \$750,000. Said Bonds shall be designated "Sewer Revenue Bonds, Series 1986," and shall have such terms as set forth hereinafter and in the Supplemental Resolution. Proceeds of the Bonds remaining after capitalization of interest, if any, and payment of the costs of issuance thereof and related costs shall, to be extent necessary to defease the Notes, be deposited in the "BAN Debt Service Fund" established by Section 4.03(A) of the Indenture, and the balance, if any, shall be deposited in the Bond Construction Trust Fund established by Section 5.01 hereof.

Section 3.02. Terms of Bonds. The Bonds shall bear interest at such rate or rates, not exceeding 12% per annum, or such other rate as shall then be the legal maximum, payable semiannually on such dates; shall mature on such dates and in such amounts; and shall be redeemable, in whole or in part, all as the Issuer shall prescribe in a Supplemental Resolution. The Bonds shall be payable as to principal at the office of the Commission, through a Paying Agent or Paying Agents, if any, selected by the original purchaser or purchasers thereof, in any coin or currency which, on the dates of payment of principal is legal tender for the payment of public or private debts under the laws of the United States of America. Interest on the Bonds shall be paid by check or draft of the Paying Agent mailed to the registered owner thereof at the address as it appears on the books of the Bond Registrar, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner thereof.

Unless otherwise provided by the Supplemental Resolution, the Original Bonds shall be issued in the form of a single bond fully registered to the Authority representing the aggregate principal amount of the Bonds and shall mature in principal installments, all as provided in the Supplemental Resolution. The Bonds shall be exchangeable at the option and expense of the Holder for other fully registered Bonds 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, may be issued in fully registered form, in the denomination of \$5,000 or any integral multiple thereof, all as determined by a Supplemental Resolution. The Bonds shall be dated as of the date specified in a Supplemental Resolution and shall bear interest from such date.

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

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

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

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

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

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

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

Section 3.07. Bonds not to be Indebtedness of the Issuer.
The Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory

provision or limitation, but shall be payable solely from the Net Revenues derived from the operation of the System as herein provided. No holder or holders of any of the Bonds shall ever have the right to compel the exercise of the taxing power, if any, of the Issuer to pay the Bonds or the interest thereon.

Section 3.08. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of all the Bonds shall be secured forthwith equally and ratably with each other by a first lien on the Net Revenues derived from the System. Such Net Revenues in an amount sufficient to pay the principal of and interest on and other payments for the Bonds and to make the payments into the Sinking Fund and the Reserve Account therein and the Renewal and Replacement Fund hereinafter established, are hereby irrevocably pledged to the payment of the principal of and interest on the Bonds as the same become due.

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

[Form of Bond]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF McMECHEN
SEWER REVENUE BOND, SERIES 1986

No. R-_____

\$ _____

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF McMECHEN, a municipal corporation of the State of West Virginia in Marshall 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 West Virginia Water Development Authority (the "Authority") or registered assigns the sum of _____ (\$ _____), in installments on October 1 of each year as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference with interest on each installment at the rate per annum set forth on said Exhibit A.

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

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority, and upon the terms and conditions prescribed by, and otherwise in compliance with the Loan Agreement between the Issuer and the Authority dated March 21, 1985.

This Bond is issued (i) to refund and pay the entire principal amount of the Sewerage System Bond Anticipation Notes, Series 1985, of the Issuer (the "Notes") issued to temporarily finance part of the costs of acquisition and construction of additions, betterments and improvements for the existing sewage collection and transportation facilities of the Issuer (the "Project") pending issuance of this Bond; and (ii) to pay certain costs of issuance hereof and related costs. This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13 of the West Virginia Code of 1931, as amended (the "Act"), and an Ordinance and Supplemental Resolution, duly enacted and adopted, respectively, by the Issuer on the 16th day of October, 1986 (collectively called the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, moneys in the Reserve Account created under the Bond Legislation for the Bonds (the "Reserve Account"), and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Net Revenues, the moneys in the Reserve Account and unexpended Bond proceeds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the amount required to pay the maximum amount due in any fiscal year of principal of and interest on the Bonds and all other obligations secured by or payable from such revenues prior to or on a parity with the Bonds, provided however, that so long as there exists in the Reserve Account an amount at least equal to the maximum amount of principal and interest which will come due on the Bonds in any fiscal year, and there exists in the reserve accounts established for any other obligations outstanding prior to or on a parity with the Bonds, an amount at least equal to the requirement therefor, such percentage

may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

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

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

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law, shall be applied solely to the payment of the Notes, 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 have existed, have happened, and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of the Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the revenues of the System has been pledged to and will be set aside into said special fund by the Issuer for the prompt payment of the principal of and interest on this Bond.

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

IN WITNESS WHEREOF, the CITY OF McMECHEN has caused this Bond to be signed by its Mayor and its corporate seal to be hereunto affixed hereon and attested by its City Clerk, and has caused this Bond to be dated October 20, 1986.

[SEAL]

Mayor

ATTEST:

City Clerk

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

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

Date: _____

KANAWHA VALLEY BANK, N.A.,
as Registrar

By _____
Its Authorized Officer

EXHIBIT A

(Form of)

ASSIGNMENT

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

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

Dated: _____, _____.

In the presence of:

Section 3.10. Sale of Original Bonds; Execution of Loan Agreement with Authority. The Original Bonds shall be sold to the Authority, pursuant to the terms and conditions of the Loan Agreement. If not so authorized by previous resolution, the Mayor is specifically authorized and directed to execute the Loan Agreement in the form attached hereto as "Exhibit A" and made a part hereof, and the Recorder is directed to affix the seal of the Issuer, attest the same and deliver the Loan Agreement to the Authority.

ARTICLE IV

[RESERVED]

ARTICLE V

SYSTEM REVENUES AND APPLICATION THEREOF

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

- (1) Revenue Fund;
- (2) Renewal and Replacement Fund; and
- (3) Bond Construction Trust Fund.

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

- (1) Sinking Fund; and

Within the Sinking Fund, the Reserve Account.

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

(1) The Issuer shall first, each month, pay from the Revenue Fund the current Operating Expenses of the System.

(2) Thereafter, from the moneys remaining in the Revenue Fund, the Issuer shall next, on the first day of each month, commencing 7 months prior to the first date of payment of interest on the Bonds for which interest has not been capitalized, apportion and set apart out of the Revenue Fund and remit to the Commission, for deposit in the Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on the Bonds on the next ensuing semiannual interest payment date, less any earnings transferred from the Reserve Account and any earnings on sums previously deposited in the Sinking Fund for the purpose of making interest payments on the Bonds; provided, that, in the event the period to elapse between the date of such initial deposit in the Sinking Fund and

the next semiannual interest payment date is less than 7 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next semiannual interest payment date, the required amount of interest coming due on such date.

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

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

(5) From the moneys remaining in the Revenue Fund, the Issuer shall next, on the first day of each month, commencing with the month succeeding the first full calendar month after commencement of operation of the System, transfer to the Renewal and Replacement Fund a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments credited to the Reserve Account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII hereof. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency repairs, improvements or extensions to the System; provided, that any deficiency in

the Reserve Account [except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required by Subsection 5.03(A)(4)] shall be promptly eliminated with moneys from the Renewal and Replacement Fund.

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

All investment earnings on moneys in the Reserve Account shall be returned, not less than once each year, by the Commission to the Issuer, for deposit in the Revenue Fund and such amount shall be applied in full to the next ensuing interest payment due on the Bonds, and to the extent of any balance, to the next ensuing principal payment due on the Bonds.

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

As and when additional Bonds ranking on a parity with the Original Bonds are issued, provision shall be made for additional payments into the 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 Reserve Account in an amount equal to the maximum provided and required to be paid into the Sinking Fund in any Fiscal Year for account of all the Original Bonds, including such additional Original Bonds which by their terms are payable from the Sinking Fund.

The Issuer shall not be required to make any further payments into the Sinking Fund or into the Reserve Account therein when the aggregate amount of funds in the Sinking Fund and Reserve Account are at least equal to the aggregate principal amount of and interest due to maturity on the Bonds then Outstanding.

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

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

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

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

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

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

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

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

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

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

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

ARTICLE VI

BOND PROCEEDS; FUNDS AND ACCOUNTS

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

A. The amount of proceeds, which together with other moneys in the BAN Debt Service Fund is sufficient to pay the entire principal amount of and interest accrued on the Notes at the maturity thereof shall first be deposited with the Trustee in said BAN Debt Service Fund.

B. The remaining moneys, if any, derived from the sale of the Bonds shall be deposited with the Depository Bank in the Bond Construction Trust Fund and applied solely to payment of Costs of the Project in the manner set forth in Section 6.02.

C. The Depository Bank shall act as a trustee and fiduciary for the Bondholders with respect to the Bond Construction Trust Fund and shall comply with all requirements with respect to the disposition of the Bond Construction Trust Fund set forth in the Bond Legislation. Moneys in the Bond Construction Trust Fund shall be used solely to pay Costs of the Project and until so expended, are hereby pledged as additional security for the Bonds.

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

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

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

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

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

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

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

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

After completion of the Project, as certified by the Consulting Engineers, the Depository Bank shall transfer any moneys remaining in the Bond Construction Trust Fund to the Reserve Account.

ARTICLE VII

COVENANTS OF THE ISSUER

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

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

Section 7.03. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of the Bonds issued hereunder shall be secured forthwith equally and ratably by a first lien on the Net Revenues derived from the operation of the System. The revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Bonds and to make the payments into the Sinking Fund, including the Reserve Account therein, and all other payments provided for in the Bond Legislation are hereby irrevocably pledged, in the manner provided therein, to the payment of the principal of and interest on the Bonds as the same become due, and for the other purposes provided in the Bond Legislation.

Section 7.04. Initial Schedule of Rates and Charges. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth in the Ordinance of the Issuer enacted April 2, 1985.

Section 7.05. Sale of the System. The System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Bonds Outstanding, or to effectively defease the Bond Legislation in accordance with Section 10.01 hereof. The proceeds from any such sale, mortgage,

lease or other disposition of the System shall, with respect to the Bonds, immediately be remitted to the Commission for deposit in the Sinking Fund, and, with the written permission of the Authority, or in the event the Authority is no longer a Bondholder, the Issuer shall direct the Commission to apply such proceeds to the payment of principal installments and interest on the Bonds about to mature. Any balance remaining after the payment of all the Bonds and interest thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

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

dispositions of such properties, shall be in excess of \$50,000 and insufficient to pay all the Bonds then Outstanding without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of over 50% in amount of the Bonds then Outstanding and the Consulting Engineers. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 7.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. So long as any of the 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 Bonds; provided, however, that additional Bonds on a parity with the Bonds may be issued as provided for in Section 7.07 hereof. All obligations issued by the Issuer after the issuance of the Bonds and payable from the revenues of the System, except such additional parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on and source of and security for payment from such revenues and in all other respects, to the Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into the Sinking Fund, the Reserve Account and the Renewal and Replacement Fund at the time of the issuance of such subordinate obligations have been made and are current.

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

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

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

No Parity Bonds shall be issued at any time, however, unless there has been procured and filed with the Recorder a written

statement by the Independent Certified Public Accountants, based upon the necessary investigation and certification by the Consulting Engineers, reciting the conclusion that the Net Revenues actually derived, subject to the adjustments hereinafter provided for, from the System during any 12 consecutive months, within the 18 months immediately preceding the date of the actual issuance of such Parity Bonds, plus the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the completion of the improvements to be financed by such Parity Bonds, shall not be less than 115% of the largest aggregate amount that will mature and become due in any succeeding Fiscal Year for principal of and interest on the following:

- (1) The Bonds then Outstanding;
- (2) Any Parity Bonds theretofore issued pursuant to the provisions contained in this Ordinance then Outstanding;
- (3) The Parity Bonds then proposed to be issued; and
- (4) Any other obligations secured by or payable from the Net Revenues prior to the Bonds.

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 imposed by the Issuer, the period for appeal of which has expired without appeal prior to the date of delivery of such Parity Bonds, and shall not exceed the amount to be stated in a certificate of the Consulting Engineers, which shall be filed in the office of the Recorder prior to the issuance of such Parity Bonds.

The Net Revenues actually derived from the System during the 12-consecutive-month period hereinabove referred to may be adjusted by adding to such Net Revenues such additional Net Revenues which would have been received, in the opinion of the Consulting Engineers and the said Independent Certified Public Accountants, as stated in a certificate jointly made and signed by the Consulting Engineers and said Independent Certified Public Accountants, on account of increased rates, rentals, fees and charges for the System imposed by the Issuer, the period for appeal of which has expired prior to issuance of such Parity Bonds.

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

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

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

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on the revenues of the System is subject to the prior and superior 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 Bonds.

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

B. Notwithstanding the foregoing, or any provision of Section 7.06 to the contrary, additional Bonds on parity with the Bonds may be issued solely for the purpose of completing the Project as described in the application to the Authority submitted as of the

date of the Loan Agreement without regard to the restrictions set forth in this Section 7.07.

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

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

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

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

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

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

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

Section 7.09. Rates. Prior to the issuance of the Bonds, equitable rates or charges for the use of and service rendered by the System will 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 Issuer, 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 Gross Revenues, (i) to provide for all reasonable expenses of operation, repair and maintenance of the System and (ii) to leave a balance each Fiscal Year equal to at least 115% of the maximum amount required in any Fiscal Year for payment of principal of and interest on the Bonds and all other obligations secured by or payable from such revenues prior to or on a parity with the Bonds; provided that, in the event that an amount equal to or in excess of the Reserve Requirement is on deposit in the Reserve Account and reserve accounts for obligations prior to or on a parity with the Bonds are funded at least at the requirements therefor, such balance each Fiscal Year need only equal at least 110% of the maximum amount required in any Fiscal Year for payment of principal of and interest on the Bonds and all other obligations secured by or payable from such revenues prior to or on a parity with the Bonds.

Section 7.10. Operating Budget and Audit. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated expenditures for operation and maintenance of the System during the succeeding Fiscal Year. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by the Consulting Engineers, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of 10% of the amount of such budget shall be made except upon the further certificate of the Consulting Engineers that such increased expenditures are necessary for the continued operation of the System. The Issuer

shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Authority and to any Holder of any Bonds who shall file his or her address with the Issuer and request in writing that copies of all such budgets and resolutions be furnished him or her and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to any Holder of any Bonds or anyone acting for and in behalf of such Holder.

In addition, the Issuer shall annually cause the records of the System to be audited by an independent certified public accountant, the report of which audit shall be submitted to the Authority and which audit report shall include a statement that the Issuer is in compliance with the terms and provisions of this Bond Legislation and the Loan Agreement.

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

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

Whenever any fees, rates, rentals or other charges for the services and facilities of the System shall remain unpaid for a period of 30 days after the same shall become due and payable, the property and the owner thereof, as well as the user of the services and facilities, shall be delinquent until such time as all such rates and charges are fully paid. To the extent authorized by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, all delinquent 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 and facilities of the System and any services and facilities of the water system, if then owned by the Issuer, to all delinquent users of services and facilities of the System and will not restore such services of either system until all billing for charges for the

services and facilities of the System, plus reasonable interest penalty charges for the restoration of service, has been fully paid.

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

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

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

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

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

B. The Issuer shall also require all contractors engaged in the construction of the Project to carry such worker's compensation coverage for all employees working on the Project and public liability insurance, vehicular liability insurance and property damage insurance in amounts adequate for such purposes and as is customarily carried with respect to works and properties similar to the Project.

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

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

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

ARTICLE VIII

INVESTMENT OF FUNDS; NON ARBITRAGE

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

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

Section 8.02. Restrictions as to Arbitrage Bonds. The Issuer hereby covenants, and hereby so instructs the Bond Commission and the Depository Bank that they shall not permit at any time or times any of the proceeds of the Bonds or any other funds of the Issuer to be used directly or indirectly to acquire any securities or obligations the acquisition of which would cause any Bond to be an "arbitrage bond" as defined in Section 103(c)(2) of the Internal Revenue Code (or any successor provision), and an Authorized Officer shall deliver his certificate, based upon this covenant, with regard thereto to the purchaser of the Original Bonds.

Section 8.03. Rebates of Excess Arbitrage Earnings. The Issuer hereby covenants to pay to the United States Government the excess of the aggregate amount earned from the date of issue of the Bonds on all "nonpurpose obligations" (as such term is defined in the Internal Revenue Code of 1954, as amended, or any successor provision of the Code) in which gross proceeds of the Bonds are invested (other than amounts attributable to the excess described in this paragraph) over the amount which would have been earned if such nonpurpose obligations were invested at a rate equal to the yield (determined on the basis of the issue price) on the Bonds, plus any income attributable to such excess, whether or not such income exceeds the yield on the Bonds (the "Rebate Amount"), determined in accordance with and subject to the exceptions set forth in Section 103(c) of the Code. The amount which is required to be paid to the United States Government shall be paid in installments which are made at least once every 5 years, in amounts and in the manner set forth in Section 103(c).

ARTICLE IX

DEFAULT AND REMEDIES

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

(A) If default occurs in the due and punctual payment of the principal of or interest on any 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 Bonds set forth in this Bond Legislation, any supplemental resolution, or in the Bonds, and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Paying Agent, Depository Bank, any other bank or banking association holding any fund or account hereunder 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.

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

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

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

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

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

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

Any receiver appointed as provided herein shall hold and operate the System in the name of the Issuer and for the joint protection and benefit of the Issuer and Registered Owners of the Bonds. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character

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

ARTICLE X

DEFEASANCE

Section 10.01. Defeasance of Bonds. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then the pledge of Net 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 Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

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

ARTICLE XI

MISCELLANEOUS

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

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

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

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

Section 11.05. Amendments to Maintain Tax Exemption. The Issuer hereby covenants to make any amendment or supplements to this Bond Legislation necessary to enable the interest on the Bonds to remain exempt from federal income taxation, and to preserve and maintain such tax exemption until the maturity or redemption thereof without further consent of the Holders of the Bonds.

Section 11.06. Conflicting Provisions Repealed. All ordinances, orders, indentures, or resolutions and or parts thereof in conflict with the provisions of this Ordinance are, to the extent of such conflict, hereby repealed, provided that, until the Notes are paid in full, the provisions of the Indenture relating to the Notes and until the Sewage System Grant Anticipation Notes, Series 1985, dated May 1, 1985, of the Issuer are paid in full, the provisions of the Indenture relating to the Grant Anticipation Notes shall remain in full force and effect.

Section 11.07. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the enactment of this Ordinance do exist, have happened, have been performed and have been taken in regular and due time, form and manner as required by and in full compliance with the laws and Constitution of the State of West Virginia applicable thereto; and that the Mayor, the Recorder and members of the the Governing Body were at all times when any actions in connection with this Resolution occurred and are duly in office and duly qualified for such office.

Section 11.08. Effective Time. This Ordinance shall take effect following public hearing hereon in accordance with the Act.

Section 11.09. Statutory Notice and Public Hearing. Upon adoption hereof, an abstract of this Ordinance, determined by the Issuer to contain sufficient information as to give notice of the contents hereof, shall be published once a week for two successive weeks within a period of fourteen consecutive days, with at least six full days intervening between each publication, in the Wheeling Intelligencer, a newspaper of general circulation in the City of McMechen, no newspaper being published in the City of McMechen, together with a notice stating that this Ordinance has been adopted and that the Issuer contemplates the issuance of the Notes and Bonds, and that any person interested may appear before the Common Council upon a date certain, not less than ten 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 Issuer for review by interested parties during the office hours of the Issuer.

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

Passed on First Reading: September 18, 1986

Passed on Second Reading: September 25, 1986

Effective following public
hearing held on: October 16, 1986

[SEAL]

Alfred C. Trott
Mayor

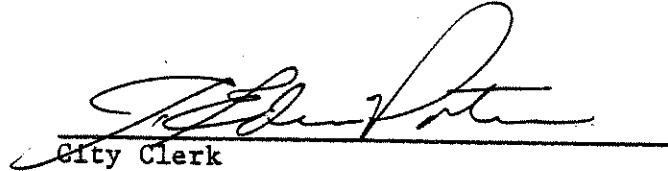
ATTEST:

By [Signature]
City Clerk

CERTIFICATION

Certified a true copy of an Ordinance duly enacted by the City Council of the City of McMechen on this 16th day of October, 1986.

[SEAL]


City Clerk

"EXHIBIT A"

[Please refer to Document No. 3 of Transcript]

10/12/86
MCME2-A

CITY OF McMECHEN

Sewer Revenue Bonds, Series 1986

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO DATE, MATURITY, INTEREST RATE, PRINCIPAL PAYMENT SCHEDULE, SALE PRICE AND OTHER TERMS OF THE SEWER REVENUE BONDS, SERIES 1986, OF THE CITY OF McMECHEN; AUTHORIZING, APPROVING AND RATIFYING A LOAN AGREEMENT RELATING TO SUCH BONDS AND THE SALE AND DELIVERY OF SUCH BONDS TO WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; DESIGNATING A REGISTRAR, PAYING AGENT AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS

WHEREAS, the City Council (the "Governing Body") of THE CITY OF McMECHEN (the "Issuer"), upon petition of the Sanitary Board of the Issuer, has duly and officially enacted a bond ordinance effective September 25, 1986 (the "Bond Ordinance"), entitled:

ORDINANCE AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF PUBLIC SEWERAGE FACILITIES OF THE CITY OF McMECHEN AND THE PERMANENT FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE CITY OF NOT MORE THAN \$750,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1986, PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

WHEREAS, the Bond Ordinance provides for the issuance of Sewer Revenue Bonds of the Issuer (the "Bonds"), in an aggregate principal amount ~~of~~ not to exceed \$750,000, and has authorized the execution and delivery of a Loan Agreement (the "Loan Agreement") dated as of March 21, 1985, by and between the Issuer and West Virginia Water Development Authority (the "Authority"), all in accordance with West Virginia Code, Chapter 16, Article 13 (the "Act"); and in the Bond Ordinance, it is provided that the maturity date, interest rate, interest and principal payment dates, sale

2

price and other terms of the Bonds should be established by a resolution supplemental thereto; and that other matters relating to the Bonds be herein provided for;

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

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

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

Section 1. Pursuant to the Bond Ordinance and the Act, this Supplemental Resolution is adopted and there are hereby authorized and ordered to be issued the Sewer Revenue Bonds, Series 1986, of the Issuer, originally represented by a single Bond, numbered R-1, in the principal amount of \$731,000. The Bonds shall be dated the date of delivery thereof (expected to be October 20, 1986), shall finally mature on October 1, 2025, shall bear interest at the rate of 9.75% per annum, payable semiannually on April 1 and October 1 of each year, first interest payable April 1, 1987, shall be subject to redemption upon the written consent of the Authority, and upon payment of the interest and redemption premium provided in the Loan Agreement, as long as the Authority shall be the registered owner of the Bonds, and shall be payable in installments of principal on October 1 of each of the years and in the amounts as set forth in "Schedule X," attached thereto and incorporated therein by reference.

Section 2. All other provisions relating to the Bonds shall be, and the Bonds shall be in substantially the form provided in, the Bond Ordinance.

Section 3. The Issuer does hereby approve, accept and ratify the Loan Agreement dated March 21, 1985, between the Authority and the Issuer, a copy of which is incorporated herein by reference, and the execution and delivery by the Mayor of the Loan Agreement, and the performance of the obligations contained therein, on behalf of the Issuer are hereby authorized, approved and

directed. The price of the Bonds shall be \$736,514 (100% of par value).

Section 4. The Issuer does hereby appoint and designate Kanawha Valley Bank, N.A., Charleston, West Virginia, as Registrar for the Bonds and does approve and accept the Registrar's Agreement to be dated as of the delivery date of the Bonds, by and between the Issuer and Kanawha Valley Bank, N.A., in substantially the form attached hereto, and the execution and delivery by the Mayor of the Registrar's Agreement, and the performance of the obligations contained therein, on behalf of the Issuer are hereby authorized, approved and directed.

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

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

Section 7. The Mayor and City Clerk are hereby authorized and directed to execute and deliver such other documents and certificates required or desirable in connection with the Bonds hereby and by the Bond Ordinance approved and provided for, to the end that the Bonds may be delivered on or about October 20, 1986, to the Authority pursuant to the Loan Agreement.

Section 8. The financing of the Project by issuance of the Bonds is in the public interest, serves a public purpose of the Issuer and will promote the health, welfare and safety of the residents of the Issuer.

Section 9. This Supplemental Resolution shall be effective immediately following adoption on second reading hereof.

Adopted on first reading this 25th day of September, 1986.

Adopted on second reading this 16th day of October, 1986.

CITY OF McMECHEN



Mayor

10/11/86
MCME1-C

MAR 25 1985

LOAN AGREEMENT

WATER DEVELOPMENT AUTHORITY

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"), and the City of McMechen, a municipal corporation organized and existing under the laws of the State of West Virginia (the "Governmental Agency").

W I T N E S S E T H:

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

WHEREAS, the Governmental Agency is authorized and empowered by the statutes of the State to construct, operate and improve such a water development project and to finance the cost of constructing or acquiring the same by borrowing money to be evidenced by revenue bonds issued by such Governmental Agency and, pending the issuance of such revenue bonds, by bond anticipation notes or other short-term indebtedness issued by such Governmental Agency;

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

WHEREAS, the Governmental Agency has completed and filed with the Authority an Application for Loan with attachments and exhibits, dated December 19, 1984 (as revised and supplemented, the "Application"), which Application is incorporated herein by this reference;

WHEREAS, upon review of the Application, the Authority issued the Governmental Agency a letter, dated March 5, 1985 (the "Commitment Letter"), agreeing to lend the Governmental Agency an amount not to exceed \$760,000 through the purchase of revenue bonds of the Governmental Agency with proceeds of the next issue of revenue bonds by the Authority, subject to the

Governmental Agency's satisfaction of certain legal and other requirements of the Authority's water development loan program (the "Program");

WHEREAS, based in part upon the Commitment Letter, the Governmental Agency has issued bond anticipation notes or other short-term indebtedness, which is outstanding as of the date hereof and is anticipated to be paid in whole or in part from the net proceeds of such revenue bonds to be purchased by the Authority;

WHEREAS, the Authority intends to issue West Virginia Water Development Authority Water Development Refunding and Improvement Revenue Bonds (Loan Program), 1985 Series A (the "1985 Series A Bonds"), in accordance with the provisions of the Act and a general resolution to be adopted by the Authority (the "General Resolution") and to be supplemented by a series resolution authorizing the 1985 Series A Bonds;

WHEREAS, pursuant to the Program, the Authority intends to use the proceeds of the 1985 Series A Bonds to purchase the revenue bonds of certain municipalities and public service districts, including the Governmental Agency, which comply with the requirements established by the Authority, subject, however, to the ability of the Authority to sell the 1985 Series A Bonds and to the extent of the availability of the proceeds of such 1985 Series A Bonds; and

WHEREAS, the Authority has made all findings required by Section 5 of the Act with respect to the Project and is willing to make said loan to the Governmental Agency, subject to the terms and provisions hereinafter contained;

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," "water development revenue bond," "cost," "governmental agency," "water development project" and "water facility" have the definitions and meanings ascribed to them in the Act.

1.2 "Consulting Engineers" means the consulting engineer designated in the Application and any successor thereto.

1.3 "EPA" means the United States Environmental Protection Agency and any successor to the functions thereof.

1.4 "Governmental Agency Bonds" means, collectively, the Local Bonds and any Supplemental Bonds, both as hereinafter defined.

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 Governmental Agency 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 with a portion of the proceeds of its 1985 Series A Bonds, all in accordance with the provisions of this Loan Agreement.

1.8 "Local Statute" means Chapter 16, Article 13, of the Code of West Virginia, 1931, as amended.

1.9 "Notes" means the bond anticipation notes or other short-term indebtedness issued by the Governmental Agency for the purpose of financing a portion of the cost of the Project, all or a portion of which is to be paid from the proceeds of the WDA Loans, as hereinafter defined.

1.10 "Project" means the water development project hereinabove referred to, constructed or being constructed by the Governmental Agency with, among other funds, the net proceeds of the Notes.

1.11 "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.

1.12 "Supplemental Bonds" means the revenue bonds, if any, to be issued by the Governmental Agency pursuant to the provisions of the Local Statute to evidence the Supplemental Loan, as hereinafter defined, and to be purchased by the Authority with funds other than the proceeds of its 1985 Series A Bonds, all in accordance with the provisions of this Loan Agreement.

1.13 "Supplemental Loan" means the loan, if any, to be made by the Authority to the Governmental Agency through the purchase of Supplemental Bonds to effect an aggregate cost to the Governmental Agency of borrowing from the Authority lower than the cost of the Loan.

1.14 "System" means the works for the collection and/or treatment, purification and disposal of sewage owned by the Governmental Agency and any extensions, improvements or betterments thereto hereafter constructed or acquired from any sources whatsoever and includes the Project.

1.15 "WDA Loans" means, collectively, the Loan and any Supplemental Loan.

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

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

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

2.4 The Governmental Agency agrees that the Authority and its duly authorized agents shall have the right at all reasonable times to enter upon the Project site and Project facilities and to examine and inspect the same. The Governmental Agency further agrees that the Authority and its duly authorized agents shall, prior to, at and after completion of construction and commencement of operation of the Project, have

such rights of access to the System site and System facilities as may be reasonably necessary to accomplish all of the powers and rights of the Authority in respect of the System pursuant to the pertinent provisions of the Act.

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

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

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

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

2.9 The Governmental Agency shall provide and maintain competent and adequate resident engineering services satisfactory to the Authority covering the supervision and inspection of the development and construction of the Project, and bearing the responsibility of assuring that construction conforms to the plans, specifications and designs prepared by the Consulting

Engineers, which have been approved by all necessary governmental bodies. Such resident engineer shall certify to the Authority, EPA and the Governmental Agency at the completion of construction that construction is in accordance with the approved plans, specifications and designs, or amendments thereto, approved by all necessary governmental bodies.

2.10 The Governmental Agency agrees that it will at all times provide operation and maintenance of the System to comply with the water quality standards established by the West Virginia Department of Natural Resources and EPA. The Governmental Agency agrees that qualified operating personnel properly certified by the State will be retained to operate the System during the entire term of this Loan Agreement.

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

ARTICLE III

Conditions to WDA Loans; Issuance of Governmental Agency Bonds

3.1 The agreement of the Authority to make the WDA Loans is subject to the Authority's issuing and delivering the 1985 Series A Bonds and subject to the requirements of Section 3.4 hereof and to the fulfillment, to the satisfaction of the Authority, of each and all of those certain conditions precedent on or before the delivery date for the Governmental Agency Bonds, which shall be the date designated at the end of this Loan Agreement as the "Date of WDA Loans Closing"; provided that, if such Governmental Agency Bonds are not delivered on the Date of WDA Loans Closing so designated, the Authority may use such moneys allocated for the purchase of the Governmental Agency Bonds for the purchase of revenue bonds of other governmental agencies in accordance with Section 3.5 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 delivered to the Authority for purchase the Governmental Agency Bonds described in Section 3.2 hereof;

(c) The Governmental Agency shall have received bids for the construction of the Project in an amount and otherwise compatible with the plan of financing described in

the Application, and the Authority shall have received a certificate of the Consulting Engineers to such effect;

(d) The Project shall have been or shall be constructed in accordance with the plans, specifications and designs prepared therefor by the Consulting Engineers and as described in the Application, and the Authority shall have received a certificate of the Consulting Engineer to such effect;

(e) 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, including permits from the EPA and the West Virginia Department of Natural Resources, and the Authority shall have received a certificate of the Consulting Engineers to such effect;

(f) The Governmental Agency shall have obtained all requisite orders of and approvals from the Public Service Commission of West Virginia (the "PSC") necessary for the issuance of the Governmental Agency Bonds, construction of the Project and imposition of rates and charges and shall have taken any other action required for the imposition of such rates and charges, and the Authority shall have received an opinion of counsel to the Governmental Agency, which may be local counsel to the Governmental Agency, bond counsel or special PSC counsel, to such effect;

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

(h) The net proceeds of the Governmental Agency Bonds, together with all moneys on deposit and irrevocably pledged thereto, the proceeds of grants irrevocably committed therefor and the net proceeds of any obligations subordinate, junior and inferior as to lien and source of and security for payment to the Governmental Agency Bonds, issued therefor simultaneously with or prior to the issuance of the Governmental Agency Bonds, shall be sufficient to pay in full the Notes at or prior to the maturity thereof and to pay in full any remaining costs of the Project as the same become due, and the Authority shall have received a certificate, of such person or firm and in form and substance satisfactory to the Authority, to such effect.

3.2 Subject to the terms and provisions of this Loan Agreement, the rules and regulations promulgated by the Authority and the rules, regulations and procedures promulgated from time to time by EPA, it is hereby agreed that the Authority shall make the WDA Loans to the Governmental Agency and the

Governmental Agency shall accept the WDA Loans 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 WDA Loans by purchasing the Governmental Agency Bonds in the respective principal amounts set forth in Schedule X hereto. The aggregate principal amount of the Governmental Agency Bonds shall not exceed the amount set forth in the Commitment Letter, rounded upward if necessary to an integral multiple of \$5,000. The Local Bonds will be purchased by the Authority at the price set forth in Schedule X hereto, and any Supplemental Bonds will be purchased by the Authority at a price equal to one hundred percent (100%) of the principal amount thereof. The Governmental Agency Bonds shall have such further terms and provisions as described in Article IV hereof.

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

3.4 The Governmental Agency hereby covenants and agrees to enact any necessary amendments or supplements to its Local Act, to obtain any additional governmental approvals and to take any other actions that may be required by the issuance of any Supplemental Bonds.

3.5 The Governmental Agency understands and acknowledges that it is one of several governmental agencies which have applied to the Authority for loans to finance water development projects and that the obligation of the Authority to make any such loan is subject to the sale and the availability of proceeds of the 1985 Series A Bonds at the time the Governmental Agency has fulfilled all of the terms and conditions of this Loan Agreement and to the right of the Authority to make such loans to other governmental agencies as in the aggregate will permit the fullest and most timely utilization of such proceeds to enable the Authority to pay debt service on the 1985 Series A Bonds.

3.6 In the event the Governmental Agency Bonds are not delivered to the Authority on the designated Date of WDA Loans Closing but, at the sole option of the Authority, as described in said Section 3.1, are delivered to the Authority subsequent to such date, and the earnings on that portion of the proceeds of the 1985 Series A Bonds issued to purchase the Local Bonds are not sufficient to pay the interest accruing on said portion of the 1985 Series A Bonds between such designated Date of WDA Loans Closing and such date of actual delivery, the Governmental Agency agrees to issue additional bonds, in principal amount equal to such deficiency (as determined by the Authority), and to sell such additional bonds to the Authority and assign the proceeds thereof to the Authority, which shall use such proceeds to reimburse itself for such deficiency.

ARTICLE IV

Governmental Agency Bonds; Security for WDA Loans; Repayment of WDA Loans; Interest on WDA Loans; Fees and Charges

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

(a) That the revenues generated from the operation of the System will be used monthly, in the order of priority listed, as follows:

(i) to pay Operating Expenses of the System;

(ii) to the extent not otherwise limited by an outstanding local ordinance, indenture or other act or document, as reflected on Schedule X hereto, and beginning seven (7) months prior to the first date of payment of interest on the Local Bonds from revenues and thirteen (13) months prior to the first day of payment of principal of the Local Bonds, respectively, to provide debt service on the Local Bonds by depositing in a sinking fund one-sixth (1/6) of the interest payment next coming due on the Local Bonds and one-twelfth (1/12) of the principal payment next coming due on the Local Bonds and, if a reserve account for the payment of debt service on 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 any year (the "Reserve Requirement"), by depositing in the Reserve Account an amount equal to one-twelfth (1/12) of one-tenth (1/10) of the amount necessary to fund the Reserve Account at 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;

(iv) to provide debt service on any Supplemental Bonds in substantially the same manner as set forth

in Paragraph (ii), above, with respect to the Local Bonds, including establishing or maintaining, as the case may be, a reserve account;

(v) to provide debt service on and requisite reserves for any additional bonds issued to the Authority pursuant to Section 6.4 hereof; and

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

The gross revenues of the System shall always be used for purposes of the System.

(b) Covenants substantially as follows:

(i) That the Governmental Agency Bonds shall be secured by the net revenues from the System;

(ii) That any Supplemental Bonds shall be subordinate to the Local Bonds as to lien and source of payment;

(iii) 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 or payable from the revenues of the System prior to or on a parity with the Local Bonds or, if the Reserve Account for the Local Bonds is funded (whether by Local Bond proceeds, monthly deposits or otherwise) at least at 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;

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

(v) That the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay

fully all the Governmental Agency Bonds outstanding, with further restrictions on the disposition of portions of the System as are normally contained in such covenants;

(vi) 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 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 or payable from the revenues of the System prior to the Local Bonds; 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;

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

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

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

(x) 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;

(xi) That it will, to the full extent permitted by applicable law and the rules and regulations of the PSC, discontinue and shut off the services and facilities of the System and, in the event the Governmental Agency owns a water facility (the "Water System"), the Water System to all users of services of

the System delinquent in payment of charges for the services of the System and will not restore the services of either system until all delinquent charges for the services of the System have been fully paid;

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

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

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

(xv) 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;

(xvi) That, except to the extent used to refund the Notes, the proceeds of the Governmental Agency Bonds, except for accrued interest and capitalized interest, if any, must be deposited in a construction fund on which the owner of the Governmental Agency Bonds shall have a lien until such proceeds are applied to the construction of the Project; and

(xvii) That, as long as the Authority is the owner of any of the Governmental Agency Bonds, the Governmental Agency shall not authorize redemption thereof by it without the written consent of the Authority and otherwise in compliance with this Loan Agreement.

The Governmental Agency hereby represents and warrants that the Local Act has been or shall be duly 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, sale and delivery of the Governmental Agency 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 A.

4.2 The WDA Loans shall be secured by the pledge and assignment by the Governmental Agency, as effected by the Local Act, of all the fees, charges and other revenues of the Governmental Agency from the System remaining after the payment of Operating Expenses and as otherwise provided in the Local Act, subject only to such reservations and exceptions as are described in Schedule X hereto or are otherwise expressly permitted in writing by the Authority.

4.3 The principal of the WDA Loans shall be repaid by the Governmental Agency annually on the day and in the years provided in Schedule X hereto. Interest payments on the Loan shall be made by the Governmental Agency on a semiannual basis as provided in said Schedule X.

4.4 The Loan shall bear interest from the date of the delivery to the Authority of the Local Bonds until the date of payment thereof, at the rate or rates per annum set forth on Schedule X hereto. The Supplemental Loan shall bear no interest. 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 Governmental Agency Bonds shall be delivered to the Authority in fully registered form, transferable and exchangeable as provided in the Local Act at the expense of the Governmental Agency.

4.6 The Governmental Agency agrees to pay from time to time, as required by the Authority, the Governmental Agency's allocable share of the reasonable administrative expenses of the Authority relating to the Program. Such administrative expenses shall be as determined by the Authority and shall include without limitation Program expenses and fees paid to the trustee and paying agents for the 1985 Series A Bonds. The Governmental Agency hereby specifically authorizes the Authority to exercise the powers granted it by Section 9.06 of the General Resolution.

4.7 As long as the Authority is the registered owner of any of the Governmental Agency Bonds outstanding, the Governmental Agency shall not redeem such Governmental Agency Bonds outstanding without the written consent of the Authority, and any such redemption of Local Bonds authorized by the Authority shall provide for the payment of interest to the first allowable redemption date for the 1985 Series A Bonds and the redemption premium payable on the 1985 Series A Bonds redeemable as a consequence of such redemption of Local Bonds, all as further prescribed by Section 9.11 of the General Resolution.

Nothing in this Loan Agreement shall be construed to prohibit the Authority from refunding its 1985 Series A Bonds, and such refunding need not be based upon or result in any benefit to the Governmental Agency.

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 WDA Loans, it has fixed and collected, or will fix and collect, the rates, fees and other charges for the use of the System, as set forth in the Local Act and in compliance with the provisions of Subsection 4.1(b)(iii) 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 Governmental Agency Bonds shall prove to be insufficient to produce the minimum sums set forth in the Local Act, the Governmental Agency hereby covenants and agrees that it will, to the extent or in the manner authorized by law, immediately adjust and increase such schedule of rates, fees and charges so as to provide funds sufficient to produce the minimum sums set forth in the Local Act.

5.3 In the event the Governmental Agency defaults in the payment of any fees due to the Authority pursuant to Section 4.6 hereof, the amount of such default shall bear interest at the 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 Section 6a of the Act, including without limitation the right to impose, enforce and collect directly charges upon users of the System.

ARTICLE VI

Other Agreements of the Governmental Agency

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

6.2 To the extent required by law, the Governmental Agency hereby covenants and agrees to secure approval of the Authority and all other State agencies having jurisdiction before applying for federal financial assistance for pollution abatement in order to maximize the amounts of such federal financial assistance received or to be received for all water development projects in the State.

6.3 The Governmental Agency hereby covenants that, to the extent the proceeds of the Governmental Agency Bonds are used to refund Notes, no investment of the proceeds of the Governmental Agency Bonds shall be made that would cause either all or a portion of the Governmental Agency Bonds or the 1985 Series A Bonds to be considered "arbitrage bonds" under the Internal Revenue Code of 1954, as amended, or the United States Treasury Regulations promulgated pursuant thereto, and the Governmental Agency shall deliver to the Authority a certificate of an official responsible for the issuance of the Governmental Agency Bonds and an opinion of bond counsel to such effect.

6.4 At the option of the Authority, the Governmental Agency shall issue and sell to the Authority additional, subordinate bonds to satisfy the obligation of the Governmental Agency described in Section 3.6, above, or to evidence the Governmental Agency's obligation to repay to the Authority any hardship grant received by the Governmental Agency from the Authority in excess of the amount to which the Governmental Agency is entitled pursuant to applicable policies or rules and regulations of the Authority, and the Governmental Agency may issue and sell to the Authority additional, subordinate bonds to fund the Reserve Account or to provide additional funds to the Governmental Agency for completion of construction of the Project. The principal amount of any such additional bonds shall be considered in addition to the maximum principal amount described in Section 3.2, above.

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

ARTICLE VII

Miscellaneous

7.1 Schedule X shall be attached to this Loan Agreement at the time of execution hereof by the Authority and shall be approved by an official action of the Governmental Agency supplementing the Local Act.

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 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.

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

7.6 The 1985 Series A Bonds constitute the next issue of revenue bonds by the Authority contemplated by the Commitment Letter. Accordingly, if the Governmental Agency does not execute this Loan Agreement and return it to the Authority by the date designated below, any obligations of the Authority under the Commitment Letter shall terminate, and the Authority shall have no further obligations to the Governmental Agency.

7.7 By execution and delivery of this Loan Agreement, the Governmental Agency specifically recognizes that it is hereby agreeing to sell its Governmental Agency Bonds to the Authority and that such obligation may be specifically enforced or subject to a similar equitable remedy by the Authority.

7.8 This Loan Agreement shall terminate upon the earlier of:

- (i) at the option of the Authority, failure by the Governmental Agency to deliver the Governmental Agency Bonds to the Authority on the Date of WDA Loan Closings designated below;

- (ii) termination by the Authority pursuant to Section 6.5 hereof; or

- (iii) payment in full of the principal of and interest on the WDA Loans and of any fees and charges owed by the Governmental Agency to the Authority.

Notwithstanding the foregoing, the Governmental Agency may terminate this Loan Agreement by written notice to the Authority within one week after receipt by the Governmental Agency of Schedule X hereto if the interest rate on the Governmental Agency Bonds exceeds ten percent (10%) per annum or the discount on the Governmental Agency Bonds exceeds five percent (5%) (in both cases, calculated as if the Governmental Agency Bonds constituted one issue).

REQUIRED DATE OF RETURN TO AUTHORITY: March 29, 1985

DATE OF WDA LOANS CLOSING (must be the business day on which the Governmental Agency is required to issue its revenue bonds pursuant to the terms of the ordinance authorizing the Notes or, if there is no such specific requirement, one business day prior to the scheduled maturity of the Notes or the earlier redemption date thereof if the Notes are in fact called for redemption, but not later than 27 months from the date the 1985

Series A Bonds are delivered to the original purchasers thereof): October 15, 1986 *

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 Governmental Agency, but this Loan Agreement shall not be binding on the Authority until executed by it.

CITY OF McMECHEN

(SEAL.)

By

Alfred E. Trust
Its Mayor

Attest:

Date:

3-21-85

Its

John A. Funder
Recorder

WEST VIRGINIA WATER DEVELOPMENT
AUTHORITY

(SEAL)

By

Edgar N. Henry
Director

Attest:

Date:

May 22, 1985

Daniel B. Bosh
Secretary-Treasurer

*This date may be inserted after March 29, 1985, but prior to April 11, 1985; provided, that the Governmental Agency must still return this Loan Agreement by March 29, 1985, and will be nevertheless bound by it and that, if the Governmental Agency is required to issue its revenue bonds on or prior to a certain date, such certain date shall be considered the day on which such issuance is required.

SCHEDULE X

CITY OF McMECHEN

Description of Governmental Agency Bonds

Principal Amount of Local Bonds	\$731,000
Purchase Price of Local Bonds	\$731,000 (par)
No Supplemental Bonds are to be issued.	

Interest on Local Bonds is payable on April 1 and October 1 in each year, beginning with the first semi-annual interest payment date after delivery of the Local Bonds to the Authority, until the Local Bonds are paid in full, at the rate of 9.75% per annum. Principal of Local Bonds is payable on October 1 in each year as set forth on Exhibit 1 hereof.

Principal Amount of outstanding prior or parity indebtedness as of May 22, 1985: \$-0-

City of McMechen
Debt Service Schedule at 9.75% Borrowing Rate

MATURITY DATE	COUPON	PRINCIPAL	INTEREST	DEBT SERVICE
10/ 1/1987	9.750	1,768.00	67,510.90	69,278.90
10/ 1/1988	9.750	1,940.00	71,100.12	73,040.12
10/ 1/1989	9.750	2,129.00	70,910.97	73,039.97
10/ 1/1990	9.750	2,337.00	70,703.39	73,040.39
10/ 1/1991	9.750	2,565.00	70,475.54	73,040.54
10/ 1/1992	9.750	2,815.00	70,225.45	73,040.45
10/ 1/1993	9.750	3,089.00	69,950.99	73,039.99
10/ 1/1994	9.750	3,390.00	69,649.81	73,039.81
10/ 1/1995	9.750	3,721.00	69,319.28	73,040.28
10/ 1/1996	9.750	4,083.00	68,956.49	73,039.49
10/ 1/1997	9.750	4,482.00	68,558.39	73,040.39
10/ 1/1998	9.750	4,918.00	68,121.40	73,039.40
10/ 1/1999	9.750	5,398.00	67,641.89	73,039.89
10/ 1/2000	9.750	5,924.00	67,115.59	73,039.59
10/ 1/2001	9.750	6,502.00	66,538.00	73,040.00
10/ 1/2002	9.750	7,136.00	65,904.05	73,040.05
10/ 1/2003	9.750	7,832.00	65,208.29	73,040.29
10/ 1/2004	9.750	8,595.00	64,444.67	73,039.67
10/ 1/2005	9.750	9,433.00	63,606.66	73,039.66
10/ 1/2006	9.750	10,353.00	62,686.94	73,039.94
10/ 1/2007	9.750	11,362.00	61,677.53	73,039.53
10/ 1/2008	9.750	12,470.00	60,569.73	73,039.73
10/ 1/2009	9.750	13,686.00	59,353.91	73,039.91
10/ 1/2010	9.750	15,021.00	58,019.52	73,040.52
10/ 1/2011	9.750	16,485.00	56,554.97	73,039.97
10/ 1/2012	9.750	18,092.00	54,947.69	73,039.69
10/ 1/2013	9.750	19,856.00	53,183.72	73,039.72
10/ 1/2014	9.750	21,792.00	51,247.76	73,039.76
10/ 1/2015	9.750	23,917.00	49,123.04	73,040.04
10/ 1/2016	9.750	26,249.00	46,791.13	73,040.13
10/ 1/2017	9.750	28,808.00	44,231.85	73,039.85
10/ 1/2018	9.750	31,617.00	41,423.07	73,040.07
10/ 1/2019	9.750	34,700.00	38,340.41	73,040.41
10/ 1/2020	9.750	38,083.00	34,957.16	73,040.16
10/ 1/2021	9.750	41,796.00	31,244.07	73,040.07
10/ 1/2022	9.750	45,871.00	27,168.96	73,039.96
10/ 1/2023	9.750	50,343.00	22,696.54	73,039.54
10/ 1/2024	9.750	55,252.00	17,788.10	73,040.10
10/ 1/2025	9.750	60,639.00	12,401.03	73,040.03
10/ 1/2026	9.750	66,551.00	6,488.72	73,039.72
		731,000.00	2,186,837.68	2,917,837.68

SMITH BARNEY, HARRIS UPHAM & CO. INCORPORATED
OCTOBER 16, 1986

EXHIBIT A

[Opinion of Bond Counsel for Governmental Agency]

[To Be Dated as of Date of WDA Loans Closing]

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

Gentlemen:

We are bond counsel to the City of McMechen (the "Governmental Agency"), a municipal corporation organized and existing under the laws of the State of West Virginia.

We have examined a certified copy of proceedings and other papers relating to (i) the authorization of a loan agreement, dated _____, 19__ (the "Loan Agreement"), between the Governmental Agency and the West Virginia Water Development Authority (the "Authority") and (ii) the issue of two separate series of revenue bonds of the Governmental Agency, dated _____, 19__ (the "Governmental Agency Bonds"), to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The series of Governmental Agency Bonds described in the Loan Agreement as Local Bonds is in the principal amount of \$_____, issued in the form of one bond registered as to principal and interest to the Authority, interest payable _____ 1 and _____ 1 of each year, beginning _____ 1, 19__, at the respective rate or rates and with principal payable in installments on _____ 1 in each of the years, all as follows:

<u>Year</u>	<u>Installment</u>	<u>Interest Rate</u>
-------------	--------------------	----------------------

The series of Governmental Agency Bonds described in the Loan Agreement as the Supplemental Bonds is in the principal amount of \$_____, issued in the form of one bond registered as to principal to the Authority, without interest thereon, with principal payable in installments on _____ 1 in each of the years, as follows:

Year

Installment

The Governmental Agency Bonds are issued for the purpose of _____ and paying certain issuance and other costs in connection therewith.

We have also examined the applicable provisions of Chapter 16, Article 13, of the Code of West Virginia, 1931, as amended (the "Local Statute"), under which the Governmental Agency Bonds are issued, and the Loan Agreement that has been undertaken, including all schedules and exhibits to the Loan Agreement. The Governmental Agency Bonds have been authorized by a bond ordinance (the "Local Act") duly enacted by the Governmental Agency, which contains provisions and covenants substantially in the form of those set forth in Section 4.1 of the Loan Agreement. The Governmental Agency 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 obligation of the Governmental Agency enforceable in accordance with the terms thereof.

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

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

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

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

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

7. The Governmental Agency Bonds are, by statute, exempt from taxation by the State of West Virginia or any county, municipality or political subdivision or agency thereof, 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 exempt from federal income taxation.

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

We have examined executed Local Bond numbered R-1 and Supplemental Bond numbered S-1, and in our opinion the form of said bonds and their execution are regular and proper.

Very truly yours,

(SPECIMEN BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF McMECHEN
SEWER REVENUE BOND, SERIES 1986

No. R-1

\$731,000

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF McMECHEN, a municipal corporation of the State of West Virginia in Marshall 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 West Virginia Water Development Authority (the "Authority") or registered assigns the sum of Seven Hundred Thirty-one Thousand Dollars (\$731,000), in installments on October 1 of each year as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference with interest on each installment at the rate per annum set forth on said Exhibit A.

The interest rate on each installment shall run from the original date of delivery of this Bond to the Authority and payment therefor, and until payment of such installment, and such interest shall be payable on April 1 and October 1 in each year, beginning April 1, 1987. 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 Kanawha Valley Bank, N.A., Charleston, West Virginia, as registrar (the "Registrar") on the 15th day of the month preceding an interest payment date, or by such other method as shall be mutually agreeable so long as the Authority is the registered owner hereof.

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority, and upon the terms and conditions prescribed by, and otherwise in compliance with the Loan Agreement between the Issuer and the Authority dated March 21, 1985.

This Bond is issued (i) to refund and pay the entire principal amount of the Sewerage System Bond Anticipation Notes, Series 1985, of the Issuer (the "Notes") issued to temporarily finance part of the costs of acquisition and construction of additions, betterments and improvements for the existing sewage collection and transportation facilities of the Issuer (the "Project") pending issuance of this Bond; and (ii) to pay certain costs of issuance hereof and related costs. This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13 of the West Virginia Code of 1931, as amended (the "Act"), and an Ordinance and Supplemental Resolution, duly enacted and adopted, respectively, by the Issuer on the 16th day of October, 1986 (collectively called the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, moneys in the Reserve Account created under the Bond Legislation for the Bonds (the "Reserve Account"), and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Net Revenues, the moneys in the Reserve Account and unexpended Bond proceeds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the amount required to pay the maximum amount due in any fiscal year of principal of and interest on the Bonds and all other obligations secured by or payable from such revenues prior to or on a parity with the Bonds, provided however, that so long as there exists in the Reserve Account an amount at least equal to the maximum amount of principal and interest which will come due on the Bonds in any fiscal year, and there exists in the reserve accounts established for any other obligations outstanding prior to or on a parity with the Bonds, an amount at least equal to the requirement therefor, such percentage

may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

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

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

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law, shall be applied solely to the payment of the Notes, 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 have existed, have happened, and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of the Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the revenues of the System has been pledged to and will be set aside into said special fund by the Issuer for the prompt payment of the principal of and interest on this Bond.

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

IN WITNESS WHEREOF, the CITY OF McMECHEN has caused this Bond to be signed by its Mayor and its corporate seal to be hereunto affixed hereon and attested by its City Clerk, and has caused this Bond to be dated October 20, 1986.

[SEAL]

Mayor

ATTEST:

City Clerk

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

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

Date: October 20, 1986

KANAWHA VALLEY BANK, N.A.,
as Registrar

By _____
Its Authorized Officer

EXHIBIT A

City of McMechen
Debt Service Schedule at 9.75% Borrowing Rate

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10/ 1/2009	9.750	13,686.00	59,353.91	73,039.91
10/ 1/2010	9.750	15,021.00	58,019.52	73,040.52
10/ 1/2011	9.750	16,485.00	56,554.97	73,039.97
10/ 1/2012	9.750	18,092.00	54,947.69	73,039.69
10/ 1/2013	9.750	19,856.00	53,183.72	73,039.72
10/ 1/2014	9.750	21,792.00	51,247.76	73,039.76
10/ 1/2015	9.750	23,917.00	49,123.04	73,040.04
10/ 1/2016	9.750	26,249.00	46,791.13	73,040.13
10/ 1/2017	9.750	28,808.00	44,231.85	73,039.85
10/ 1/2018	9.750	31,617.00	41,423.07	73,040.07
10/ 1/2019	9.750	34,700.00	38,340.41	73,040.41
10/ 1/2020	9.750	38,083.00	34,957.16	73,040.16
10/ 1/2021	9.750	41,796.00	31,244.07	73,040.07
10/ 1/2022	9.750	45,871.00	27,168.96	73,039.96
10/ 1/2023	9.750	50,343.00	22,696.54	73,039.54
10/ 1/2024	9.750	55,252.00	17,788.10	73,040.10
10/ 1/2025	9.750	60,639.00	12,401.03	73,040.03
10/ 1/2026	9.750	66,551.00	6,488.72	73,039.72
		731,000.00	2,186,837.68	2,917,837.68

SMITH BARNEY, HARRIS UPHAM & CO. INCORPORATED
OCTOBER 16, 1986

ASSIGNMENT

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

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

Dated: _____, _____.

In the presence of:

10/12/86
MCME1-T

STEPTOE & JOHNSON

ATTORNEYS AT LAW

SIXTH FLOOR

UNION NATIONAL CENTER EAST

P. O. BOX 2190

CLARKSBURG, W. VA. 26302-2190

(304) 624-8000

TELECOPIER (304) 622-2676

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715 CHARLESTON NATIONAL PLAZA

P. O. BOX 1588

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HERSCHEL H. ROSE, III
CHRISTOPHER R. BASTIEN
STEVEN P. MCGOWAN
MARTIN R. SMITH, JR.

OF COUNSEL

ROBERT W. LAWSON, JR.
EDWARD W. EARDLEY
EUGENE G. EASON

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WILLIAM E. GALEOTA
GORDON H. COPLAND
RANDALL C. LIGHT
RICHARD M. YURKO, JR.
GARY W. NICKERSON
W. RANDOLPH FIFE

October 20, 1986

WRITER'S DIRECT DIAL NUMBER

City of McMechen Sewer Revenue Bonds, Series 1986

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

Gentlemen:

We are bond counsel to the City of McMechen (the "Governmental Agency"), a municipal corporation and political subdivision organized and existing under the laws of the State of West Virginia.

We have examined a certified copy of proceedings and other papers relating to (i) the authorization of a loan agreement, dated March 21, 1985 (the "Loan Agreement"), between the Governmental Agency and the West Virginia Water Development Authority (the "Authority") and (ii) the issue of revenue bonds of the Governmental Agency, dated October 20, 1986 (the "Governmental Agency Bonds"), to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Governmental Agency Bonds are in the principal amount of \$731,000, issued in the form of one bond registered as to principal and interest to the Authority, interest payable April 1 and October 1 of each year, beginning April 1, 1987, at the rate of 9.75% per annum, and with principal installments payable on October 1 in each of the years 1987 through 2025, inclusive, all as set forth in "Schedule X," attached to the Loan Agreement.

The Governmental Agency Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 16, Article 13 of the Code of West Virginia, 1931, as amended (the "Local Statute") for the purposes of paying, on November 1, 1986, the Governmental Agency's Sewerage System Bond Anticipation Notes, Series 1985, dated May 1, 1985 (the "Notes"), and paying certain issuance and other costs in connection therewith.

We have also examined the applicable provisions of the Local Statute, under which the Governmental Agency Bonds are issued, and the Loan Agreement that has been undertaken, including all schedules and exhibits to the Loan Agreement. The Governmental Agency Bonds have been authorized by a bond ordinance and a supplemental resolution (collectively, the "Local Act") duly enacted and adopted by the Governmental Agency, which contains provisions and covenants substantially in the form of those set forth in Section 4.1 of the Loan Agreement. The Governmental Agency 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 obligation of the Governmental Agency enforceable in accordance with the terms thereof.
2. The Loan Agreement inures to the benefit of the Authority and cannot be amended so as to affect adversely the rights of the Authority or diminish the obligations of the Governmental Agency without the consent of the Authority.
3. The Governmental Agency is a duly organized and presently existing municipal corporation and political subdivision of the State of West Virginia, with full power and authority to construct and acquire the Project and to operate and maintain the System referred to in the Loan Agreement and to issue and sell the Governmental Agency Bonds, all under the Local Statute and other applicable provisions of law.
4. The Governmental Agency has legally and effectively enacted and adopted the Local Act and all other necessary ordinances and resolutions in connection with the issuance and sale of the Governmental Agency Bonds.
5. The Governmental Agency Bonds are valid and legally enforceable special obligations of the Governmental Agency, payable from the net revenues of the System referred to in the Local Act and secured by a first lien on and pledge of the net revenues of said System, all in accordance with the terms of the Governmental Agency Bonds and the Local Act, and have been duly issued and delivered to the Authority.
6. The Governmental Agency Bonds are, under the Local Statute, exempt from taxation by the State of West Virginia and any county, municipality, political subdivision or agency thereof, 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 exempt from federal income taxation and is exempt from personal income taxes imposed directly thereon by the State of West Virginia; provided that no opinion is expressed

with respect to application of the alternative minimum tax to the interest on the Local Bonds as part of the untaxed reported profit of corporations.

Please be further advised that the rights of the holders of the Local Bonds and the enforceability of remedies with respect to the Local Bonds, the Local Act and the Loan Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights (to the extent constitutionally applicable) and that the enforcement thereof may also be subject to the exercise of judicial discretion in appropriate cases.

We have examined the executed 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,


STEPTOE & JOHNSON

10/12/86
MCME1-L

STEPTOE & JOHNSON

ATTORNEYS AT LAW

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GARY W. NICKERSON
W. RANDOLPH FIFE

October 20, 1986

City of McMechen Sewer Revenue Bonds, Series 1986

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

Gentlemen:

We have examined a transcript of proceedings relating to the issuance of \$731,000 aggregate principal amount of Sewer Revenue Bonds, Series 1986 (the "Governmental Agency Bonds") of the City of McMechen (the "Governmental Agency"), and a Certificate as to Arbitrage executed by the Mayor of the Governmental Agency on this date.

We are of the opinion that the facts, estimates and circumstances set forth in the Certificate as to Arbitrage are sufficient to satisfy the requirements of Section 148 of the Internal Revenue Code of 1986, to support the conclusion that the Governmental Agency Bonds are not "arbitrage bonds" as therein defined. No matters have come to our attention which make unreasonable or incorrect the representations made in said Certificate.

Accordingly, it is our opinion that, under existing statutes, regulations, rulings and court decisions, the Governmental Agency Bonds will not be "arbitrage bonds" as so defined.

Very truly yours,

Steptoe & Johnson
STEPTOE & JOHNSON

10/11/86
MCME1-M

Robinson & Dickinson

ATTORNEYS AT LAW

77 TWELFTH STREET

JACOB M. ROBINSON
DANIEL W. DICKINSON, JR.

WHEELING, WEST VIRGINIA 26003

October 20, 1986

AREA CODE 304
233-5200

ROBYN RUTTENBERG

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

Steptoe & Johnson
P.O. Box 2190
Clarksburg, West Virginia 26301

RE: City of McMechen
Sewer Revenue Bonds, Series 1986

Gentlemen:

I am Special Counsel to the City of McMechen (Sewer Project), in Marshall County, West Virginia (the "Governmental Agency"). As such counsel, I have examined copies of the approving opinion of Steptoe & Johnson, as bond counsel, the Loan Agreement by and between the West Virginia Water Development Authority (the "Authority") and the Governmental Agency, dated March 21, 1985, the Local Act (as defined therein) and other documents relating to the above-captioned Governmental Agency Bonds of the Governmental Agency. Terms used in said opinions, Local Act and Loan Agreement and not otherwise defined herein, have the same meanings herein.

I am of the opinion that:

1. The Loan Agreement has been duly authorized, executed, and delivered by the Governmental Agency and, assuming due authorization, execution and delivery by the Authority, constitutes a valid and binding agreement of the Governmental Agency in accordance with its terms.
2. The members of the city council of the Governmental Agency have been duly and properly elected, have taken the requisite oaths, and are authorized to act on behalf of the Governmental Agency.
3. The Local Act has been duly enacted and adopted by the Governmental Agency and is in full force and effect.

4. The execution and delivery of the Governmental Agency Bonds and the Loan Agreement and the consummation of the transactions contemplated by the Loan Agreement, and the carrying out of the terms thereof, do not and will not in any material respect conflict with or constitute on the part of the Governmental Agency a breach of or default under any agreement or other instrument to which the Governmental Agency is a party or any existing law, regulation, court order or consent decree to which the Governmental Agency is subject.

5. The Governmental Agency has received all the permits, licenses, approvals and authorizations necessary for the issuance of the Governmental Agency Bonds, construction of the Project, operation of the System and imposition of rates and charges, and has taken any other action required for the imposition of such rates and charges, including, without limitation, the enactment of an ordinance as to such rates and charges and the receipt of all requisite orders and approvals from the Public Service Commission of West Virginia. The time for appeal of the ordinance enacting such rates and charges has expired prior to the date hereof.

6. To the best of my knowledge, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by the Loan Agreement or the validity of the Governmental Agency Bonds or the collection or pledge of the Net Revenues.

All counsel to this transaction may rely upon this opinion as if specifically addressed to them.

Very truly yours,
ROBINSON & DICKINSON

Robyn Rutenberg
Robyn Rutenberg

CITY OF McMECHEN

Sewer Revenue Bonds, Series 1986

ENGINEER'S CERTIFICATE

I, Harvey L. Barnes, Registered Professional Engineer, West Virginia License No. 9339 of Green International, Inc., Consulting Engineers, Sewickley, Pennsylvania, hereby certify as follows:

1. My firm is engineer for the construction and acquisition of certain public service properties for the collection and transportation of sewage and industrial wastes (the "Project") for the City of McMechen (the "Governmental Agency"). Certain costs of such construction and acquisition are being permanently financed in part by proceeds of the above-captioned bonds (the "Governmental Agency Bonds") and out of certain grant proceeds from the United States Environmental Protection Agency ("EPA") and others.

2. The undersigned hereby certifies that (i) the Project completed to date, and that yet to be completed, has been, or will be, constructed in accordance with the approved plans, specifications and designs prepared by my firm, as described in the Application submitted to the West Virginia Water Development Authority (the "Application") and approved by all necessary governmental bodies and is situate wholly or chiefly within the boundaries of the City of McMechen; (ii) the Project is adequate for the purpose for which it was designed and all necessary governmental approvals and permits for the construction thereof have been obtained; (iii) my firm has examined and reviewed all plans, specifications, bid documents and construction contracts relating to the Project and all bids for construction of the Project have been received in an amount and are otherwise compatible with the plan of financing described in the Application and my firm has ascertained that all contractors have made required provisions for all insurance and payment and performance bonds and that such insurance policies or binders and such bonds have been verified by my firm for accuracy and completeness; (iv) the Governmental Agency has obtained all permits required by the laws of the State of West Virginia and the United States of America necessary for construction of the Project and operation of the System, including permits from the EPA and the West Virginia Department of Natural Resources; (v) the construction and funding for the Project should proceed to a successful conclusion within the time schedules proposed; (vi) the useful life of the

facilities constituting the Project is not less than 40 years; (vii) the rates and charges for the sewerage system of the Governmental Agency comply with the applicable provisions of 4.1(b) of the Loan Agreement by and between West Virginia Water Development Authority and the Governmental Agency; and (viii) the net proceeds of the Governmental Agency Bonds, together with all other monies on deposit or to be simultaneously deposited and irrevocably pledged thereto and the proceeds of grants irrevocably committed therefor, are sufficient to pay in full the Bond Anticipation Notes at or prior to the maturity thereof and to pay in full any remaining Costs of the Project as the same shall become due and payable.

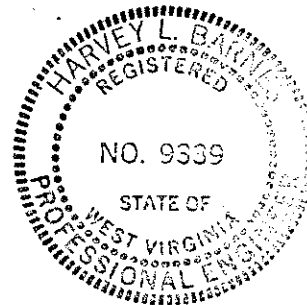
WITNESS my signature on this 20th day of October 1986.

GREEN INTERNATIONAL, INC.

By

Harvey L. Barnes

Harvey L. Barnes, P.E.



Pearl, File & Company

CERTIFIED PUBLIC ACCOUNTANTS
409 MARKET STREET, SUITE 100
PARKERSBURG, WEST VIRGINIA 26101
(304) 428-1886

MICHAEL F. PEARL, CPA

RICHARD A. FILE, CPA

October 20, 1986

City of McMechen
Sewer Revenue Bonds, Series 1986

West Virginia Water Development Authority
1201 Dunbar Avenue
Dunbar, West Virginia 25605

Gentlemen:

Based upon the rates and charges as set forth in the Ordinance of the City of McMechen enacted April 2, 1985, and projected operation and maintenance expenses as furnished to us by Green International, Inc., and based upon the June 30, 1985 financial statements and anticipated customer usage of the City of McMechen's public sewerage system, upon which our audit report was dated June 6, 1986, it is our opinion that such rates and charges will be sufficient to provide revenues which, together with other revenues of the sewerage system of the City of McMechen, will pay all repair, operation and maintenance expenses and leave a balance each year equal to at least 115% of the maximum amount required in any year for debt service on the Sewer Revenue Bonds, Series 1986 to be issued to Water Development Authority and all other obligations secured or payable from the revenues of the System prior to or on a parity with such Sewer Revenue Bonds, Series 1986.

Very truly yours,

PEARL, FILE & COMPANY


Michael F. Pearl, CPA

10/20/86
MCME1-F

CITY OF McMECHEN

Sewer Revenue Bonds, Series 1986

TRUSTEE'S CERTIFICATION OF DEFEASANCE OF BOND ANTICIPATION NOTES

Security National Bank & Trust Co., a national banking association with principal office in the City of Wheeling, West Virginia, as trustee (the "Trustee") under that certain trust indenture dated as of May 1, 1985, by and between the City of McMechen and the Trustee (the "Indenture") securing the Sewerage System Bond Anticipation Notes, Series 1985 of the City of McMechen, dated as of May 1, 1985, in the aggregate principal amount of \$725,000, which mature November 1, 1986 (the "Notes") hereby certifies that it has received the sum of \$731,000 and has deposited such sum in the BAN Debt Service Fund established by the Indenture, and that such sum, together with other moneys now on deposit in said BAN Debt Service Fund is sufficient to pay, at maturity, the entire principal amount of and interest to accrue on the Bond Anticipation Notes. Said moneys in the BAN Debt Service Fund shall be used for no other purpose, and the Bond Anticipation Notes are thereby defeased in accordance with the Indenture.

Dated this 20th day of October, 1986.

SECURITY NATIONAL BANK & TRUST CO.

By Mark A. McKee
Its Administrative Assistant

11/04/86
MCME1-H

CITY OF McMECHEN

Sewer Revenue Bonds, Series 1986

CERTIFICATE OF REGISTRATION OF BONDS

I, CHARLOTTE S. MORGAN ASSIST. CORPORATE TRUST ^{Officer} of Kanawha Valley Bank, N.A., as Registrar under the Local Act and Registrar's Agreement providing for the \$731,000 aggregate principal amount of Sewer Revenue Bonds, Series 1986, of the City of McMechen (the "Governmental Agency"), hereby certify that on the 20th day of October, 1986, the single fully registered Series 1986 Bond of the Governmental Agency in the principal amount of \$731,000 designated "Sewer Revenue Bond, Series 1986," numbered R-1, and ~~was~~ registered as to principal and interest on the date hereof in the name of "West Virginia Water Development Authority" in the books of the Governmental Agency kept for that purpose at our office, by a duly authorized officer on behalf of the Kanawha Valley Bank, N.A., as Registrar.

WITNESS my signature as of this 20th day of October, 1986.

KANAWHA VALLEY BANK, N.A.

By

Its

CHARLOTTE S. MORGAN
ASSIST. CORPORATE TRUST

^{Officer}

10/12/86

MCME1-Q

REGISTRAR'S AGREEMENT

THIS REGISTRAR'S AGREEMENT, dated as of the 20th day of October, 1986, by and between the CITY OF McMECHEN, a municipal corporation and political subdivision of the State of West Virginia (the "Governmental Agency"), and KANAWHA VALLEY BANK, N.A., a national banking association (the "Registrar").

WHEREAS, the Governmental Agency has, contemporaneously with the execution hereof, issued and sold its \$731,000 aggregate principal amount of Sewer Revenue Bonds, Series 1986, in fully registered form (the "Governmental Agency Bonds"), pursuant to a Bond Ordinance and a Supplemental Resolution, enacted and adopted October 16, 1986 (collectively, the "Local Act");

WHEREAS, capitalized words and terms used in this Registrar's Agreement and not otherwise defined herein shall have the respective meanings given them in the Local Act, a copy of which is attached as Exhibit A hereto and incorporated herein by reference;

WHEREAS, the Local Act provides for an appointment by the Governmental Agency of a Registrar for the Governmental Agency Bonds; and

WHEREAS, the Governmental Agency desires to appoint, and by the Local Act and this Registrar's Agreement does appoint, the Registrar to act as Registrar under the Local Act and to take certain other actions hereinafter set forth;

NOW, THEREFORE, it is agreed by and between the parties hereto as follows:

1. Upon the execution of this Registrar's Agreement by the Governmental Agency and the Registrar and during the term hereof, the Registrar does accept and shall have and carry out the powers and duties of Registrar for the Governmental Agency Bonds, all as set forth in the Local Act, such duties including, among other things, the duties to authenticate, register and deliver Governmental Agency Bonds upon original issuance and when properly presented for exchange or transfer, and shall do so with the intention of maintaining the exemption of interest on the Governmental Agency Bonds from federal income taxation, in

accordance with any rules and regulations promulgated by the United States Treasury Department or by the Municipal Securities Rulemaking Board or similar regulatory bodies as the Governmental Agency advises it of and with generally accepted industry standards.

2. The Registrar agrees to furnish the Governmental Agency with appropriate records of all transactions carried out by it as Registrar and to furnish the Governmental Agency with the names and specimen signatures of the Registrar's authorized officers for the purposes of acting as the Registrar and with such other information and reports as the Governmental Agency may from time to time reasonably require.

3. The Registrar shall have no responsibility or liability for any action taken by it at the specific direction of the Governmental Agency.

4. The Governmental Agency hereby agrees to indemnify the Registrar against any loss, liability or expense incurred by the Registrar other than liability arising by reason of the bad faith, negligence or willful misconduct of the Registrar, and the Registrar hereby agrees to indemnify the Governmental Agency against any loss, liability or expense incurred by the Governmental Agency by reason of the bad faith, negligence or willful misconduct of the Registrar. Such expense, in either case, shall include the costs and expenses of defending against any claim or liability. Neither the Governmental Agency nor the Registrar shall be liable under or held in breach of this Registrar's Agreement if prevented, hindered or delayed in the performance or observance of any provision of this Registrar's Agreement by reason of any act of God, strikes, lockouts, riots, acts of war, epidemics, government action or regulation imposed after the fact, judicial order, earthquakes, floods, fires or other causes beyond their reasonable control.

5. As compensation for acting as Registrar pursuant to this Registrar's Agreement, the Governmental Agency hereby agrees to pay to the Registrar, from time to time, the compensation for services rendered as provided in the annexed schedule and reimbursement for reasonable expenses incurred in connection therewith.

6. It is intended that this Registrar's Agreement shall carry out and implement provisions of the Local Act with respect to the Registrar. In the event of any conflict between the terms of this Registrar's Agreement and the Local Act, the terms of the Local Act shall govern.

7. The Governmental Agency and the Registrar each warrants and represents that it is duly authorized and empowered to

execute and enter into this Registrar's Agreement and that neither such execution nor the performance of its duties hereunder or under the Local Act will violate any order, decree or agreement to which it is a party or by which it is bound.

8. This Registrar's Agreement may be terminated by either party upon 60 days' written notice sent by registered or certified mail to the other party, at the following respective addresses:

ISSUER: City of McMechen
City Hall
47 Ninth Street
McMechen, West Virginia 26040
Attention: Mayor

AGENT: Kanawha Valley Bank, N.A.
One Valley Square
Post Office Box 1793
Charleston, West Virginia 25301
Attention: Corporate Trust Department

9. The Registrar is hereby requested and authorized to authenticate and deliver the Governmental Agency Bonds in accordance with the Local Act.

IN WITNESS WHEREOF, the CITY OF McMECHEN and KANAWHA VALLEY BANK, N.A. have respectively caused this Registrar's Agreement to be signed in their names and on their behalf, all as of the day and year first above-written.

CITY OF McMECHEN

By *Allen E. Tenth*
Its Mayor

KANAWHA VALLEY BANK, N.A.

By *Charles S. Morgan*
Its ASSIST. CORPORATE TRUST
OFFICER

10/12/86
MCME1-R

ASSIGNMENT SEPARATE FROM BOND

FOR VALUE RECEIVED, the West Virginia Water Development Authority hereby sells, assigns and transfers unto Kanawha Valley Bank, N.A., Charleston, West Virginia, the Sewer Revenue Bond, Series 1986, of the City of McMechen in the principal amount of \$731,000, No. R-1, standing in the name of West Virginia Water Development Authority on the books of said Governmental Agency.

Dated: October 20, 1986.

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

Daniel B. Zuposky
Authorized Representative

10/12/86
MCME1-S